

UNIVERSAL BANK
LOAN APPLICATION

The Story of
CONSUMER CREDIT

Platinum
5465 1234 0001 54
JONES DAVE





FINE, GO AHEAD. YOU TWO GO GET ICE CREAM AND LEAVE ME HERE TO DIE FROM THE HEAT.

COME ON, YOU CAN MAKE IT DOWN TO THE TRUCK.



I CAN, BUT I DON'T HAVE ANY MONEY. I USED IT ALL YESTERDAY TO BUY A STAR WARS FIGURE. DO YOU HAVE ANY I CAN BORROW?



I DO, UPSTAIRS IN MY PIGGY BANK, BUT I DROPPED MY HOUSE KEY DOWN THE SEWER AND MY MOM DOESN'T GET HOME FROM WORK UNTIL FOUR.

I'LL LEND IT TO YOU, MARTIN. BUT YOU HAVE TO PAY ME BACK THE FIFTY CENTS WHEN YOU GET YOUR ALLOWANCE, PLUS AN EXTRA FIVE CENTS.

WAIT A MINUTE!
WHY WOULD I PAY YOU BACK MORE THAN I BORROWED?



PART 2: CENTRAL HIGH,
TEN YEARS LATER...



IT WAS SO GREAT
OF YOU GUYS TO
COME TO MY
GAME!

WE WOULDN'T HAVE MISSED YOUR
CHAMPIONSHIP GAME FOR THE
WORLD! LET'S GO TO MURRAY'S
DINER TO GET A BURGER AND
CELEBRATE YOUR VICTORY!



I HOPE YOU GUYS WILL BE ABLE TO COME SEE
ME PLAY AT UCONN. THE UCONN HUSKIES
HAVE BEEN DIVISION I CHAMPS FOR THE LAST
TWO YEARS. IT LOOKS LIKE THE TEAM IS
GOING TO BE PRETTY GOOD AGAIN NEXT YEAR.





WHY DON'T YOU TRY TO GET A LOAN FROM A BANK OR SOMETHING? I GOT ONE TO PAY THE PART OF MY UCONN TUITION THAT ISN'T COVERED BY MY BASKETBALL SCHOLARSHIP.

ACTUALLY, SINCE THE LOAN I NEEDED WAS FOR SCHOOL, I DIDN'T HAVE TO GO TO A BANK. I APPLIED AT THE STUDENT AID OFFICE AT UCONN. I BET THAT YOU COULD GET A LOAN AT A BANK, THOUGH.

STUDENT LOANS

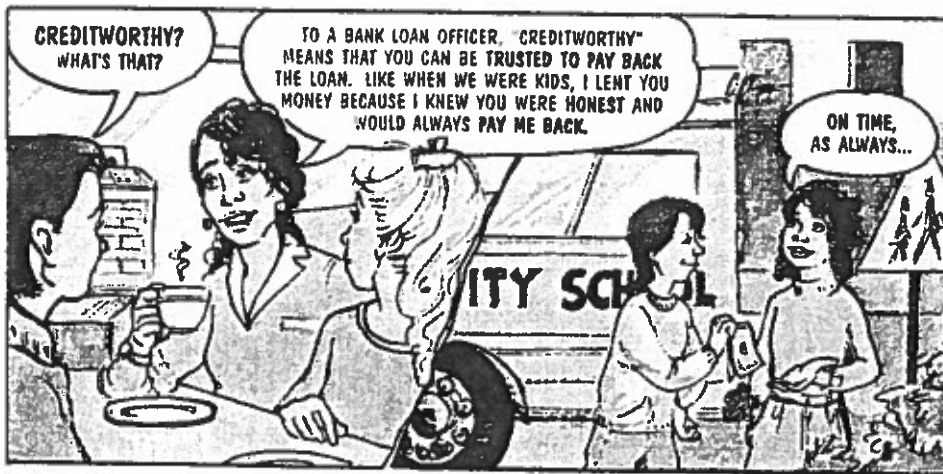


DID YOU GET THE LOAN FROM A BANK?

WHY WOULD A BANK GIVE ME A LOAN?

WHEN I INTERNEED LAST SUMMER FOR A LOAN OFFICER AT A BANK, I FOUND OUT ALL ABOUT WHAT IT TAKES TO GET A LOAN. EVERYONE HAS A RIGHT TO APPLY FOR A LOAN, UNDER THE EQUAL CREDIT OPPORTUNITY ACT. A LENDER CAN'T DISCRIMINATE ON THE BASIS OF RACE OR GENDER OR ON THE BASIS OF AGE, ONCE YOU'RE LEGALLY OLD ENOUGH TO SIGN A CONTRACT. TO BE ELIGIBLE TO GET A LOAN YOU REALLY ONLY NEED TO BE CREDITWORTHY.

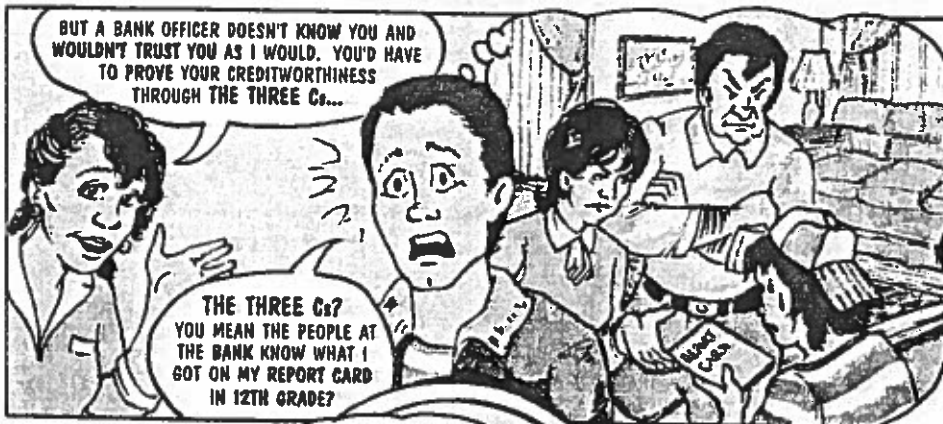




CREDITWORTHY?
WHAT'S THAT?

