

## Lesson Plan – Completing a Loan Application Part II

**Course Title:** Banking & Financial Systems

**Session Title:** Completing a Loan Application Part II

**Performance Objective:**

- Upon completion of this lesson, the student will apply finance terms to the loan application process and complete a loan application.

**Specific Objectives:**

- Students will identify finance terms linked to a consumer loan.
- Students will prepare a consumer loan application.
- Students will apply mathematical concepts associated with consumer economics.

### Preparation

**TEKS Correlations:**

This lesson, as published, correlates to the following TEKS. Any changes/alterations to the activities may result in the elimination of any or all of the TEKS listed.

- 120.43 (c)(2)(D)  
...critique the methods of credit investigation and concepts related to the use of credit analysis.

**Interdisciplinary Correlations:**

**Economics:**

**118.2 (c)(11)(A) – Consumers and Credit**

...analyze the factors involved in the process of acquiring consumer goods and services including credit, interest, and insurance.

**English:**

**110.42 (b)(6)(A) – Vocabulary Development**

...expand vocabulary through wide reading, listening and discussing;

**110.42 (b)(6)(B) – Vocabulary Development**

...rely on context to determine meanings of words and phrases such as figurative language, idioms, multiple meaning words and technical vocabulary;

**110.42(b)(7)(A) – Reading/comprehension**

...establish a purpose for reading such as to discover, interpret, and enjoy;

**110.42(b)(7)(I) – Reading/comprehension**

...use study strategies such as skimming and scanning, note taking, outlining, and using study-guide questions to better understand texts;

**110.42 (b)(7)(J) – Reading/comprehension**

...read silently with comprehension for a sustained period of time.

**Accommodations for Learning Differences:**

It is important that lessons accommodate the needs of every learner. These lessons may be modified to accommodate your students with learning differences by referring to the files found on the [Special Populations page](#) of this website

**Teacher Preparation:**

Review Unit Four of the NEFE booklet.

Obtain and make copies of a consumer loan application that is suitable for a car loan. An example of a consumer loan application has been created for your reference. Open the Excel spreadsheet and internet websites referenced in PowerPoint to review their uses/application.

**References:**

1. Banking and Financial Systems (Texas state-adopted textbook)
2. NEFE High School Financial Planning Program
3. Credit-related video at <http://whatsmyscore.org/contest/videos.php>
4. Various loan application forms accessed online
5. Amortization spreadsheet at <http://office.microsoft.com/en-us/excel/HA010346401033.aspx>
6. Finance calculator reviewing all of the terms introduced in today's lesson at [http://www.edmunds.com/apps/calc/CalculatorController?pmtcalAction=basic\\_calc](http://www.edmunds.com/apps/calc/CalculatorController?pmtcalAction=basic_calc)

**Instructional Aids:**

1. ***Understanding Your FICO® Score*** published by Fair Isaac Corporation. Found at website [http://www.myfico.com/Downloads/Files/myFICO\\_UYFS\\_Booklet.pdf](http://www.myfico.com/Downloads/Files/myFICO_UYFS_Booklet.pdf)
2. NEFE High School Financial Planning Program Teacher's and Student's Guides. Found at website <http://hsfpp.nefe.org/home/> (Free material found through the website. Request early to allow time for material shipment.)
3. Completing a Loan Application Part II PowerPoint presentation
4. Independent Practice Activity – A Consumer Loan for Two (Roberto and Lorena Yanez)
5. Internet

**Materials Needed:**

1. PowerPoint presentation
2. Handouts – NEFE booklet and ***Understanding Your FICO®***
3. Assignments
4. Consumer Loan Application (make 2 – 3 copies per student)

**Equipment Needed:**

1. Computer with Internet access
2. Copier
3. Color printer, if available
4. SmartBoard or Infocus

**Learner Preparation:**

The teacher will need to distribute copies of the booklet, ***NEFE High School Financial Planning Program***, on the day before the class. Students are to read Unit Four, pages 41 – 57, in its entirety. Students should also review concepts in ***Understanding Your FICO® Score*** before the class.

**Lesson Plan****Introduction (LSI Quadrant I):**

The teacher will lead students in a discussion about the loan application process, and completion of a loan application.

**Important Terms for this Lesson:**

**General Finance Terms**

- Assets – Items you own, i.e., cash, accounts receivable, stocks, supplies, clothes, furniture, inventory, equipment, land, house, commercial (business) property
- Liabilities – Amounts you owe for services/products received loans, etc.

