

FINANCIAL EMPOWERMENT



LESSON 3:

THE THREE C'S OF CREDIT

Written by Cynthia Campbell, Tinker Federal Credit Union

What is your most prized possession? Is it your Wii, Xbox360, or PS3? What if your classmate, Jordan, asked to borrow it for the weekend, would you lend it to her?

The answer would probably depend on how well you knew her. If you knew that she was responsible with her own things, you might trust that she would respect your property too. However, if you knew that her room was a disaster and that all of her own stuff was broken or lost, you probably would not lend Jordan anything. Jordan's reputation would help you make your decision.

It works like that when borrowing money too. The lender (person giving the money) will look at the borrower's reputation with money. Do they have a job? Do they save some money or spend all they have? Do they own anything of value? Do they pay their bills on time? How many other bills do they have?

These questions help lenders evaluate the borrower's character, capacity, and capital – THE THREE C'S OF CREDIT.

Character	Means you can be trusted to repay the debt because your history with money shows you are reliable.
Capacity	Means you have a steady income (job) that is enough to repay the debt.
Capital	Means you have valuable assets such as real estate, personal property, investments, or savings that you could use to repay debt if income is unavailable.

Questions:

1. In your decision about lending Jordan your game system, what questions would you ask her to determine her character, capital, and capacity?
2. In order for you to feel comfortable lending Jordan your game system, what are your minimum requirements for character, capital, and capacity?
3. What will you do if Jordan loses or breaks your game system while she is borrowing it? Will you set up a "rule" before you lend it to her?



This lesson is part of the Newspapers In Education program, a no-cost resource for teachers. To learn more, visit nie.newsok.com.



NEWSPAPERS IN EDUCATION
THE OKLAHOMAN

Submit your application for
**TFCU's Financial Empowerment
Teacher of the Year Awards**
before October 28th, details at www.TinkerFCU.org

Newspapers for this program provided by:

