Evaluating Three Loan Applications

Listed below are three loan applicants who are interested in buying a new car. Based solely on the information provided and their credit score, determine whether you would approve or decline their loan requests. There is no specific credit score for which lenders would deny a loan automatically, based only on a score. However, the credit score does provide useful information about the credit-worthiness of the individual. If you decide to make a loan to the applicant, assign an interest rate appropriate for the applicant's score. Check your response and then write the reason for your decisions. Interest rates typically assigned to various credit scores are provided on the following page.

Status codes given at the end of the reports.

JANICE BROWN					Credit Score 450	
Company name	Months reviewed	High credit	Terms	Balance	Past due	Status
Sears	2	2,016	24	838		R3
Dept. of Educ.	7	1,507		1,507	158	I5
Dept. of Educ.	2	512		512	512	I5
ABC Credit Card	8	3,000	29	1,363		R1
Record of Month	6			28	38	O3

_____Approve   _____Decline   _____Not Sure   _____Interest Rate
Reason for decision:

TITO SANDERS					Credit Score 770	
Company name	Months reviewed	High credit	Terms	Balance	Past due	Status
Hometown Bank	24	11,000	60	5,350		I1
ABC Credit Card	6	2,500	36	0		O0
Dept. of Educ.	5	2,000	24	1,380		I1
XYZ Credit Card	12	3,000	24	495		R1

_____Approve   _____Decline   _____Not Sure   _____Interest Rate
Why?

MARIA MARTINEZ				Credit Score 620		
Company name	Months reviewed	High credit	Terms	Balance	Past due	Status
Hometown Bank	13	7,200	48	5,800		I1
ABC Credit Card	7	2,000	24	488		R1

_____Approve _____Decline _____Not Sure _____Interest Rate

Why?

Status Codes

Type of account

  O = Open

  R = Revolving

  I = Installment

Timeliness of payment

  0 = Approved, not used

  1 = Paid as agreed

  2 = 30 days past due

  3 = 60 days past due

  4 = 90 days past due

  5 = 120 days past due

  7 = Making regular payments under wage earner plan

  8 = Repossession

  9 = Seriously delinquent/bad debt (paid or unpaid; charged off account)

FICO SCORE	APR
720-850	6.098%
690-719	7.644%
660-689	9.059%
620-659	11.761%
590-619	15.478%
500-589	16.202%