

Be the Lender

Credit Decision Activity

Pretend that you are a bank. You have \$10,000 to lend, but you can only choose one person to receive the loan. Read the five profiles below, and rank each person in order of your lending preference, with 1 being your top lending choice and 5 being your last lending choice. Justify your decisions using the review questions at the end. Remember, when approving a loan, banks consider factors like income, job history, assets, and credit history, including payment history, collections, and bankruptcies.

Rank

Avery

Avery filed for Chapter 13 bankruptcy two years ago. After five years of spending more money than she makes each month, she was unable to keep up with her debt payments. Since her bankruptcy, she has started cutting expenses but has still missed two credit card payments.

Benjamin

Benjamin has had a stable job for the past year and is usually a good saver. However, after piling up credit card debt, he stopped paying his cellphone bill and was sent to collections two years ago. For the past two years, he's never missed a loan payment.

Diego

Diego has had a credit card for the past five years and never missed a payment. He has had the same job for the past three years and saves 10% of his income in an emergency savings account.

ZACH

Zach has never borrowed money before. He was a straight-A student in college and has been in his first apartment for about three months.

Jessica

Jessica has had a difficult time keeping a job for the past three years. She has held five different positions and has gone for months at a time without a job. She has one credit card and despite her income troubles, has always managed to make the payment on time since she has been fortunate enough to have had no major emergencies.

Rationale

Explain why you ranked each person the way you did. What about each person's situation influenced your decision?

Avery

Benjamin

Diego

Zach

Jessica