

# Banking and Finance: Consumer Lending: Grades 10, 11, 12

Adopted 2005

## Introduction to Consumer Loans

### **1.1 Define consumer credit, installment loan, consumer use of credit**

1. Describe the responsibilities of the borrower and the lender when a consumer loan is granted [1.1.1](#)
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### **1.2 Discuss how installment loans originated**

1. Describe the characteristics of credit users [1.2.1](#)
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### **1.3 Explain the reasons consumers use credit**

1. Describe the characteristics of credit users [1.3.1](#)
  2. Discuss how these characteristics influence the use of consumer credit [1.3.2](#)
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### **1.4 Identify the types of providers of consumer credit**

1. Compare the lending practices among the various types of lending institutions [1.4.1](#)
  2. List the classifications of consumer loans [1.4.2](#)
  3. Describe how these classifications effect how a lender markets, administers, and prices consumer credit [1.4.3](#)
  4. List the categories of consumer loans [1.4.4](#)
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### **1.5 Define real property loans**

1. Discuss the various types of loans included in this category [1.5.1](#)
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### **1.6 Define home improvement loans**

1. List examples of home improvement loans [1.6.1](#)
  2. Describe a government-insured home improvement loan [1.6.2](#)
  3. Describe a conventional loan [1.6.3](#)
  4. Compare secured and unsecured home improvement loans [1.6.4](#)
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### **1.7 Define lien**

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## **1.8 Define manufactured home**

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## **1.9 Define indirect loans**

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## **1.10 Define chattel**

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## **1.11 Define equality**

1. Discuss home equity loans and how they benefit lenders [1.11.1](#)
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## **1.12 Define vehicle loans**

1. List the various types of vehicle loans [1.12.1](#)
  2. Discuss why automobile loans are the largest single category of consumer loans [1.12.2](#)
  3. Discuss collateral for automobile loans [1.12.3](#)
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## **1.13 Define recreational vehicles**

1. Discuss the recreational vehicle market [1.13.1](#)
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## **1.14 Define marine loans**

1. Discuss the loan terms for marine loans [1.14.1](#)
  2. Discuss financing for aircraft loans [1.14.2](#)
  3. List the types of loans that are categorized as other consumer loans [1.14.3](#)
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## **1.15 Present the Higher Education Act of 1965**

1. Discuss education loans [1.15.1](#)
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## **1.16 Define deposit account loans**

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## **1.17 Define secondary market**

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## **1.18 Define personal loans**

1. Discuss various reasons for personal loans [1.18.1](#)
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## **1.19 Define check credit**

1. Discuss the purpose of check credit [1.19.1](#)
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## **1.20 Define overdraft revolving credit**

1. Discuss benefits of overdraft protection [1.20.1](#)
2. Discuss advantages and disadvantages of credit cards [1.20.2](#)
3. Compare the types of card users [1.20.3](#)
4. Discuss how lenders offer credit card services [1.20.4](#)

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### **1.21 Define card issuers and agents**

1. Discuss why the credit card market is so competitive [1.21.1](#)
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## **Laws and Regulations Affecting Consumer Loans**

### **2.1 Determine the government agencies that regulate consumer-lending practices for banks, credit unions, and savings institutions**

1. List each regulator and the type of institutions it monitors [2.1.1](#)
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### **2.2 Determine the primary focus of consumer protection regulations and laws relating to consumer credit**

1. List the three areas of regulations and at least three key laws in each area [2.2.1](#)
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### **2.3 Determine the primary objective of the Uniform Consumer Credit Code (UCCC)**

1. List six UCCC recommendations [2.3.1](#)
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### **2.4 Present the bankruptcy laws**

1. State two kinds of bankruptcy plans and their differences [2.4.1](#)
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### **2.5 Define Community Reinvestment Act (CRA) and its purpose**

1. Discuss the responsibilities that financial institutions have to their communities [2.5.1](#)
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## **Interest**

### **3.1 Define interest**

1. List the factors upon which the amount of interest paid on a loan depends [3.1.1](#)
  2. Identify the interest formula [3.1.2](#)
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### **3.2 Define amortization**

1. Explain the correlation between reduced principal and reduced interest [3.2.1](#)
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### **3.3 Identify the three methods of calculating interest**

1. Compare the three methods of calculating interest [3.3.1](#)
  2. Perform simple interest calculations [3.3.2](#)
  3. Perform add-on interest calculations [3.3.3](#)
  4. Perform discount interest calculations [3.3.4](#)
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### **3.4 Identify the three common methods used for determining the number of days on which to calculate interest in a year**