TO A BANK LOAN OFFICER. "CREDITWORTHY"
MEANS THAT YOU CAN BE TRUSTED TO PAY BACK
THE LOAN. LIKE WHEN WE WERE KIDS, I LENT YOU
MONEY BECAUSE I KNEW YOU WERE HONEST AND
WOULD ALWAYS PAY ME BACK.

ON TIME,
AS ALWAYS...



BUT A BANK OFFICER DOESN'T KNOW YOU AND
WOULDN'T TRUST YOU AS I WOULD. YOU'D HAVE
TO PROVE YOUR CREDITWORTHINESS
THROUGH THE THREE Cs...

THE THREE Cs?
YOU MEAN THE PEOPLE AT
THE BANK KNOW WHAT I
GOT ON MY REPORT CARD
IN 12TH GRADE?



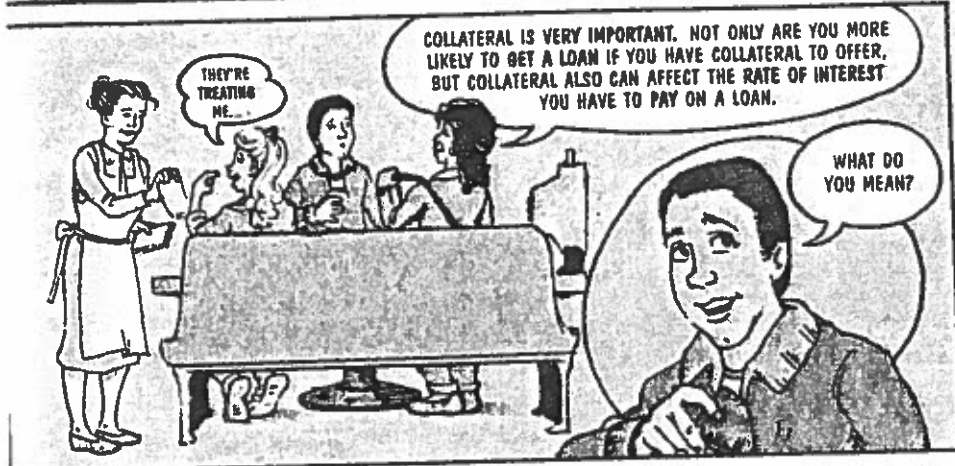
NO, MARTIN. THE THREE Cs
REFER TO SOMETHING ELSE;
THEY'RE WHAT A BANK USES
TO DECIDE WHETHER OR NOT
TO GIVE YOU A LOAN. THE
FIRST "C" IS CAPACITY.

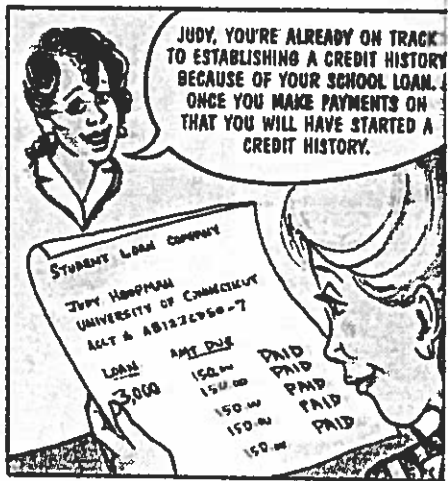
HEY, YOU MEAN HOW
MUCH I CAN EAT? I
CAN PUT AWAY AS
MANY HAMBURGERS
AS ANYBODY.

MARTIN, CUT OUT THE BAD
JOKES. THE PEOPLE READING
THIS BOOKLET ARE TRYING
TO LEARN SOMETHING.

CAPACITY MEANS
HOW MUCH INCOME
YOU HAVE LEFT
AFTER YOU'VE PAID
YOUR EXPENSES.

HEY, I HAVE CAPACITY AND I
NEVER KNEW IT. FROM THE
CALCULATIONS I JUST SHOWED
YOU GUYS, I GUESS MY
CAPACITY IS \$100 A MONTH.







BUT WHAT ABOUT ME? I DON'T HAVE ANY SCHOOL LOANS TO PAY OFF. HOW DO I START A CREDIT HISTORY?



THERE ARE LOTS OF THINGS YOU CAN DO. FIRST, YOU CAN OPEN A CHECKING OR SAVINGS ACCOUNT. I WOULD TAKE THE \$200 DOLLARS YOU HAVE UNDER YOUR MATTRESS, AND PUT IT INTO AN ACCOUNT.



NOT ONLY WOULD A BANK ACCOUNT PROTECT YOUR MONEY FROM GETTING STOLEN...

SHUCKS! NOT ANOTHER ONE WHO'S OPENED A BANK ACCOUNT. I'M GOING TO GO OUT OF BUSINESS!

...BUT YOU'D BE EARNING INTEREST AND PROVING THAT YOU CAN MANAGE YOUR MONEY.

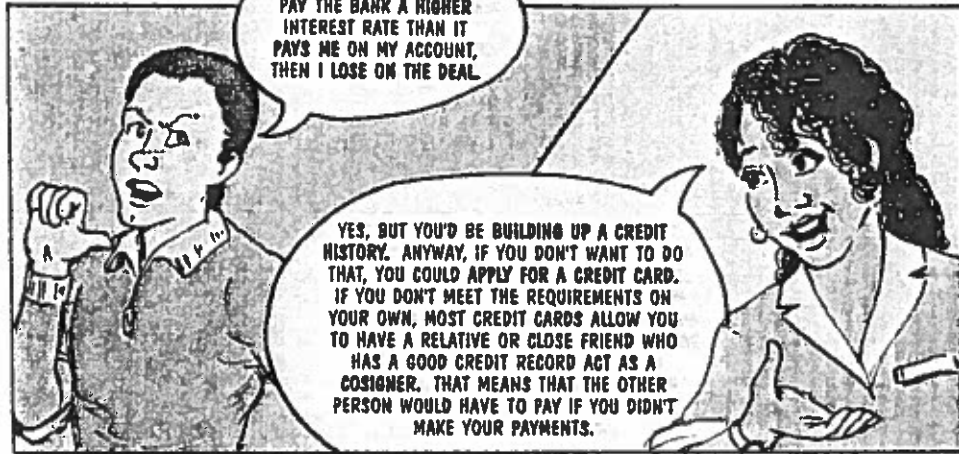


SECOND, YOU COULD ASK FOR A SMALL LOAN, USING YOUR SAVINGS ACCOUNT AS COLLATERAL.

