

OVERVIEW

Would you want to loan money to someone who can't or won't pay you back? And you probably wouldn't want to loan money to someone who took forever to pay you back.

Lenders, too, don't want to loan money to people who aren't responsible about paying it back. If they don't know anything about someone who is asking to use credit, the lenders have methods to predict if the money will be repaid and paid on time.

This lesson will give you an inside peek at what lenders look for when someone applies for a loan or a credit card. This will help you take steps now to make a positive impression later on a potential lender.

LEARNING OUTCOMES

In this lesson you will learn about ways to establish a good credit rating. Along the way you will:

- Outline the credit application process.
- Describe what lenders consider when deciding whether to approve or deny a credit request.
- Explain how creditors investigate someone's borrowing habits.

Use what you learn today to impress lenders with good borrowing habits.

LEARNING TASKS

These tasks match pages 23-31 in Student Guide 2.

__ 1.	Participate in the Can I Borrow...? task .
__ 2.	Find out what information you will need when applying for a credit card or applying for a loan. Practice filling out a credit application.
__ 3.	Take a look at sample credit applications. Who would you give the loan to? Establish your criteria to approve (or deny) a request. Then decide whether to approve or deny each request. Evaluate how you look to a lender by completing Activity 2.8: Put Your Best Foot Forward .
__ 4.	Did you know that even as an adult, you will have a report card? Find out how credit reports are used to evaluate someone's borrowing habits. What can you do now as a teenager to start out with good marks as a young adult?
__ 5.	Complete Challenge 2-B: Building Creditworthiness to plan out strategies to make a good impression on a lender.



TAKING IT HOME

Find out what the late payment penalties are for three different borrowing options you and/or your family currently have or might consider. For each option, calculate the last day of the month that a payment can be received without being charged a late fee.



TAKING IT HOME

Encourage a family member to go to **www.annualcreditreport.com** to get a free copy of his or her credit report from one of the credit-reporting agencies.

Keep in mind that this information is private, so don't expect to read the report. Instead, use what you have learned to share reasons that a person should check the report at least once a year.