1. Compare the interest yield on a loan using the three methods of calculations [3.4.1](#)

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### **3.5 Discuss the two types of loans: closed-end loans and open-end loans**

1. List examples of two types of loans [3.5.1](#)
  2. Figure a monthly loan payment using an amortization table [3.5.2](#)
  3. Discuss how monthly payments are calculated [3.5.3](#)
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### **3.6 Define finance charge**

1. Contact an area bank for its disclosure brochure regarding finance charges [3.6.1](#)
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### **3.7 Define annual percentage rate (APR) and explain how it is different from an interest rate**

1. Invite a loan officer from an area bank to address the Truth in Lending Act [3.7.1](#)
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### **3.8 Consider possible factors involved in early repayment of a loan**

1. Discuss early repayment penalties [3.8.1](#)
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## **Applying for a Consumer Loan**

### **4.1 Determine clear loan policies and underwriting standards**

1. List topics that should be addressed in loan policies [4.1.1](#)
  2. List examples of underwriting standards [4.1.2](#)
  3. List methods of taking consumer loan applications [4.1.3](#)
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### **4.2 Explain the elements of a complete loan application**

1. List eight elements common to consumer loan applications [4.2.1](#)
  2. List and discuss specific documents required in the application process [4.2.2](#)
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### **4.3 Determine methods of detecting consumer loan fraud**

1. List characteristics of a fraudulent loan application [4.3.1](#)
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## **Credit**

### **5.1 Identify the four C's of credit**

1. Relate character, credit, capacity, and collateral to the elements of a loan application [5.1.1](#)
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### **5.2 Define credit-reporting agencies**

1. Explain the purpose of an agency and how agencies can be used or beneficial to a lender [5.2.1](#)
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### **5.3 Identify the three primary sources of credit verification**

1. List advantages and disadvantages of each source [5.3.1](#)
  2. Discuss the three primary sources used to verify collateral and what lenders look for [5.3.2](#)
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### **5.4 Analyze the different elements used in credit reports, income analysis, debt analysis, and risk analysis to make the credit decision**

**Establishing and  
Perfecting Security  
Interest**

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**5.5 Describe the events that trigger the notification requirements of the Equal Credit Opportunity Act**

1. List ways applicants may be notified of the credit decision under certain circumstances [5.5.1](#)

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**5.6 Describe an indirect loan**

1. Discuss under what circumstances an indirect loan may occur [5.6.1](#)

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**6.1 Review the four C's of credit**

1. Discuss the purpose and process of accepting collateral [6.1.1](#)

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**6.2 Define liquidate**

1. Discuss the limitations of using collateral for repayment [6.2.1](#)
2. List the four major characteristics of determining collateral adequacy [6.2.2](#)
3. Discuss identification and condition [6.2.3](#)

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**6.3 Define depreciation**

1. Identify how value is determined [6.3.1](#)

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**6.4 Define purchase money loan**

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**6.5 Define lien holder**

1. Discuss prior liens and encumbrances [6.5.1](#)

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**6.6 Define perfection of a security interest**

1. Compare/contrast perfection of a security interest by filing, possessions, and automatic perfection [6.6.1](#)
2. Explain the process of perfection by filing a financing statement [6.6.2](#)
3. Discuss perfection by possession [6.6.3](#)

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**6.7 Define automatic perfection**

1. List examples of automatic perfection [6.7.1](#)
2. Discuss risks to the lender of automatic perfection [6.7.2](#)

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**6.8 Define attachment**

1. Discuss attachment and perfection as necessary elements in obtaining a security interest in collateral [6.8.1](#)
2. Explain why the lender must be aware of the elements to both attachment and perfection [6.8.2](#)

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**6.9 Determine the procedure of terminating a financing statement**

1. Discuss the lender's responsibility in filing a termination statement [6.9.1](#)
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## Loans

### 7.1 Define promissory note

1. Discuss the elements and purpose of a promissory note 7.1.1
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### 7.2 State the truth in lending disclosures necessary for consumer loans

1. List the element that must be disclosed to borrowers 7.2.1
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### 7.3 Define security agreement

1. Discuss the purpose of a security agreement 7.3.1
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### 7.4 Identify the importance of a collateral description

### 7.5 Define acceleration clause and collection costs

1. Discuss why an acceleration clause may be invoked 7.5.1
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### 7.6 Identify the documents and process necessary for perfecting a security interest in direct loans