HEY, THAT SOUNDS PRETTY EASY.



IT IS PRETTY EASY, BUT, OF COURSE, YOU'LL HAVE TO MAKE REGULAR PAYMENTS ON THE LOAN AND PAY THE LOAN WITH INTEREST.



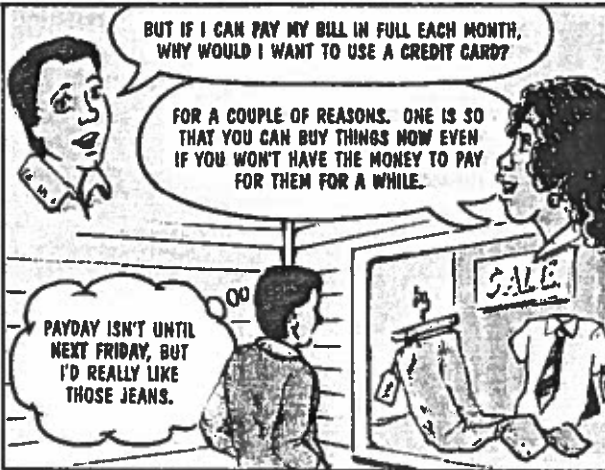
BUT WAIT. IF I HAVE TO PAY THE BANK A HIGHER INTEREST RATE THAN IT PAYS ME ON MY ACCOUNT, THEN I LOSE ON THE DEAL.

YES, BUT YOU'D BE BUILDING UP A CREDIT HISTORY. ANYWAY, IF YOU DON'T WANT TO DO THAT, YOU COULD APPLY FOR A CREDIT CARD. IF YOU DON'T MEET THE REQUIREMENTS ON YOUR OWN, MOST CREDIT CARDS ALLOW YOU TO HAVE A RELATIVE OR CLOSE FRIEND WHO HAS A GOOD CREDIT RECORD ACT AS A COSIGNER. THAT MEANS THAT THE OTHER PERSON WOULD HAVE TO PAY IF YOU DIDN'T MAKE YOUR PAYMENTS.



HEY, MAYBE MY COUSIN ANDY WOULD DO THAT FOR ME. I'VE ALWAYS DONE HIM FAVORS. IF I USE A CREDIT CARD, DOES THAT MEAN I HAVE TO PAY INTEREST?

NO. GENERALLY IF YOU PAY YOUR CREDIT CARD IN FULL EACH MONTH, YOU DON'T HAVE TO PAY INTEREST.

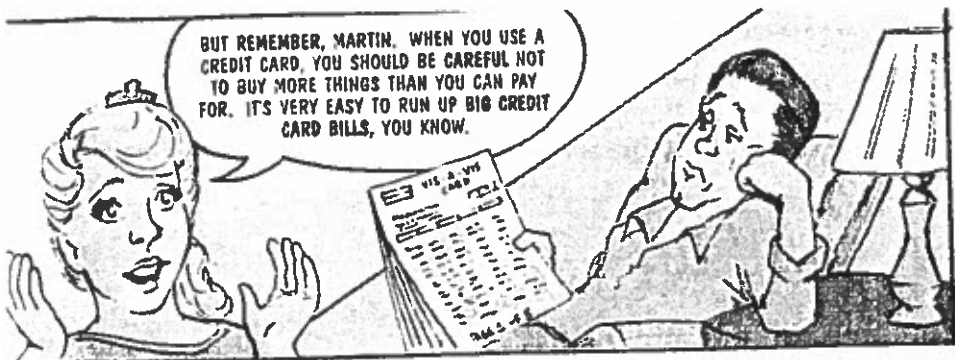


BUT IF I CAN PAY MY BILL IN FULL EACH MONTH, WHY WOULD I WANT TO USE A CREDIT CARD?

FOR A COUPLE OF REASONS. ONE IS SO THAT YOU CAN BUY THINGS NOW EVEN IF YOU WON'T HAVE THE MONEY TO PAY FOR THEM FOR A WHILE.

PAYDAY ISN'T UNTIL NEXT FRIDAY, BUT I'D REALLY LIKE THOSE JEANS.

BUT REMEMBER, MARTIN. WHEN YOU USE A CREDIT CARD, YOU SHOULD BE CAREFUL NOT TO BUY MORE THINGS THAN YOU CAN PAY FOR. IT'S VERY EASY TO RUN UP BIG CREDIT CARD BILLS, YOU KNOW.



YOU'RE RIGHT, JUDY, BUT BESIDES BEING ABLE TO BUY THINGS SOONER, THERE ARE OTHER REASONS TO USE CREDIT CARDS. ONE IS THAT YOU DON'T HAVE TO CARRY A LOT OF CASH WITH YOU OR TAKE THE TIME TO HAVE A CHECK APPROVED WHEN YOU WANT TO BUY SOMETHING. MANY PEOPLE USE CREDIT CARDS AND THEN PAY THEIR WHOLE BILL EACH MONTH.

I WISH THAT GUY AT THE HEAD OF THE LINE WOULD USE A CREDIT CARD INSTEAD OF TAKING THE TIME TO HAVE A CHECK APPROVED.



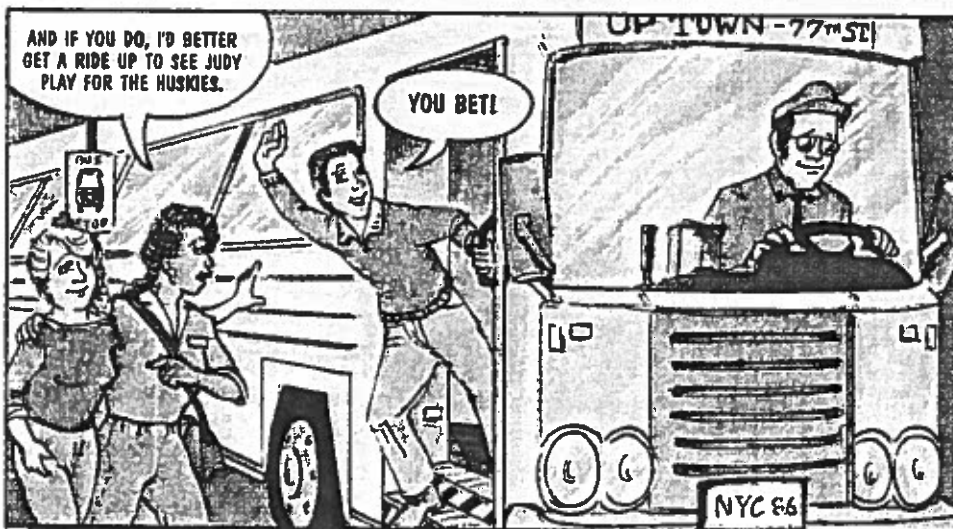
HOW DO I KNOW WHAT INTEREST RATE I'LL HAVE TO PAY IF I DON'T PAY MY WHOLE BILL EACH MONTH?

THE CREDIT CARD COMPANY HAS TO TELL YOU THE RATE WHEN YOU APPLY FOR A CREDIT CARD. IT SAYS SO IN A LAW CALLED TRUTH IN LENDING.



THE FEDERAL RESERVE, THE COUNTRY'S CENTRAL BANK, AND OTHER GOVERNMENT AGENCIES. THE FED ALSO ENFORCES THE EQUAL CREDIT OPPORTUNITY ACT THAT I TOLD YOU ABOUT BEFORE.

BUT WHO ENFORCES THE LAW?



SUGGESTED ACTIVITY 1:

GO TO A BANK AND GET AN APPLICATION FORM FOR A PERSONAL LOAN. IN CLASS, DISCUSS THE TYPES OF QUESTIONS INCLUDED IN THE APPLICATION. WHY, FOR EXAMPLE, DOES THE APPLICATION ASK YOU TO LIST YOUR CURRENT EMPLOYER, AND, IF YOU'VE BEEN IN THE JOB ONLY A SHORT TIME, A PREVIOUS EMPLOYER, TOO? WHY DO LOAN APPLICATIONS NOT ASK FOR INFORMATION SUCH AS YOUR RELIGION? WHAT TYPES OF QUESTIONS ARE APPROPRIATE?

PART 3: UCONN,
A YEAR AND A HALF LATER...



STADIUM

ONCE AGAIN, JUDY, YOU WERE A STAR!
WHO WOULD HAVE THOUGHT ALL MY
TEACHING ON THE 77TH STREET COURT
WOULD HAVE CREATED SUCH A SUCCESS!

DON'T THINK ABOUT TAKING
ANY CREDIT FOR THIS, MARTIN.
SHE'S THE ONE WHO TAUGHT
YOU HOW TO SHOOT!

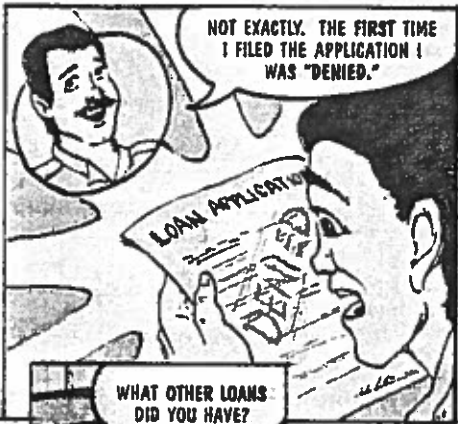
I'M SO HAPPY YOU GUYS MADE IT!
SO THIS IS THE CAR, MARTIN. LET'S
TAKE IT DOWNTOWN!



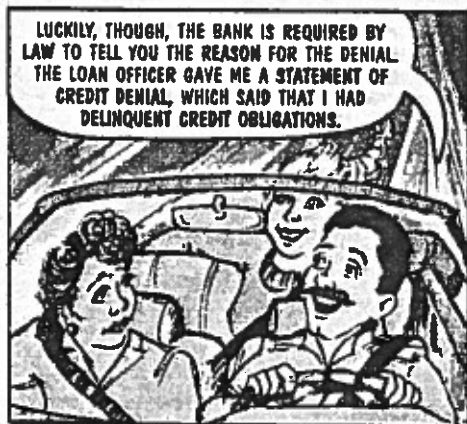


I COULDN'T HAVE GOTTEN IT WITHOUT SHEILA'S ADVICE. I DID EXACTLY WHAT SHE TOLD ME. I OPENED A CHECKING ACCOUNT, TOOK OUT A SMALL LOAN, AND DEPOSITED IT IN MY SAVINGS ACCOUNT, MAKING SURE I MADE THE PAYMENTS ON TIME.

AND THEN THEY GAVE YOU THE LOAN FOR THE CAR?



NOT EXACTLY. THE FIRST TIME I FILED THE APPLICATION I WAS "DENIED."



LUCKILY, THOUGH, THE BANK IS REQUIRED BY LAW TO TELL YOU THE REASON FOR THE DENIAL. THE LOAN OFFICER GAVE ME A STATEMENT OF CREDIT DENIAL, WHICH SAID THAT I HAD DELINQUENT CREDIT OBLIGATIONS.



WHAT OTHER LOANS DID YOU HAVE?

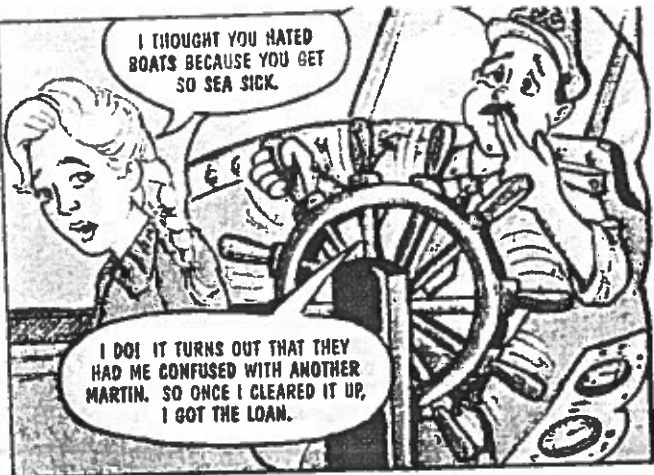
THAT'S WHAT WAS SO STRANGE! I HADN'T TAKEN OUT ANY OTHER LOANS, AND I'D BEEN CAREFUL TO MAKE MY PAYMENTS ON THE ONE LOAN I DID TAKE OUT. WHEN I SHOWED SHEILA THE STATEMENT, SHE TOLD ME ABOUT SOME LAW. WHAT WAS IT?

THE FAIR CREDIT REPORTING ACT. IT ALLOWS YOU TO GET A COPY OF YOUR CREDIT RECORD TO SEE WHY YOU ARE CONSIDERED NOT CREDITWORTHY.



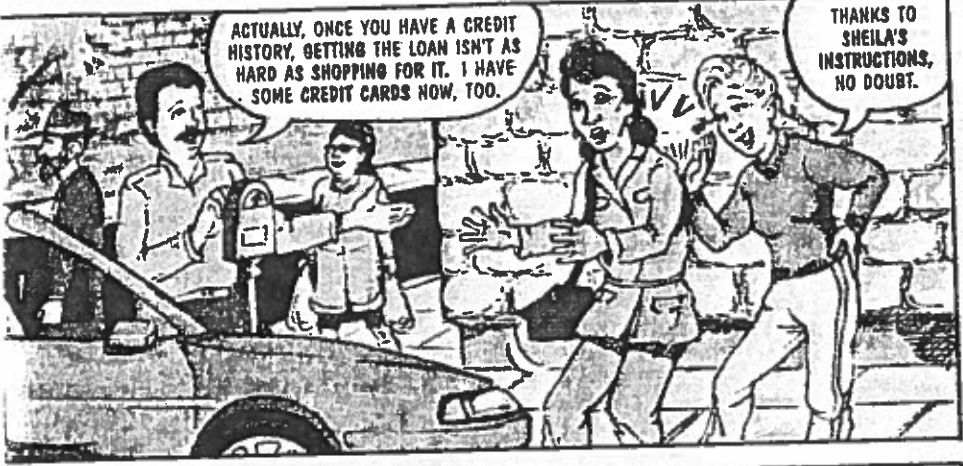


SO I SENT AWAY FOR A COPY OF THE REPORT. IT SAID THAT I HAD DEFAULTED ON MY YACHT PAYMENTS.



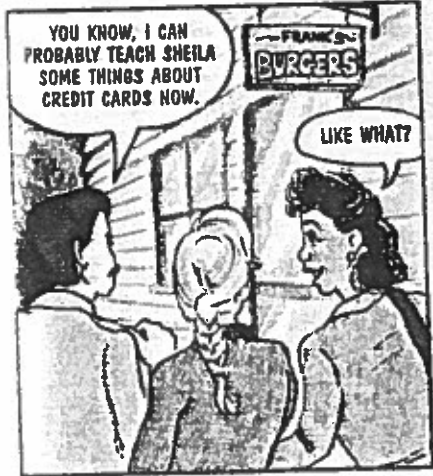
I THOUGHT YOU HATED BOATS BECAUSE YOU GET SO SEA SICK.

I DO! IT TURNS OUT THAT THEY HAD ME CONFUSED WITH ANOTHER MARTIN. SO ONCE I CLEARED IT UP, I GOT THE LOAN.



ACTUALLY, ONCE YOU HAVE A CREDIT HISTORY, GETTING THE LOAN ISN'T AS HARD AS SHOPPING FOR IT. I HAVE SOME CREDIT CARDS NOW, TOO.

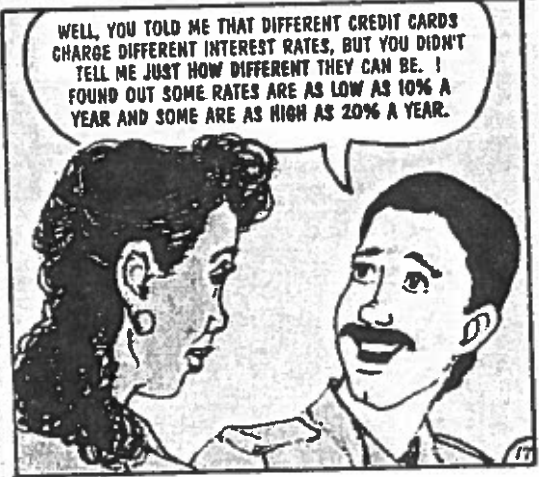
THANKS TO SHEILA'S INSTRUCTIONS, NO DOUBT.



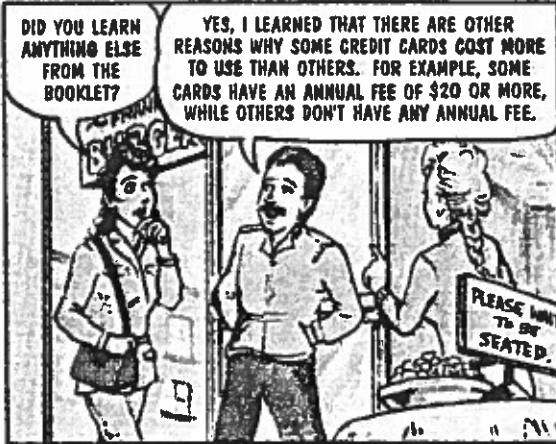
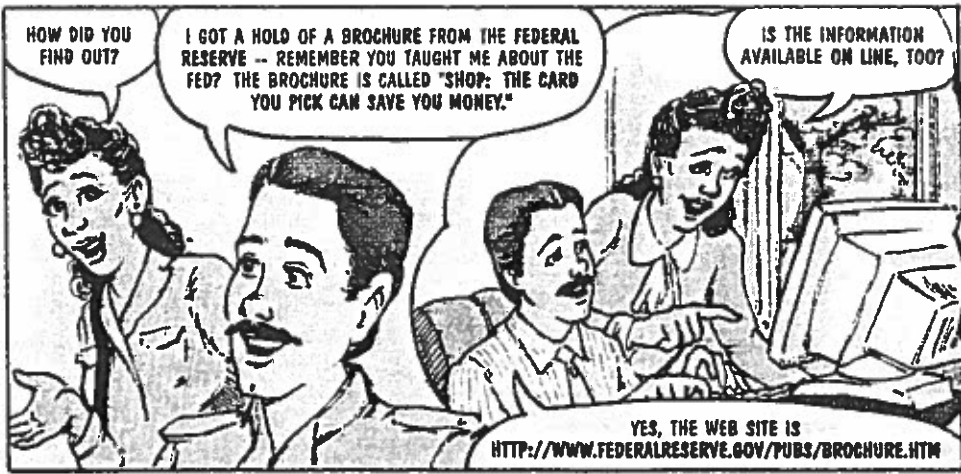
YOU KNOW, I CAN PROBABLY TEACH SHEILA SOME THINGS ABOUT CREDIT CARDS NOW.

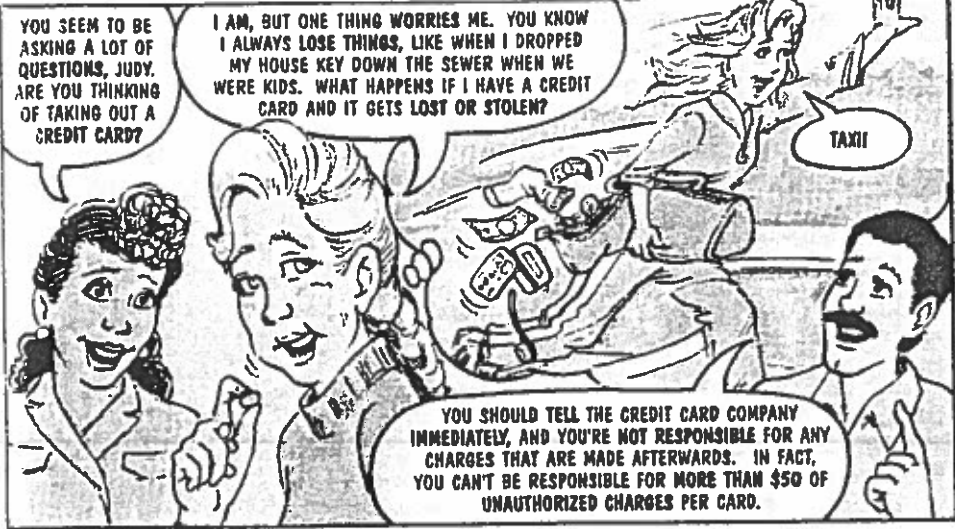
FRANK'S BURGERS

LIKE WHAT?



WELL, YOU TOLD ME THAT DIFFERENT CREDIT CARDS CHARGE DIFFERENT INTEREST RATES, BUT YOU DIDN'T TELL ME JUST HOW DIFFERENT THEY CAN BE. I FOUND OUT SOME RATES ARE AS LOW AS 10% A YEAR AND SOME ARE AS HIGH AS 20% A YEAR.





YOU SEEM TO BE ASKING A LOT OF QUESTIONS, JUDY. ARE YOU THINKING OF TAKING OUT A CREDIT CARD?

I AM, BUT ONE THING WORRIES ME. YOU KNOW I ALWAYS LOSE THINGS, LIKE WHEN I DROPPED MY HOUSE KEY DOWN THE SEWER WHEN WE WERE KIDS. WHAT HAPPENS IF I HAVE A CREDIT CARD AND IT GETS LOST OR STOLEN?

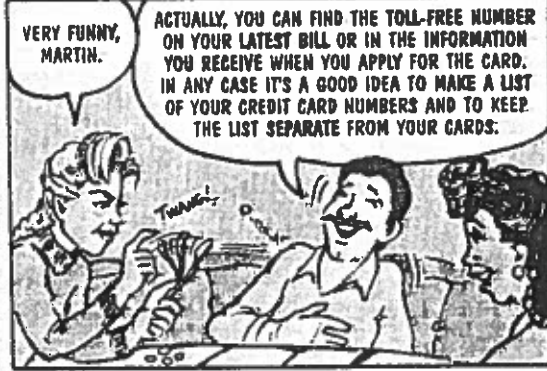
TAXI

YOU SHOULD TELL THE CREDIT CARD COMPANY IMMEDIATELY, AND YOU'RE NOT RESPONSIBLE FOR ANY CHARGES THAT ARE MADE AFTERWARDS. IN FACT, YOU CAN'T BE RESPONSIBLE FOR MORE THAN \$50 OF UNAUTHORIZED CHARGES PER CARD.



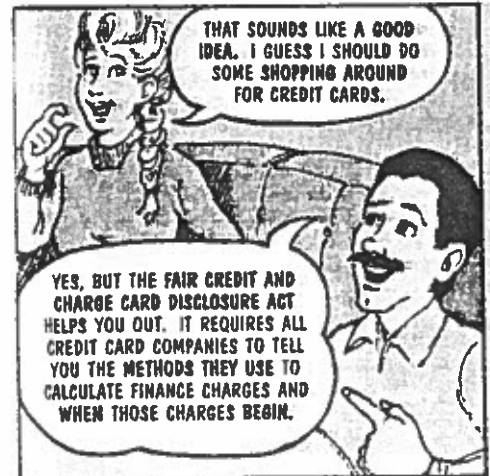
BUT HOW DO I GET IN TOUCH WITH THE CREDIT CARD COMPANY?

THAT'S EASY. YOU CAN FIND THE TOLL-FREE PHONE NUMBER RIGHT ON THE CREDIT CARD.



VERY FUNNY, MARTIN.

ACTUALLY, YOU CAN FIND THE TOLL-FREE NUMBER ON YOUR LATEST BILL OR IN THE INFORMATION YOU RECEIVE WHEN YOU APPLY FOR THE CARD. IN ANY CASE IT'S A GOOD IDEA TO MAKE A LIST OF YOUR CREDIT CARD NUMBERS AND TO KEEP THE LIST SEPARATE FROM YOUR CARDS.

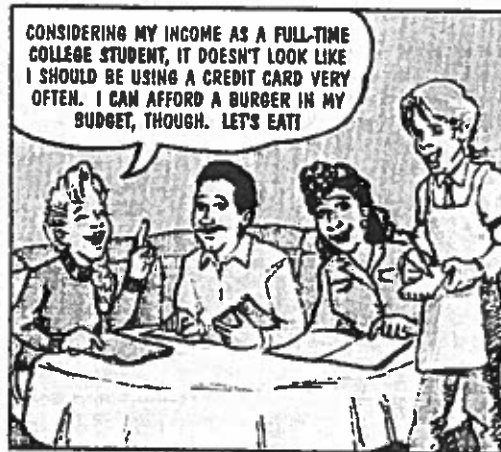
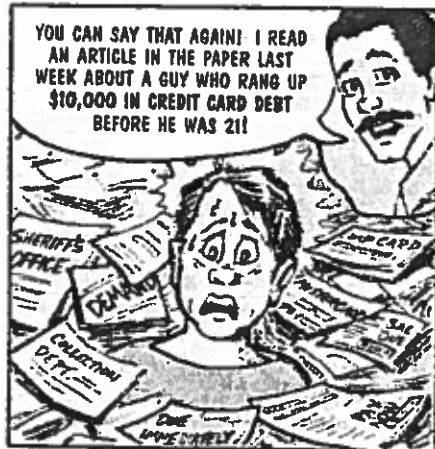
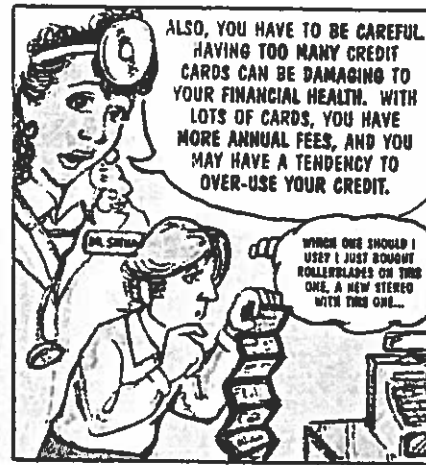
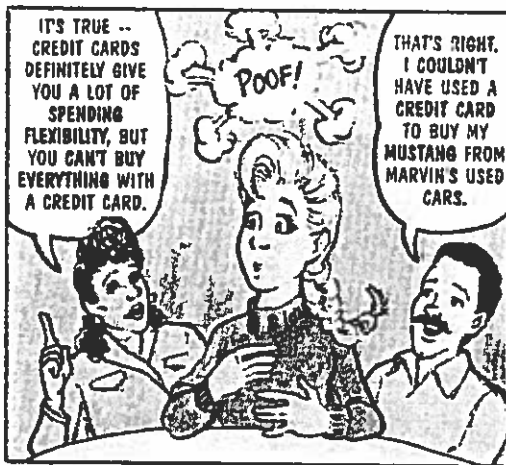


THAT SOUNDS LIKE A GOOD IDEA. I GUESS I SHOULD DO SOME SHOPPING AROUND FOR CREDIT CARDS.

YES, BUT THE FAIR CREDIT AND CHARGE CARD DISCLOSURE ACT HELPS YOU OUT. IT REQUIRES ALL CREDIT CARD COMPANIES TO TELL YOU THE METHODS THEY USE TO CALCULATE FINANCE CHARGES AND WHEN THOSE CHARGES BEGIN.



WOW! JUST THINK OF ALL THE THINGS I COULD BUY WITH A CREDIT CARD!



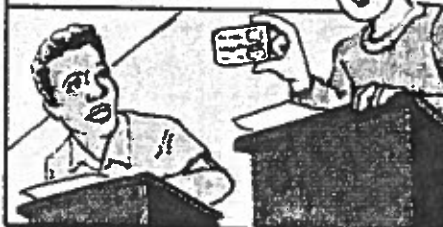
SUGGESTED ACTIVITY II:

INTERVIEW 8-10 PEOPLE WHO USE CREDIT CARDS AND ASK THEM ABOUT THEIR USE OF THE CARDS. HOW MANY CREDIT CARDS DO THEY HAVE, FOR EXAMPLE? DO THEY PAY THEIR BILLS IN FULL EACH MONTH? DO THEY KNOW WHAT INTEREST RATES THEY PAY WHEN THEY DON'T PAY THEIR ENTIRE BILL EACH MONTH? CREDIT CARDS CAN BE USED BOTH WISELY AND UNWISELY. ON THE BASIS OF YOUR RESEARCH AND WHAT YOU HAVE LEARNED IN CLASS, DESCRIBE BOTH TYPES OF CREDIT CARD USE.



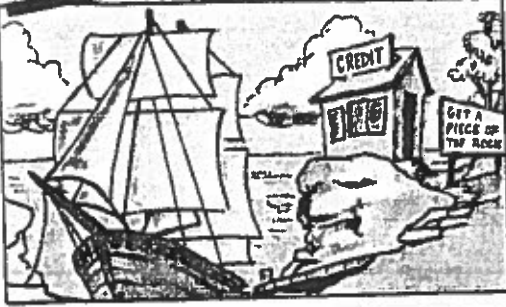
SUGGESTED ACTIVITY III:

HAVE A CLASS DEBATE ON "RESOLVED: CREDIT CARDS ARE A CONSUMER'S BEST FRIEND." THE DEBATE SHOULD BE SCORED ON THE BASIS OF THE QUALITY OF THE ARGUMENTS MADE AND THE EVIDENCE USED, AS WELL AS ON THE QUALITY OF THE PRESENTATIONS.



**PART 4:
CONSUMER
CREDIT -
THE BIG
PICTURE**

PEOPLE HAVE BEEN USING CREDIT IN DIFFERENT FORMS THROUGHOUT AMERICAN HISTORY. EARLY AMERICANS WHO CAME TO THE UNITED STATES ON THE MAYFLOWER PAID FOR THEIR PASSAGE IN INSTALLMENTS.



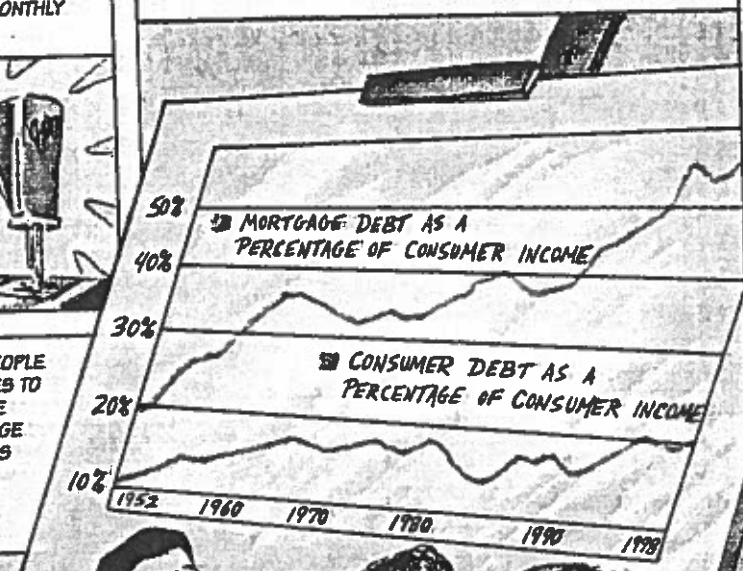
DURING COLONIAL TIMES, PEOPLE IN RURAL AREAS BOUGHT HORSES AND CARRIAGES USING PROMISSORY NOTES THAT WERE PAYABLE AFTER HARVEST.



IN THE 1800s, FAMILIES WERE ABLE TO BUY SINGER SEWING MACHINES USING A MONTHLY PAYMENT PLAN.



IN THE LAST FORTY YEARS, ESPECIALLY, PEOPLE HAVE BEEN USING MORE AND MORE CREDIT.

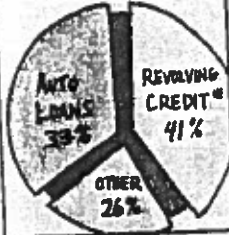


OF COURSE, MANY PEOPLE TAKE OUT MORTGAGES TO BUY HOMES, AND THE AMOUNT OF MORTGAGE DEBT OUTSTANDING IS MUCH LARGER THAN THE AMOUNT OF CONSUMER DEBT.



PEOPLE USE CONSUMER CREDIT FOR A VARIETY OF PURCHASES.

CONSUMER DEBT

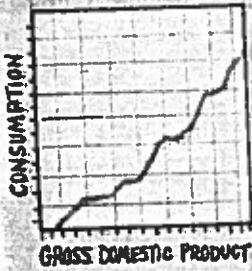


* CREDIT FOR WHICH YOU CAN GET YOUR OWN REPAYMENT SCHEDULE—WITHIN LIMITS, OF COURSE.

CREDIT ALLOWS YOU TO USE SOMEONE ELSE'S MONEY WHILE YOU USE YOUR OWN TO EARN INTEREST, MAKE INVESTMENTS, OR FOR OTHER PURPOSES. BORROWING, THEREFORE, DOESN'T OCCUR ONLY UNDER DURESS; EVEN THE VERY WEALTHY BORROW.



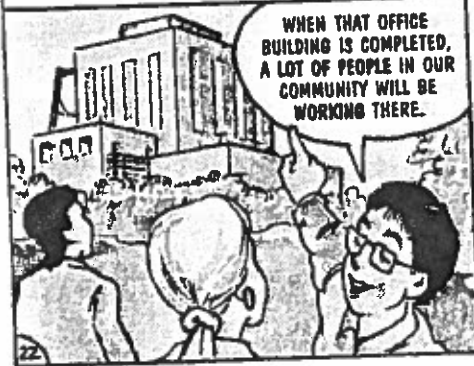
AN INCREASE IN CONSUMER CREDIT CAN HAVE MANY POSITIVE EFFECTS. WHEN PEOPLE BUY MORE GOODS, OUR ECONOMY GROWS.



FOR INSTANCE, IF CREDIT IS AVAILABLE, PEOPLE MAY BE MORE ENCOURAGED TO BUY MAJOR APPLIANCES, SUCH AS REFRIGERATORS. THEN, IN ORDER TO INCREASE PRODUCTION, THE MANUFACTURER WILL HAVE TO HIRE MORE PEOPLE. THOSE NEW HIRES WILL, IN TURN, SPEND MORE.



IN FACT, IT'S NOT JUST CONSUMERS WHO BORROW. BUSINESSES BORROW FOR THE INVESTMENTS IN EQUIPMENT AND BUILDINGS THAT HELP OUR ECONOMY GROW.



EVEN THE FEDERAL GOVERNMENT HAS TO BORROW. OFTEN THE GOVERNMENT RUNS A DEFICIT—THAT IS, IT SPENDS MORE THAT IT COLLECTS IN TAXES.



EVEN IF THE GOVERNMENT COLLECTS MORE THAN IT SPENDS, IT MAY HAVE TO BORROW BECAUSE IT IS CONSTANTLY PAYING OFF SOME OLD DEBT. WHEN YOU CASH IN A U.S. SAVINGS BOND, FOR EXAMPLE, THE GOVERNMENT PAYS OFF A DEBT THAT IT OWES TO YOU.



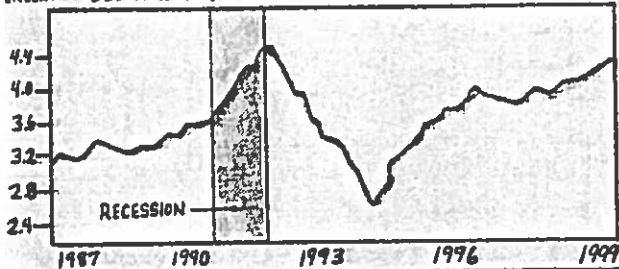
WHILE BORROWING CAN HELP THE ECONOMY, A HIGH LEVEL OF DEBT CAN CAUSE PROBLEMS IF THE ECONOMY SUDDENLY STOPS GROWING. FOR INSTANCE, PEOPLE GENERALLY DECIDE TO BORROW IF THEIR INCOME IS STEADY OR RISING, AND IF THEY FEEL THEY WILL CONTINUE TO HOLD THEIR JOBS IN THE FUTURE.



BUT IF THE ECONOMY TURNS DOWN AND PEOPLE LOSE THEIR JOBS, THEY WILL NO LONGER HAVE THE INCOME THEY HAD COUNTED ON TO COVER THEIR PAYMENTS AND THEY MAY HAVE TO DEFAULT ON THEIR LOANS.

AND IF BUSINESSES CAN'T REPAY WHAT THEY BORROWED, THEY MAY HAVE TO CLOSE.

PERCENT DELINQUENCY RATE ON CONSUMER LOANS



ALSO, IF TOO MANY PEOPLE TAKE ON EXCESSIVE CREDIT, THAT, IN ITSELF, CAN LEAD TO AN ECONOMIC DOWNTURN. LENDERS MAY NOT BE WILLING TO GIVE THEM MORE CREDIT, SO THEY MAY HAVE TO CUT THEIR SPENDING.

CONSUMER CREDIT CAN BE GOOD FOR THE BORROWER AND THE ECONOMY AS LONG AS PEOPLE MAKE SMART CREDIT DECISIONS.

