

Bank Loans

New words to remember

- ✓ bank loan
- ✓ credit risk
- ✓ interest
- ✓ cosigner

What is a Bank Loan?

Borrowing money from the bank is called a *bank loan*. People borrow money from the bank for many reasons. One reason to get a bank loan might be to buy a car. A bank loan could be used to buy a garden tractor.

How Does it Work?

To get a bank loan you will need to fill out a loan application. The bank will check the information on your application to be sure you are a good *credit risk*. A good credit risk means that you make enough money to pay back the loan. It also means you have paid your bills on time.

The bank will charge *interest* on the loan. Interest is the cost of using the bank's money. Interest is a percentage of the total loan. You will pay back the amount of the loan plus the amount of interest. You must pay back the loan and interest by a certain day each month.

Questions to Ask Before Getting a Loan

Each loan will have different interest rates and rules. Ask questions about the loan. If possible, check with other banks before you decide to take a bank loan.

These questions might help you:

- How much income do I need to get the loan?
- How much interest will I have to pay?
- When will I have to start making payments?
- How many payments will I have to make?
- What will my monthly payment be?
- How much is the late fee?
- When will I have to pay a late fee?

What is a Cosigner?

Sometimes the bank will not give a loan. If the bank does not agree to a loan, you might get a loan with a *cosigner*. A cosigner agrees to pay back the amount of your loan if you can not make the payments. A cosigner agrees to pay back your interest too.

Should You Cosign a Loan for Someone Else?

Think very carefully before you cosign a loan for someone. If you cosign, you must pay back the loan and interest if the person who took the loan does not make the payments.



Bank Loans

Materials needed:

- Wipe board and wipe board markers
- Pencils
- Highlighters

Finanza materials:

- *Bank Loans* (Toolbox Topic, Skills Practice Worksheet, Pre/Post-Survey)
- Bank loan application(s)
- “Good Credit Risk-Bad Credit Risk” scenarios (Created by instructor)

Elements	Activities	Notes
Pre-Set	Introduce topic Conduct Pre-Survey Introduce new vocabulary	Do you ever borrow money? From whom do you borrow money? Students complete (oral or written) survey. Instructor writes vocabulary words on wipe board. Instructor and students repeat vocabulary words. Students predict the meaning of the vocabulary words.
Instruction	Read <i>Bank Loans</i> (if appropriate) Identify vocabulary words in reading Explain responsibilities of taking a loan and being a cosigner Practice loan decision making Discuss “questions to ask” about bank loans Review loan applications	Provide Toolbox Topic – <i>Bank Loans</i> . Instructor leads guided reading of topic. Students highlight definitions of new words. Instructor leads discussion. Provide Skills Practice Worksheet. Instructor guides students through Skills Practice Worksheet as a group or individually (as appropriate). Instructor leads dialogue and uses questions as discussion starters. Provide bank loan application(s). Instructor reviews application(s) with students. Students practice completing application (if appropriate).
Concept Check	Play game – “Good Credit Risk Bad Credit Risk” Conduct Post-Survey	Instructor reads scenarios and asks students to evaluate the credit risks described. Students complete (oral or written) Post-Survey.

Workshop Guidelines:

- Complete attendance/sign-in document
- Record Pre/Post-Survey results if completed orally
- Time estimate – 1 hour for adults... less for children depending on grade (K – 12)

Bank Loans **Préstamos bancarios**

Name/Nombre _____

Date/Fecha _____

- | | |
|---|--|
| <p>1. Which of the following is not a good reason to borrow money?</p> <p>A. You need a car to get to work.</p> <p>B. You need to pay college tuition.</p> <p>C. You want to buy a diamond ring.</p> | <p>1. ¿Cuál de las siguientes razones no es una buena razón para pedir un préstamo?</p> <p>A. Necesita un auto para ir al trabajo.</p> <p>B. Necesita pagar la matrícula de la universidad.</p> <p>C. Necesita comprar un anillo de diamantes.</p> |
| <p>2. When taking out a loan you should think about:</p> <p>A. Whether you really need to borrow money</p> <p>B. How much you need to borrow</p> <p>C. Whether the monthly payments will fit in your budget</p> <p>D. All of the above</p> | <p>2. Cuando pida un préstamo debe pensar:</p> <p>A. Si necesita de verdad pedir dinero prestado</p> <p>B. Cuánto dinero necesita pedir prestado</p> <p>C. Si las mensualidades se ajustan a su presupuesto</p> <p>D. Todo lo anterior</p> |
| <p>3. A friend asks you to be a cosigner on a loan. The friend has had three different jobs in the past two months and wants to use the loan to buy a \$20,000 truck. Do you think you should be a cosigner for the loan? Why or why not?</p> | <p>3. Un amigo le pide que sea cofirmante en un préstamo. El amigo tuvo tres diferentes trabajos en los pasados dos meses y quiere usar el préstamo para comprar un camión de 20,000 dólares. ¿Cree que debe ser cofirmante para el préstamo? ¿Por qué o por qué no?</p> |

Over/Continúa al reverso



4. Explain why cosigning a loan could be a problem for you.

Explique por qué firmar en el préstamo de otra persona le puede causar problemas a usted.

5. Pedro is thinking about borrowing money from the bank to buy a new car. What questions should he ask the bank officer before he signs the loan contract?

5. Pedro piensa pedir prestado dinero de un banco para comprar un auto. ¿Cuáles preguntas debe hacer en el banco antes de firmar el contrato del préstamo?



Bank Loans Pre-Assessment

Date: _____

Name: _____

Circle the correct answer.

1. Can you use a bank loan to buy expensive things?

Yes

No

2. Why would you get a bank loan?

a. to buy a house

b. to buy a car

c. to go to college

d. all of the above

3. What is borrowing money from a bank called?

a loan

a credit risk

4. A *cosigner* agrees to pay back your loan if you cannot.

True

False

5. If you have enough money to pay back your loan, are you a good credit risk?

Yes

No

Total Correct: _____



Bank Loans
Post-Assessment

Date: _____

Name: _____

Circle the correct answer.

1. Can you use a bank loan to buy expensive things?

Yes

No

2. Why would you get a bank loan?

a. to buy a house

b. to buy a car

c. to go to college

d. all of the above

3. What is borrowing money from a bank called?

a loan

a credit risk

4. A *cosigner* agrees to pay back your loan if you cannot.

True

False

5. If you have enough money to pay back your loan, are you a good credit risk?

Yes

No

Would you cosign a loan for someone? Why or why not? (not scored)

Total Correct: _____