

What Happens When a Bank Makes a Loan?

Lesson Description (Abstract): The students play roles in a simulation activity designed to show how bank loans made to individuals can have an impact on others in the community. Then, working in small groups, the students analyze other hypothetical loans, using flow charts or other diagrams to describe the probable impact of each.

Goal(s): The students will:

1. Define *bank, income, interest, loan* and *profit*.
2. Explain that banks accept deposits and make loans.
3. Analyze the economic impact of loans on the community.

Grade: For Grades 4 and/or 5

Time Required: 2 or 3 45-minute periods

Materials Needed:

This lesson is based upon the lesson from Learning, Earning and Investing from the National Council for Economic Education and can be referenced at www.ncee.net/resources/lei_online_lesson3.pdf

One copy of Activity 1: Role Cards. Cut apart

Class set of Activity 2: Play. Only distribute the play to the ‘actors’ at first.

One copy of Activity 3: Record the Action. Distribute to each student who does not receive a role card

Class set of Activity 4: Debrief

Activity 4: Instructions (Optional) Dialog to be read to students

Class set of Assessment 1

Class set of Assessment 2: Performance Task and Task Rubric

Visual 1: Name Tags – 4 pages, 1 for each role

Visual 2: Debrief - Transparency

Masking tape

Optional: toy cell phones and other props for the cast to use during the play

Benchmark[s] Addressed: Economics Standard Two 4-5a: Students will understand the role of banks and other financial institutions in the economy.

Essential Question Addressed: To what extent are banks necessary for an economy?

Enduring Understanding: A community’s overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government, and trading partners.

Lesson Content:

Banks and other financial institutions perform two primary functions. First, they accept deposits from people who want to save their money in a safe place and also earn interest on their savings. Second, they lend money to people who want to borrow. When a bank lends money, the transaction is called a loan. Loans create serious obligations. Borrowers must repay bank loans, with interest. In paying interest, borrowers compensate lenders for the use of their money.

People often use borrowed money to buy goods and services in the community. Their spending provides income for workers and business owners in the community, thus fostering additional rounds of spending and saving.

Assessments:

There are 4 assessments associated with this lesson.

- 1) Activity 3: Record the Action Answer Key Attached
- 2) Activity 4: Debrief Answer Key Attached
- 3) Assessment 1: Answer Key Attached
- 4) Assessment 2: Task Rubric Attached

Procedures:

1. Tell the students that in this lesson they will learn about banks, the main services banks provide and how those services affect people throughout a community. To get started, ask the students if they have visited a bank with a family member, neighbor or friend.

Answers will vary.

Ask what services they think banks provide. *Answers will vary.*

2. Explain that **banks** are businesses (some students may believe they are government agencies) that provide a **service** in the community. Bank customers use banks for many purposes. They **save money in bank savings accounts**, for example, and they **borrow money from banks**.

3. When somebody borrows money from a bank, the transaction is called a **loan**. Borrowers must repay loans, with **interest**. Interest is the price paid for using someone else's money. The interest borrowers pay compensates lenders for the use of their money.

4. Lenders, in turn, obtain money for lending by accepting **savings account deposits**. Banks pay interest to depositors to compensate them for the uses they make of the depositors' money. **Thus, interest payments flow in two directions: From banks to savings depositors, and from borrowers to banks that make loans.**

5. Make the point that borrowing and lending are activities that have a broad impact on the community. Banks lend money to people who want to start up new businesses, expand existing businesses, make improvements to their homes or buy large items such as houses and cars. The spending generated in this way provides income for business owners and workers. Business owners and workers thus are able to spend or save money, and the money they spend and save provides more income for other people and more money for banks to lend.

6. Tell the students that they will learn more about the effects of borrowing and lending by participating in a role-play activity.

7. Distribute a card from Activity 1: Role Cards and a copy of Activity 2: Play to 14 students. Explain that these cards describe each character in the play.

8. Distribute a copy of Activity 3: Record the Action to the students who do not receive role cards. Explain that these students will be asked to listen to the story and keep track of what happens when loans are made.

9. Ask the 14 students with role cards to take turns introducing themselves by reading the information on their cards to the rest of the class. 1 additional student is needed to be The

10. Have the students who are playing roles come to the front of the room. Give each character a sign with his or her name from Visual 1: Name Tags. Tape the signs on the characters. Remind those in the audience that they should take notes by recording the information they hear on Activity 3: Record the Action. Visual 2: Debrief – Transparency could be used instead of taping the Name Tags to a chalkboard.