**The Loan Application Process Terms**

- Prequalification – The initial loan origination process in which the customer(s), with the financing company, determine(s) whether a lender would consider them as candidates for a loan.
- Processing – Loan origination process of building the loan file per the lender’s requirements for the underwriter’s review.
- Underwriting – Loan origination stage in which the lender determines whether the loan should be awarded, and under what conditions.
- Closing – The culmination of the origination process. Property title is transferred. Loan documentation is signed.
- Funding – Funds are distributed to all parties involved.
- Servicing – The process of collecting principal and interest. The financial institution completes process.
- Payoff – The culmination of the loan cycle in which the consumer pays the principal balance in full.


**The C’s of Credit Terms**









- Character - Integrity
- Capacity – Determined by income and/or employment
- Capital – Net worth (assets minus liabilities)
- Collateral – An asset used to secure a loan (i.e., car or house)
- Conditions – Issues specific to the individual or economy









**Outline**










**Outline (LSI Quadrant II):**

Instructors can use the PowerPoint presentation, slides, handouts, and note pages in conjunction with the following outline.

MI	Outline	Notes to Instructor
	<p>I. Introduction and Video            A. Video            Present short, attention-getting videos to exemplify how ones credit impacts consumer purchases.</p>	<p>I. Introduction and Video            A. Video            1. Press <b>ctrl</b> while clicking either icon. Go to the website below:</p>

 	  <p>B. Introduce the Loan Application Discuss its importance in the loan process.</p>	<p><a href="http://whatsmyscore.org/downloads/">http://whatsmyscore.org/downloads/</a></p> <p>2. Scroll down and look under the <b>VIDEO DOWNLOAD</b> section.</p> <p>B. <b><u>NEFE High School Financial Planning Program</u></b>, page 48</p>
 	<p>II. The Process Overview of the life of a loan from inception (origination) to closure (payoff)</p> <ol style="list-style-type: none"> <li>1. Pre-Qualification</li> <li>2. Processing</li> <li>3. Underwriting</li> <li>4. Closing</li> <li>5. Funding</li> <li>6. Servicing</li> <li>7. Payoff</li> </ol>	<p>II. The Process Utilize PowerPoint to review stages of a consumer loan.</p>
 	<p>III. Conducting an Interview – Gathering Pertinent Loan Application Data</p> <ol style="list-style-type: none"> <li>A. Identity, Address, and Employment</li> <li>B. Assets</li> <li>C. Liabilities</li> </ol>	<p>III. Conducting an Interview – Gathering Pertinent Loan Application Data Important items are referenced in the PowerPoint.</p>
	<p>IV. The Cs of Credit – What is Being Assessed Through the Loan Application Process?</p> <ol style="list-style-type: none"> <li>A. Character</li> </ol>	<p>IV. The Cs of Credit – What is Being Assessed Through the Loan Application</p>

 	<p>B. Capacity  C. Capital  D. Collateral  E. Conditions</p>	<p>Process?  Review to NEFE booklet pages 47– 49 with the students.</p> <p><i>Note: Various sources list 3,4,5,6 and even 7 Cs of Credit. Teacher should encourage students to research alternatives</i></p>
 	<p>V. Completing the Application  Mark's Loan Application</p>	<p>V. Completing The Application</p> <ol style="list-style-type: none"> <li>1. Refer to NEFE booklet pages 48 – 51 for more information.</li> <li>2. Utilize the loan application in the NEFE booklet or select another option (there are several on-line).</li> <li>3. Activity directions and content can be found at <b>Guided Practice - Completing a Loan Application.</b></li> </ol>
  	<p>VI. Independent Practice Exercise  A Consumer Loan for Two</p>	<p>VI. The Consumer Loan Application  See <b>Independent Practice – Completing a Loan Application</b></p>
	<p>VII. Closing</p>	<p>VII. Closing remarks  Use Review PowerPoint slide for closing remarks.</p>
<p><b>Copy and paste Multiple Intelligences Graphic in appropriate place in left column.</b></p>		

								
Verbal Linguistic	Logical Mathematical	Visual Spatial	Musical Rhythmic	Bodily Kinesthetic	Intra- personal	Inter- personal	Naturalist	Existentialist

### Application

#### Guided Practice (LSI Quadrant III):

The teacher will utilize videos, the internet, and other visuals to describe the loan application process, including

1. conducting a loan interview;
2. discussing assets and liabilities;
3. reviewing the five Cs of Credit; and,
4. completing a loan application.

#### Independent Practice (LSI Quadrant III):

The teacher will distribute a scenario (Roberto and Lorena Yanez) that the student learners will complete individually. After they submit their results, the students will discuss the results with the class.

All responses must be justified when presented back to the learning community.

### Summary

#### Review (LSI Quadrants I and IV):

Q: What information is obtained in the interview?

A. Information required for the loan application – i.e., identification, employment, assets, and liabilities.

Q: Does the interview have to be face-to-face? If not, what are the other options?

A. The interview can be face-to-face, over the phone, or over the internet.

Q: What is the difference between assets and liabilities?

A. Assets are items that you own that have value. Liabilities are items for which you owe money. Example: Jennifer used cash (an asset) to pay for her student loan (a liability).

Q: How is net worth calculated?

A: Net Worth = Assets less Liabilities

Q: Cite three types of liabilities?

A: Revolving loans (credit cards); Mortgage; Installment loans (fixed monthly payments)

Q: List the Cs of Credit.

A. Capital, Character, Collateral, Conditions, and Capacity

### Evaluation

#### Informal Assessment (LSI Quadrant III):

1. Instructor will observe students during Guided Practice assignments, and class participation, during introduction discussion and PowerPoint discussions.
2. Instructor will assist individuals as needed.

**Formal Assessment (LSI Quadrant III, IV):**

Students will complete an Independent Practice activity based on completing a loan application. Use the Grading Guide as an evaluation tool – grading will vary depending on the loan application selected by the students.

**Extension/Enrichment (LSI Quadrant IV):**

Students can improve their understanding of class content by doing either of the following:

**Review and/or practice completing loan applications used for various purposes***Consumer loan applications*

[http://www.peopletrustcompany.com/pdf/Consumer\\_App.pdf](http://www.peopletrustcompany.com/pdf/Consumer_App.pdf)

[https://www.brooklinebank.com/Forms/OnlineForm.cgi?form=loan\\_app\\_olb&onweb=true](https://www.brooklinebank.com/Forms/OnlineForm.cgi?form=loan_app_olb&onweb=true)

<http://www.fnbf.com/applications/loanapplication.pdf>

[http://www.firsthope.com/pdf/loanapp\\_auto.pdf](http://www.firsthope.com/pdf/loanapp_auto.pdf)

*Mortgage application*

<https://www.efanniemae.com/sf/formsdocs/forms/pdf/sellingtrans/1003i.pdf>



# Independent Practice - Completing a Loan Application

**Student** \_\_\_\_\_

Roberto Yanez Sr. and Lorena S. Yanez are planning to obtain a consumer loan. Using the NEFE application, complete an application for the following car loan applicant.

Borrower	Roberto Yanez, Sr.
Date of Birth	May 30, 1961
SSN	400-22-8866
Current Address	223 Milok Street Dallas, TX 75222 (214) 888-7777 Mortgage: \$1695/month Residents lived in this location 1 year
Employer (Roberto)	2589 Justin Ave. Dallas, TX 75333 (214) 333-0000 Mortgage: \$1,903 Residents lived in this location 3 years Dallas ISD 4700 Ross Avenue Dallas, TX 75204 (972) 925-3700 Human Resource Director since January 2005.
Annual Salary	\$77,000
Spouse	Lorena S. Yanez
Date of Birth	September 3, 1961
SSN	400-99-9992
Address History	Same
Employer	Dallas ISD 4700 Ross Avenue Dallas, TX 75204 (972) 925-3700 Specialist since July 2005.
Salary	\$60,400

<b>Assets</b>	<b>Company/Account</b>	<b>Balance</b>
Checking Account	My Bank – Account 7654321	\$5,990
Savings Account	My Bank – Account 2234567	15,238
Retirement (401k)	Fidelity	78,380
Car – Honda Civic 2006	Not applicable	5,400
Truck – Ford F150 2005	Not applicable	8,100

<b>Outstanding Debts</b>	<b>Credit Type</b>	<b>Monthly Balance Payment</b>	<b>Owed</b>
Sallie Mae	Installment Loan 210	2,310	
VISA	Revolving Account	25	1,400
VISA	Revolving Account	42	424
Exxon/Mobil	Revolving Account	26	1,040
Auto Finance Company	Installment Loan 404	3,636	

**Other Expenses**  
 Utilities \$95  
 Auto Insurance \$150

## **Grading the Independent Practice Activity Application**

Grading for application should be based on completeness, neatness or organization. Teachers can use a variety of loan application templates for this activity. As a result, the amount of points deducted for each incorrect item will vary.

Deduct about 2 points for each incomplete item on the loan application, (work number, employer name, and Social Security Number) to establish grade.