Scenario

Consider the following information from the viewpoint of a bank manager:

Elaine works in the advertising industry. She has a take-home pay of $1200 each month. She still owes $3000 on a loan to a finance company. Monthly she pays $400 for rent, $100 on loan repayments and $600 on food, entertainment and living expenses. She has a current bank account balance of $500, personal possessions worth $2000 and a car with a current value of $5000. Her brother, 20 year-old Kevin is a referee. She is applying for a personal loan of $6000 for a holiday.

1. Would you as bank manager approve the loan? Explain your decision.
2. If Elaine’s decision was not approved by the bank where else could she go for finance?

c. What advice would you give Elaine when seeking credit?

**Approving Credit - Loan Officer**

You are the loan officer at a local bank. In each of the following cases, individuals are seeking to borrow money from the bank. Based on the information provided, evaluate each applicant and decide whether each will receive the loan. Explain the reasons you granted or denied the applicant the loan.

Case # 1

Donna is a single mother of two children. Her only source of income consists of government assistance payments of $650 a month and $120 per month from the pension from her late husband. She wants to purchase new kitchen appliances totalling $989. She lives in subsidised housing. Her share of the rent and other expenses total $575 a month.

Case # 2

Bruce is a bricklayer who is always looking for work. Due to weather and other factors, he is seasonally unemployed. He currently brings home $950 a month. He owes $200 a month for his car, $175 a month for the High Definition big screen TV, and $300 a month for rent and has no money saved in the bank. He wants to borrow $4,000 to purchase a motorcycle.

Case # 3

Susan, 19, is in her second year of university studying medicine. Until recently her parents paid her bills, but are now unable to and she is on her own. She is seeking $10,000 dollars for study costs and to pay her living expenses. She has never borrowed any money before but plans to repay her loan when she graduates.