1. Explain how a security interest in indirect loans is perfected 7.6.1
  2. Describe the purpose of a certificate of title notation 7.6.2
  3. Explain what documents are necessary to secure an aircraft loan 7.6.3
  4. Describe the purpose of a financing statement 7.6.4
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### 7.7 Identify the documents needed for loans secured by real property

1. Describe the documents lenders use to secure loans by real property 7.7.1
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### 7.8 Define junior lien/second mortgage

1. Discuss the purpose of a junior lien/second mortgage 7.8.1
  2. Discuss the difference between first and junior mortgage instruments 7.8.2
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### 7.9 Explain the right of rescission

1. Describe the conditions of the right of rescission/cancellation 7.9.1
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### 7.10 Identify key internal documentation a bank must create once a loan has been approved

1. List examples of information that must be recorded by the bank 7.10.1
  2. Identify key parts of a welcome letter that should be sent to new borrowers 7.10.2
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### 7.11 Describe loan-closing activities

1. Identify the purpose of a consumer loan closing 7.11.1
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### 7.12 Describe the three ways of disbursing loan proceeds

1. List the three ways loan proceeds are distributed and the conditions for using the method 7.12.1

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**7.13 Describe the methods in which payments can be made by the borrower**

1. List the methods of payment for a consumer loan [7.13.1](#)
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**Servicing Consumer Loans****8.1 Describe promissory notes**

1. List the three things set forth in a promissory note [8.1.1](#)
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**8.2 Name the three most commonly used payment systems available to borrowers**

1. Discuss the responsibility of the bank to process and apply loan payments [8.2.1](#)
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**8.3 Identify reasons to use different processing types**

1. Explain the four types of payment processing systems used by banks [8.3.1](#)
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**8.4 Classify reports that lending personnel are responsible for**

1. List the two classifications of consumer loan reports [8.4.1](#)
  2. List and discuss four required reports and four optional reports and their uses [8.4.2](#)
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**8.5 Explain servicing of indirect loans**

1. Name two major responsibilities for servicing indirect loans [8.5.1](#)
  2. Discuss methods and responsibilities of servicing consumer loans in responding to inquiries [8.5.2](#)
  3. List six common types of inquiries [8.5.3](#)
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**8.6 Name the two ways financial intermediaries offer established national bank credit cards**

1. List the responsibilities assumed by a card issuer and by an agent [8.6.1](#)
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**Loan Collections and Consumer Bankruptcy****9.1 Identify the factors that affect delinquency rates for consumer loans**

1. Discuss reasons, based on delinquency rates, that consumer loans have different levels of risk for lenders [9.1.1](#)
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**9.2 Identify circumstances that may cause a lender to show exception to a delinquent borrower**

1. List the classifications of delinquent borrowers [9.2.1](#)
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**9.3 Identify the components of an effective collection policy**

1. Invite a loan officer from a bank to explain his/her institution's collection policy, including examples of collection documents [9.3.1](#)
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**9.4 Determine the provisions of the Fair Debt Collection Practices Act**

1. Research the Fair Debt Collection Practices Act using the Internet, and prepare a summary [9.4.1](#)

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**9.5 Identify the steps and purposes of preliminary collection procedures**

1. Discuss the background information one would need to begin the collection process 9.5.1

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**9.6 Identify the methods that a lender may employ to contact a delinquent borrower**

1. Discuss situations that may determine the collection method a lender may choose to use and the strengths and/or weaknesses of each 9.6.1

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**9.7 Identify the two remedial payment plans**

1. Discuss the two remedial payment plans and the circumstances under which forbearance or wage garnishment would be best 9.7.1

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**9.8 Identify the two means of collateral acquisition on a delinquent secured loan**

1. Review Revised Article 9 of the Uniform Commercial Credit Code (UCCC) 9.8.1

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**9.9 Discuss loan charge-off procedures and why charge-offs are necessary**

1. Contact a bank examiner or accountant to present information regarding charge-off procedures and how a charge-off affects a lender's financial standing 9.9.1

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**9.10 Define bankruptcy and identify the goal of current bankruptcy law**

1. Examine newspapers to gain an awareness of the occurrence of consumer bankruptcy 9.10.1

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**9.11 Explain Chapter 7 bankruptcy**

1. Arrange a field trip to bankruptcy court 9.11.1

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**9.12 Explain Chapter 13 bankruptcy**

1. Invite a judge as a guest speaker to discuss bankruptcy issues 9.12.1

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**9.13 Describe procedures lenders may use to prevent or reduce losses caused by bankruptcy**

1. Invite a credit counselor as a guest speaker 9.13.1