11. Allow time for the students to present the play. When they have finished, have them return to their seats. Distribute one copy of Activity 4: Debrief to each student. Now create a diagram similar to Activity 4: Debrief on chalkboard using the signs that are taped to the ‘actors’. See Activity 4: Instructions – suggested dialog to guide students through Activity 4: Debrief.

Debrief:

1. Have students share their answers to the short answer question on Activity 4. Then have students brainstorm how they could ‘expand’ the diagram with additional ‘connections’. For example Alisha Denzel could put some of her money into the bank – so draw a connection between Alisha Denzel (contractor) and the bank. Or, Tom Andrews (drapes) could apply for a loan to buy additional equipment for his business. Create a new box with the words “Sewing Machine Store” and draw lines from Tom Andrews to both the bank and the new store.

2. Assessment 1 – Distribute one copy of both pages to each student. This assessment could be used as a homework assignment or an in class assignment.

3. Assessment 2: Performance Task and Task Rubric – Distribute one copy of both pages to each student. Review the task with students explaining that they have a choice in how the task is presented. Posters-like Activity 4, speeches, commercials, letters, advertisement, etc. should all be accepted for this task.

The Check/Rubric is for both the student and the teacher. Students could fold the Check/Rubric lengthwise so that they are only looking at the “Check list” side, which should help guide them when completing the task. The “Rubric” side can then be used by the teacher for evaluation purposes.

Debrief: Draw students’ attentions back to the essential question(s) for the lesson. Refocus their attention on the expectations embedded within the targeted benchmark.

Bibliography [Annotated]:

This lesson is adapted from Learning, Earning and Investing from the National Council for Economic Education and can be referenced at www.ncee.net/resources/lei_online_lesson3.pdf

SUPPLEMENTAL PLAY: An additional and similar play with 9 roles can be found at: <http://www.bankatschool.com/documents/MTN3106W.pdf> This could be used as a play for the students that were unable to participate in the original play of this lesson.

ADDITIONAL LESSONS ABOUT BANKS - EconEdLink These lessons could be used while the play is being rehearsed with the students that are not in the play.

Banks, Bankers, Banking In this EconEdLink lesson, students demonstrate understanding of the processes associated with **banking** by role-playing as customers, tellers, and guards. Included in this lesson are an interactive activity, student handouts, and links to a variety of Web resources. <http://www.econedlink.org/lessons/index.cfm?lesson=EM358>

Big Banks, Piggy Banks This EconEdLink lesson helps inform students that there are many places where people can keep their money. They identify the advantages and disadvantages of saving at home or saving in a **bank**. They choose the appropriate savings place for having money easily available, having it earn interest, and having it be safe. This lesson incorporates interactive student activities and links to a variety of Web resources. <http://www.econedlink.org/lessons/index.cfm?lesson=EM455&page=teacher>

ACTIVITY 1 ROLE CARDS

Cut cards apart and distribute to the students that will be acting out the play.

<p>I am Tyrone Washington. I have decided to remodel my kitchen. I'm going to borrow money from my bank to pay for the remodeling.</p>	<p>I am Cathy Alberichi. I am a loan officer at Community Bank. I review and approve loan applications.</p>
<p>I am Alisha Denzel. My father and I own a home repair and remodeling business.</p>	<p>I am Thomas Collier. I own a cabinet shop. I sell kitchen cabinets and other items for kitchen remodeling.</p>
<p>I am the narrator. I provide background information for our play.</p>	<p>I am Barbara Flowers. I own an electrical supply shop.</p>
<p>I am Leontyne Miller. I own a paint and wallpaper store.</p>	<p>I am Andrew Smith. I am a carpenter. When Ms. Denzel has work, she calls me.</p>
<p>I am Suzanne Jones. I am an electrician. When Ms. Denzel has work, she calls me.</p>	<p>I am Yolanda Lovell. I operate a restaurant near Mr. Washington's home. Many working people stop here for lunch.</p>
<p>I am Michael Sutter. I won a lumberyard. Ms. Denzel and her father often purchase lumber for their projects at my lumberyard.</p>	<p>I am Tom Andrews. I make drapes and other window treatments.</p>
<p>I am Martha Cohan. I own an appliance store.</p>	<p>I am Becky Thomas of Becky's Flooring.</p>

ACTIVITY 2: Play

WHAT HAPPENS WHEN A BANK MAKES A LOAN?

Tyrone Washington: [Standing in front of the audience] I have decided that I want to remodel my kitchen. To remodel, I will need a loan from the bank. I am going to visit the bank now.

Cathy Alberichi: [Stand up to greet Tyrone Washington. Pretend to shake hands] Welcome to Community Bank. I am Cathy Alberichi. How may I help you?

Tyrone Washington: My name is Tyrone Washington. I want to apply for a loan to remodel my kitchen. What must I do to obtain a loan?

Cathy Alberichi: [Hand Tyrone a piece of paper] We have a loan application that you must complete and sign. When you have completed the application, we will review it and let you know if the loan is approved.

Narrator: Mr. Washington completed the application and returned it to the bank. It is now three weeks later.

Cathy Alberichi: [Sitting at your desk] Mr. Washington, we are so pleased to provide this loan. We hope that your remodeling project goes well.

Tyrone Washington: [Shake hands] Thank you. I have already begun talking with the people who will do the work for me.

Narrator: Mr. Washington returned home and began making calls.

Tyrone Washington: [On the phone] Ms. Denzel, this is Tyrone Washington. I spoke with you last week. I have received my loan for remodeling. You provided the best estimate for the work. When can you begin?

Alisha Denzel: [On the phone] Mr. Washington, we can start next week. I'll have to begin calling my suppliers so that I have the materials we need. I'll also contact the electrician, the carpenter and the cabinet maker. I'll call you tomorrow with the date and time when we will begin.

Narrator: After Ms. Denzel finished speaking with Mr. Washington, she began making other important calls.

Alisha Denzel: [On the phone] Suzanne, this is Alisha. I have a new job that I'd like to start next week. I'll need an electrician to do some of the work. Are you available?

Suzanne Jones: [On the phone] I am available and I could use the income. I guess you'll pay me when the job is complete like you always do.

Alisha Denzel: That's right. I'll order the lighting supplies from the electrical supply shop. See you next week. [Hang up the phone]

Alisha Denzel: [Make another phone call] Thomas, this is Alisha Denzel. I have a new job that includes kitchen remodeling. My customer wants new cabinets. I'd like to

drop off my order tomorrow. Do you think that you could have the cabinets ready in three weeks?

Thomas Collier: Alisha, I'll have the cabinets ready. I'm grateful to have your business. Do you plan to pay a deposit and pay the balance when the cabinets are finished?

Alisha Denzel: Yes, that's my plan. *[Hang up the phone]* .

Alisha Denzel: *[Make another phone call]* Andrew, this is Alisha Denzel. I'm remodeling a kitchen. I have ordered new cabinets. I need to have those installed. I have some other work for you, too. Would you be able to do some work in two weeks?

Andrew Smith: Yes, Alisha, I can do the work. I'm grateful to earn the wages you'll pay. Let me know when you want me to be there.

Alisha Denzel: *[Hang up the phone]* *[Make another phone call]* Michael, this is Alisha Denzel. I have a job next week, and I need some lumber. If I fax my order, could you have the lumber delivered next week?

Michael Sutter: Alisha, I'll have the lumber delivered. I'll call the man who delivers for me and make arrangements to have him work next week.

Alisha Denzel: *[Hang up the phone]* *[Make another phone call]* Ms. Flowers, this is Alisha Denzel. I have a job next week and I need some electrical supplies. If I fax you the order, can you have the supplies delivered next week?

Barbara Flowers: Yes, Ms. Denzel, I can.

Narrator: While Ms. Denzel is calling workers and suppliers, Mr. Washington is making plans, too. He's visiting a paint and wallpaper store and a shop that offers drapes and other window treatments.

Leontyne Miller: *[Greet Tyrone Washington]* Good afternoon, sir. How may I help you?

Tyrone Washington: *[Shake hands]* Good afternoon. I'm remodeling my kitchen, and I want to buy some wallpaper and paint. Can you show me some wallpaper that might be good for a kitchen?

Leontyne Miller: Yes, sir, I would be happy to.

Tom Andrews: *[Walk over to Tyrone Washington]* Hello, sir. How may I help you?

Tyrone Washington: Hello. I'm remodeling my kitchen, and I want to buy some new blinds for the windows. Can you help me?

Tom Andrews: Yes, I can.

Narrator: Two weeks have passed. Alisha Denzel, Andrew Smith and Suzanne Jones have been working each day at Mr. Washington's home. *[All three are standing together]*

Alisha Denzel: I think that we should buy lunch at that burger shop up the street. We ate there last week, and the food was good. *[All three walk away]*

Narrator: The three go for lunch.

Yolanda Lovell: *[Walk up to the three who are sitting at one table]* It's good to see you again. We always like it when customers come back. What can I get you to eat?

Narrator: The three workers order, eat and get back to their jobs.

Alisha Denzel: Mr. Washington, we have a lot of the remodeling done. Soon we'll be ready to add the cabinets and other features. It would be a good idea if you would order the floor covering and appliances. I have the names of two stores you might want to visit. *[Hand Tyrone a piece of paper]*

Tyrone Washington: I can do that while you're working this afternoon. *[Walk away]*

Narrator: Mr. Washington leaves to order floor covering and appliances.

Becky Thomas: *[Walk up to Tyrone Washington]* Hello, sir. Are you interested in some new floor covering for your home?

Tyrone Washington: Yes, I would like to order some ceramic tile. Do you have someone who can install it next week?

Becky Thomas: Yes, sir, I can call the installer and set up an appointment. Let's pick out the tile you want.

Martha Cohan: *[Walk up to Tyrone Washington]* Good afternoon, sir. May I help you with some appliances?

Tyrone Washington: Yes, I'm remodeling my kitchen. I want to buy a new stove, refrigerator and dishwasher. I would like to have them delivered in two weeks. I also need to have the old appliances picked up. Do you provide that service?

Martha Cohan: Yes, sir. We can deliver your appliances, and I'll call the company we work with to pick up your old appliances.

Narrator: After several weeks, Mr. Washington had his remodeling work done. Each month he makes a payment on his loan from the bank. **The end.**

ACTIVITY 3: Record the Action

Name _____

As you listen to the play, fill in the blanks in the statements below with the words provided.

cabinets	remodel	income
Community Bank	appliances	wages

1. Tyrone Washington borrowed money from the bank so that he could _____.
2. Tyrone Washington hired Alisha Denzel's company to do the remodeling work. Mr. Washington will pay Ms. Denzel with money he borrowed from _____.
3. Alisha Denzel will hire people to help her remodel Mr. Washington's house. Suzanne Jones is the electrician that will work for Alisha. Ms. Jones said that she could use the _____.
4. Andrew Smith was grateful to earn the _____ Ms. Denzel would pay.
5. Thomas Collier was affected by Mr. Washington's decision to borrow from the bank because Mr. Collier made the _____ for Mr. Washington's kitchen.
6. Martha Cohan was affected by Mr. Washington's decision to borrow from the bank because Mr. Washington ordered _____.

As you listen to the play, fill in the blanks in the statements below with the words provided.

cabinets	remodel	income
Community Bank	appliances	wages

1. Tyrone Washington borrowed money from the bank so that he could remodel.
2. Tyrone Washington hired Alisha Denzel's company to do the remodeling work. Mr. Washington will pay Ms. Denzel with money he borrowed from Community Bank.
3. Alisha Denzel will hire people to help her remodel Mr. Washington's house. Suzanne Jones is the electrician that will work for Alisha. Ms. Jones said that she could use the income.
4. Andrew Smith was grateful to earn the wages Ms. Denzel would pay.
5. Thomas Collier was affected by Mr. Washington's decision to borrow from the bank because Mr. Collier made the cabinets for Mr. Washington's kitchen.
6. Martha Cohan was affected by Mr. Washington's decision to borrow from the bank because Mr. Washington ordered appliances.

Becky Thomas

Installer

Suzanne Jones

Yolanda Lovell

Andrew Smith

Community Bank

Barbara Flowers

Thomas Collier

Michael Sutter



Tyrone Washington

Alisha Denzel

Makes a Loan

Cathy Alberichi

Tom Andrews

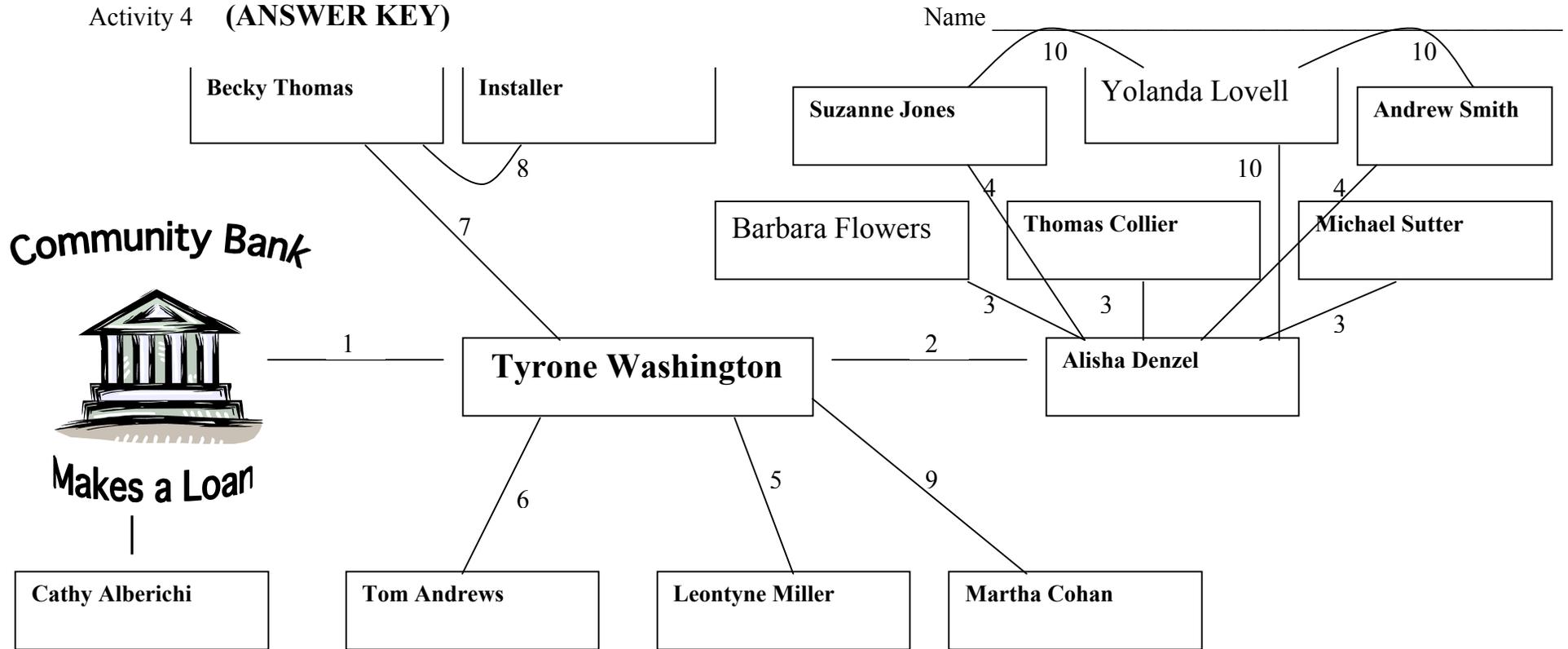
Leontyne Miller

Martha Cohan

Tyrone Washington received the loan, but the loan had an economic impact on others. The other people received income or money for their services. What do you think they did with their money?

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Activity 4 (ANSWER KEY)



Tyrone Washington received the loan, but the loan had an economic impact on others. The other people received income or money for their services. What do you think they did with their money?

Point out that Tyrone Washington received the loan, but the loan had an economic impact on many other people in the community. People earned income for work they performed providing goods and services. Ask the students what they think those people did with the income they earned.

Spent it, or saved some of it and spent some.

Explain that if people spent some of their income on goods and services in the community, the people who provided those goods and services earned income, too. If people saved some of their income, the bank would have money to lend to others as it lent to Tyrone Washington.

Activity 4 – Instructions (Can be used with Activity 4 sheet or solely as described below)

Explain that the class will create a diagram to illustrate the economic impact of the loan on the community. All the characters except the narrator will use their signs to create the diagram.

At one end of the board, write in large letters, “Community Bank Makes a Loan.” Discuss the following.

- **Who received the loan?** *Tyrone Washington.*

Ask the student with the “Tyrone Washington” sign to tape the sign several inches to the right of the words “Community Bank Makes a Loan.” Ask the student with the “Cathy Alberichi” sign to tape the sign below the bank name. Draw a line from “Community Bank” to the sign labeled “Tyrone Washington.”

- **Whom did Mr. Washington hire to do the work?** *Alisha Denzel.*

Ask the student with the “Alisha Denzel” sign to tape the sign several inches to the right of the sign labeled “Tyrone Washington.” Draw a line from “Tyrone Washington” to “Alisha Denzel.”

- **From whom did Alisha Denzel buy electrical supplies, cabinets and lumber?** *Barbara Flowers, Thomas Collier and Michael Sutter.*

Have the students with the “Barbara Flowers,” “Thomas Collier” and “Michael Sutter” signs tape the signs several inches above the “Alisha Denzel” sign. Draw a line from “Alisha Denzel” to “Barbara Flowers,” from “Alisha Denzel” to “Thomas Collier” and from “Alisha Denzel” to “Michael Sutter.”

- **Whom did Alisha Denzel hire to help with the electrical and carpentry work?** *Suzanne Jones, electrician, and Andrew Smith, carpenter.*

Have the students with the “Suzanne Jones” and “Andrew Smith” signs tape the signs several inches above the “Alisha Denzel” sign. Draw a line from “Alisha Denzel” to “Suzanne Jones” and from “Alisha Denzel” to “Andrew Smith.”

- **From whom did Mr. Washington buy paint and wallpaper?** *Leontyne Miller.*

Have the student with the “Leontyne Miller” sign tape the sign near the “Tyrone Washington” sign. Draw an arrow from “Tyrone Washington” to “Leontyne Miller.”

- **From whom did Mr. Washington buy window treatments?** *Tom Andrews.*

Have the student with the “Tom Andrews” sign tape the sign several inches above or below the “Tyrone Washington” sign. Draw an arrow from “Tom Andrews” to “Tyrone Washington.”

- **From whom did Mr. Washington buy ceramic tile?** *Becky Thomas.*

Have the student with the “Becky Thomas” sign tape the sign several inches above or below the “Tyrone Washington” sign. Draw an arrow from “Becky Thomas” to “Tyrone Washington.”

- **Whom did Becky Thomas contact to install Mr. Washington’s floor?** *An installer.*

Write “Installer” on a **blank piece** of paper. Tape the paper several inches to the right of the “Becky Thomas” sign. Draw a line from “Becky Thomas” to “Installer.”

- **From whom did Mr. Washington buy appliances?** *Martha Cohan.*

Have the student with the “Martha Cohan” sign tape the sign near the “Tyrone Washington” sign. Draw an arrow from “Tyrone Washington” to “Martha Cohan.”

- **Who bought lunch at Yolanda Lovell’s restaurant?** *Alisha Denzel, Andrew Smith and Suzanne Jones.*

Place the “Yolanda Lovell” sign near the “Alisha Denzel,” “Andrew Smith” and “Suzanne Jones” signs. Draw lines from “Yolanda Lovell” to “Alisha Denzel,” “Andrew Smith” and “Suzanne Jones.”

Short Answer Question: Point out that Tyrone Washington received the loan, but the loan had an economic impact on many other people in the community. People earned income for work they performed providing goods and services. Ask the students what they think those people did with the income they earned.

Spent it, or saved some of it and spent some.

Explain that if people spent some of their income on goods and services in the community, the people who provided those goods and services earned income, too. If people saved some of their income, the bank would have money to lend to others as it lent to Tyrone Washington.

Assessment 1

Name _____

_____ 1. What is a bank?

A. Payment earned for providing resources in the market.

_____ 2. What is a loan?

B. Something borrowed, usually

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <p>_____ 3. What is interest?</p> <p>_____ 4. What is income?</p> | <p>money</p> <p>C. A community business that helps people save and borrow money.</p> <p>D. The price paid for using someone else's money.</p> |
| <p>_____ 5. What do we call the income people earn for their work as human resources?</p> <p>_____ 6. What do we call the income people earn as entrepreneurs?</p> | <p>E. To accept deposits and make loans.</p> <p>F. To buy houses or cars, to remodel or repair, to start new businesses.</p> |
| <p>_____ 7. What are the two main functions of banks?</p> <p>_____ 8. For what reasons do people typically borrow money from banks?</p> | <p>G. Wages or Salaries.</p> <p>H. Profit</p> |
| <p>_____ 9. When banks make loans, what is the impact on the community?</p> | <p>I. People other than the borrower may earn income from the loan.</p> |

Multiple-Choice Questions – Circle the one correct answer

1. Interest is
 - a. a loan a bank makes to a customer.
 - b. a deposit a customer makes at a bank.
 - c. income received for work done in the economy.
 - d. the price paid for using someone else's money.
2. The two main functions of banks are to
 - a. make deposits and accept loans.
 - b. pay interest and make loans.
 - c. accept deposits and pay interest.
 - d. accept deposits and make loans.
3. Wages and salaries are the income people earn when they
 - a. are entrepreneurs.
 - b. work in the economy.
 - c. provide natural resources.
 - d. provide capital resources.
4. Banks make loans. These loans are -
 - a. deposits that people make at a bank.
 - b. money that doesn't have to be repaid to the bank.
 - c. money that must be repaid to the bank with interest.
 - d. goods and services the bank has that others want to use.

Short-Response Questions

1. Mr. Smith owns an apartment building. He has decided to borrow money from a local bank to remodel the building so that the apartments will be of better quality. What impact will this have on the community? Explain your answer.

2. The carpenter earned \$1,500 in take-home pay working for Mr. Smith. The carpenter decided to save \$750 in the bank and spend the other \$750. What impact will the carpenter’s decision have on the community? Explain your answer.

Assessment 1 -(Answers)

- 1.-C What is a bank? *A business in the community, serving customers who save money and earn interest and customers who borrow money and pay interest.*
2. -B What is a loan? *Something borrowed, usually money.*
3. -D What is interest? *The price paid for using someone else’s money.*
4. -A What is income? *Payment earned for providing resources in the market.*
5. -G What do we call the income people earn for their work as human resources? *Wages or salaries.*

6. –H What do we call the income people earn as entrepreneurs? *Profit*
7. –E What are the two main functions of banks? *To accept deposits and make loans.*
8. –F For what reasons do people typically borrow money from banks? *To buy houses and cars, to remodel and repair their homes, to start or expand businesses.*
9. –I When banks make loans, what is the impact on the community? *People other than the borrower may earn income as a result of new rounds of spending and saving generated by the loans.*

Assessment

Multiple-Choice Questions

1. Interest is
 - a. a loan a bank makes to a customer.
 - b. a deposit a customer makes at a bank.
 - c. income received for work done in the economy.
 - d. the price paid for using someone else’s money.***

2. The two main functions of banks are to
 - a. make deposits and accept loans.
 - b. pay interest and make loans.
 - c. accept deposits and pay interest.
 - d. accept deposits and make loans.***

3. Wages and salaries are the income people earn when they
 - a. are entrepreneurs.
 - b. work in the economy.***
 - c. provide natural resources.
 - d. provide capital resources.

4. Banks make loans. These loans are -
 - a. deposits that people make at a bank.
 - b. money that doesn’t have to be repaid to the bank.
 - c. money that must be repaid to the bank with interest.***
 - d. goods and services the bank has that others want to use.

Short-Response Questions

1. Mr. Smith owns an apartment building. He has decided to borrow money from a local bank to remodel the building so that the apartments will be of better quality. What impact will this have on the community?
Mr. Smith will use the money to hire carpenters, electricians, plumbers and others to remodel the apartments. He will buy goods and services from appliance shops, flooring stores and other stores. As a result, workers and people who own the stores will earn income that they in turn can spend or save.

2. The carpenter earned \$1,500 in take-home pay working for Mr. Smith. The carpenter decided to save \$750 in the bank and spend the other \$750. What impact will the carpenter’s decision have on the community?
The bank will have more money to lend to other people. The carpenter will buy goods and services in the community with the rest of the money. These purchases will provide income for workers and business owners in the community.

Assessment 2: Performance Task

What Happens When a Bank Makes a Loan?

Now that you’ve learned about the role of banks in a community, you are ready to demonstrate what you know about the role of banks and other financial institutions in the economy.

Goal:

- Your goal is to create a presentation that shows how banks provide services that affect entire communities.

Role:

- You are someone that wants to get a loan from the local bank. You have to show how the loan will help not only you but also the entire community.

Audience:

- Bank officers and managers that deal with loans.

Product performance and purpose:

- You will create a presentation to the bank that will help you get the loan that you want. Your presentation might be a poster with diagrams, a speech to the loan officers, a letter that asks for the loan, or another type of presentation if your teacher approves of your product idea.

Situation:

- Base your presentation on **one** of the following situations:

<p>You borrow money from a bank to expand your business. You add a warehouse for storing materials; you buy more tools and machines for designing drapes and other window treatments.</p>	<p>You want to start a delivery business. You borrow money from a bank. You use the money to rent office space, buy delivery vans, hire drivers, rent space to store the vans and advertise your new business.</p>
<p>You borrow money from a bank to add a patio to your home. You hire people to design the patio, dig up the ground, pour concrete and plant flowers.</p>	<p>You own a car-repair shop. You want more space so that you can work on more cars and work on big trucks. You will hire people to expand your building. When the building is complete, you'll need more mechanics, more equipment and more supplies. You'll advertise to let people know about your services.</p>

Standards and criteria for success:

- See Check/Rubric – Use the left-hand side to help guide you. Your teacher will then grade your presentation with the right-hand side.

Assessment 2: Task Rubric

What Happens When a Bank Makes a Loan?

Check/Rubric – Turn this in with your finished work.

Student Checklist	Teacher Rubric
<p>Why do you want the loan?</p> <p><input type="checkbox"/> Can someone reviewing your work figure out who you are pretending to be?</p> <p><input type="checkbox"/> Did you provide details about why you want the loan?</p>	<p>Why do you want the loan?</p> <p><input type="checkbox"/> 3 – Role is clearly defined as well as the reason for and amount of the loan.</p> <p><input type="checkbox"/> 2 – Role is understood, but reason for a loan is not clearly described. Amount of loan is not valid.</p> <p><input type="checkbox"/> 1 – Role is missing; the amount of the loan is invalid. Reason for the loan is unclear.</p>

<p><input type="checkbox"/> Did you correctly estimate how much money you would request?</p>	<p><input type="checkbox"/> 0 – Information about the reason for the loan is missing.</p>
<p>How will the loan make you more successful?</p> <p><input type="checkbox"/> Did you describe the benefits to you or your business if you get the loan?</p> <p><input type="checkbox"/> Did you describe what might happen if you don't get the loan?</p>	<p>How will the loan make you more successful?</p> <p><input type="checkbox"/> 3- Benefits and consequences of the loan are described in detail.</p> <p><input type="checkbox"/> 2 – Benefits and consequences of the loan are described, but lack details.</p> <p><input type="checkbox"/> 1 – Only benefits or consequences are described, but not both.</p> <p><input type="checkbox"/> 0 – Benefits and consequences are missing.</p>
<p>What are the responsibilities and costs of a loan?</p> <p><input type="checkbox"/> How often do you plan on making payments?</p> <p><input type="checkbox"/> Have you mentioned that you understand there is interest on loans?</p> <p><input type="checkbox"/> Have you shared that you might have to change your spending habits so that you can repay the loan?</p>	<p>What are the responsibilities and costs of a loan?</p> <p><input type="checkbox"/> 3 – Responsibilities, costs and trade-offs of having a loan are described in detail.</p> <p><input type="checkbox"/> 2 – Responsibilities, costs and trade-offs of having a loan are described, but lack detail.</p> <p><input type="checkbox"/> 1 – Missing description of one or more of the following: responsibilities, costs and/or trade-offs.</p> <p><input type="checkbox"/> 0 – Information about responsibilities, costs and trade-offs is missing.</p>
<p>How will the loan impact others in the community?</p> <p><input type="checkbox"/> Did you describe all the people that might be helped if you got the loan?</p> <p><input type="checkbox"/> Did you describe how businesses might be helped if you got the loan?</p> <p><input type="checkbox"/> Did you describe how the bank will help by giving you the loan?</p>	<p>How will the loan impact others in the community?</p> <p><input type="checkbox"/> 3- Impact upon total community is described in detail.</p> <p><input type="checkbox"/> 2 – Impact upon community is described, but some information is invalid or incorrect.</p> <p><input type="checkbox"/> 1 – Impact upon community has missing information.</p> <p><input type="checkbox"/> 0 – Information about the impact a loan has on a community is missing.</p>

Visual 1 – Name Tags

<p>Total Points of 12</p>

Tyrone Washington

Homeowner

Alisha Denzel

Home-repair and Remodeling

Narrator

Leontyne Miller

Paint and Wallpaper

Suzanne Jones
Electrician

Michael Sutter
Lumberyard Owner

Martha Cohan
Appliance Store Owner

Cathy Alberichi
Loan Officer

Thomas Collier
Cabinet Shop Owner

Barbara Flowers
Electrical Supplies

Andrew Smith
Carpenter

Yolanda Lovell
Restaurant Owner

Tom Andrews
Drape Maker

Becky Thomas
Flooring Store Owner

Installer

Visual 2: Debrief - Transparency

