**Jump Start Micro-Enterprise Credential: Bank Applicant Profiles Student Exercise**

**Teacher Guide**

(Upgrade: July 2016)

**Credit Applicant Profiles**

The four applicants for a $40,000 loan are Robin Smith, Amari Jones, Jamie Ford and Blake Felder.

1) Who is the youngest loan applicant? Jamie Ford – born in 1995

2) Which loan applicants are seeking funds for start-up business opportunities? Jamie Ford and Blake Felder

3) Which loan applicant earns the most total income every year? Amari Jones: $72,000 + $2,000 + $2,000 = $76,000

4) Which loan applicant earns the most “Other Income” during the year? Jamie Ford: $8,000

5) How many of these applicants have pets? Jamie Ford and Blake Felder – page 2 Financial Profiles for expenses in the row labeled Pets

6) Which of these applicants projects paying the least amount of rent for their business? (At what location do you think this applicant intends to work?) Blake Felder projects that rent for the new business will be $0 – this is the lowest rent. It seems likely that Blake will be working from his/her apartment.

7) Which applicants own their own cars “free and clear” with no car loan they need to pay each month? Jamie Ford and Blake Felder

8) Which applicant’s business requires the most equipment in order to operate? Robin Smith

**EXTRA CREDIT – *See the Fictional Case Study Financial Projections spreadsheet***

9) Which applicant saves the most money each year from their personal income? Which applicant saves the least?

Most: Blake Felder; Least: Jamie Ford

10) Which applicant’s business promises to be the most profitable? Blake Felder’s

11) Which applicant is the most likely to be approved? Why?

Blake Felder: 1) most promising business projections; 2) directly related current employment, so the new business will likely use the skills and contacts Blake has already developed on the job; 3) strong personal finances with savings each year, little debt (even though little savings as well); EXTRA CREDIT 4) best financial ratios for the business

12) Which applicant is the least likely to be approved? Why?

Jamie Ford: 1) business projections are only about breakeven – little room for error if the business does not hit its business targets; 2) no savings to fall back on; EXTRA CREDIT: 3) restaurants are a very competitive business, many go out of business in their first year.

**Guarantor Profiles**

1) Which is the wealthiest guarantor? Logan Lane, by far

2) How many guarantors own a house? How many own their house “free and clear?” Three own their own house. Logan Lane is the only one to own his/her house “free and clear.”

3) Which guarantors have individual retirement accounts (IRAs)? All Four. Everyone should try to start saving for their retirement, even someone as young as Quinn.

4) Who is the youngest guarantor? What kind of car does this person drive? Quinn, who is young but drives in style in a BMW.

**EXTRA CREDIT**

5) Parker earns less money each year than Quinn. Who would a bank think is a better guarantor? Why?

Parker earns a middle-class income, but has been an effective saver for a long time. Parker’s mortgage is very low versus the full value of the house, meaning Parker could borrow more money against the house (“take out a second mortgage”) if the need arose. Parker owns a car free and clear car, has savings but no debt.

Quinn earns more, but has borrowed money for a fancy car and has a reasonably high rent payment each month. Quinn has been an active saver for someone this young, but just hasn’t accumulated the savings that Parker has.

Both Quinn and Parker could conceivably be approved as guarantors, but Parker is a better candidate to be approved by a bank.

6) Both Logan and Kendall are pretty wealthy. What are the reasons a bank might think Logan is a better guarantor than Kendall?

Logan is far, far more wealthy than Kendall, who is pretty wealthy too. But Logan has far more savings, more liquid assets, a fancy home with no mortgage and commercial real estate that appears to be very valuable. Banks would want Logan as a guarantor because Logan is extremely credit-worthy and . . .

EXTRA CREDIT because they’d probably want to establish a relationship with Logan to see if Logan is willing to give the bank any new business!