

EconEdLink: Who is Credit-Worthy?

Name: _____ Date: _____

Read each of the situations below. In the boxes that follow, rate the character, capacity and collateral of the person asking for credit on a scale of 1 to 5. Use 1 for a poor rating and 5 for very good. If you can't make a rating with the information provided, leave the box blank. Next, write 3-4 sentences telling whether you would make a loan to the person and why.

Remember:

- **Character** is a borrower's willingness to pay and you past history paying back loans
- **Capacity** is the borrower's ability to pay back the money you have borrowed.
- **Collateral** is property that can be taken to cover the amount owed if the borrower fails to pay you back as promised.

Situation 1. You and your best friend are at the mall when you find a video game on sale that you both have wanted for weeks. Your friend has half of the \$20 needed to buy it. He asks you to lend him the rest. You have loaned him small amounts for lunch in the past and he has always paid you back.

Character

Capacity

Collateral

Your Decision:

Situation 2. Your older sister needs \$5.00 to buy gas to get to work. She says she will pay you back tomorrow when she gets her paycheck. You remind her she already owes you \$12.00 and she has a history of not paying you back as promised. She offers to let you keep her boom box until she pays you back.

Character

Capacity

Collateral

Your Decision:

Situation 3. You and a new friend are at the movies on Saturday afternoon. Your friend asks you to lend her \$2.50 for popcorn. He tells you he will pay you back when she gets her allowance at the end of the week.

Character

Capacity

Collateral

Your Decision:

Situation 4. A friend asks to borrow your favorite T-shirt. She has borrowed clothing from you before. Sometimes she returns things right away. But other times you have to keep reminding her that you want an item back. You don't appreciate it when she returns things dirty and stained.

Character

Capacity

Collateral

Your Decision:

Situation 5. Your younger brother wants to buy a model car he sees while you are at a car show. You know he has enough money at home in his piggy bank to pay you back half of what he is borrowing. He will have to take the rest out of his allowance over the next four weeks.

Character

Capacity

Collateral

Your Decision:

Situation 6. A neighbor asks you to lend him your baseball glove. Last year, he borrowed your glove and lost it. He eventually bought you a new glove but you weren't very happy waiting 8 weeks till he had earned enough money to pay for it.

Character

Capacity

Collateral

Your Decision: