MONEY IN THE BANK

SUBJECTS: Social Studies, Language Arts

STUDENT SKILL:

OBJECTIVE: The student will fill out a loan application to apply for an imaginary loan from an agricultural lending institution.

BACKGROUND

What do organic farms, tractor dealers, bakers, florists and lawn and garden maintenance services have in common? All are small businesses that are related to agriculture. Many people would like to own and operate businesses such as these but don’t know where to start. The first step is deciding if there is a need for the service or product. The next step is finding the money to start the business. For most small business owners, that means visiting a bank or credit service to apply for a loan.

Before the lending institution will consider the loan, the borrower must complete a loan application. The lender must know where the business will be located, what kind of experience or expertise the borrower has, what his or her debts are and what he or she can offer as collateral. The borrower must also provide information about past employment and list one or two people who know he or she is a responsible person.

In an agricultural business, individuals might need to buy heavy equipment that costs hundreds of thousands of dollars. These people have to prove that past loans have been paid or that the business will generate enough money to make new payments.

Sometimes business owners borrow money to expand their operations. In this case, they must show the lender that the demand for their product or services is so great that the business would benefit from expansion.

ACTIVITY

1. Lead a class discussion in which you ask students what questions they would need to answer before opening a new business. (What is the nature of the business? What type of customer will use the service or the product? Will there be money available to start up the venture?)
2. Inform students they will be applying for imaginary bank loans
to start a business related to agriculture. As a class, brainstorm about agriculture-related businesses and make a list on the board. Students must decide what type of businesses they want to establish and how much money they will need to start them. Will the business offer a service or a product?

2. Introduce and discuss the vocabulary words found in the background material. Share background material.

3. On the following day, review vocabulary words, and ask students if any of them have ever filled out an application or any type of form which asked for personal information. Bring a variety of blank applications to class for students to view—job application, credit card application, income tax form. What are some reasons individuals might need to complete such forms? Accept all reasonable answers.

4. Hand out student worksheets. Lead students through the loan application, discussing the different sections on the form. Students who don’t know their social security numbers should make them up. Under assets, make sure students list bikes, televisions, CD players, etc., and estimate their monetary value.

ADDITIONAL ACTIVITIES
1. On the backs of the applications, have each student design a check that promotes his or her business. Explain that many checks are illustrated with drawings that express the owner’s interests. Have students use rulers, and remind them to include all the information typically found on a check blank.

2. Call a bank or lending institution to find the current annual interest rate. Then have students compute the amount of interest they will be paying on their loans (loan amount X annual interest rate X number of years taken to repay loan).

3. Tour a local bank or lending institution and visit with a loan officer, preferably, an agricultural loan officer. Ask the loan officer to talk about the loan application process, explain what can be used for collateral, and share general information about the banking business.

4. Invite a representative from the local Chamber of Commerce to visit your classroom. Have the speaker explain the Chamber’s role in local businesses. What does the Chamber do to attract new businesses to the community and how do they help promote local businesses?

5. Provide a variety of forms for students to practice filling out.
If a typewriter is available, challenge students to type their forms.

EXTRA READING

EVALUATION
Were students able to complete the loan form in a satisfactory manner? Students’ work should be evaluated on an individual basis by the teacher.
Business Loan Application

Please print in blue or black ink.

1. Application Information:
   Last name_______________________First name____________________Middle initial_____
   Social Security Number__ __ __ — __ __ __ — __ __ __ __ Birth date ___ /___/ ___
   Street address__________________________________________Home Phone Number___________________
   City____________________________________________________State________Zip__________
   Check one of the following: ❑ Married ❑ Unmarried (single, divorced, widowed)

2. Employment Information:
   Name of current or past job______________________________________________________
   Title or job description___________________________________________________________
   Number of years in position____________ Military service ❑ No ❑ Yes

3. List at least three assets:
   A.______________________________________________ Estimated dollar value___________
   B.______________________________________________Estimated dollar value____________
   C.______________________________________________Estimated dollar value____________

4. List your two largest debts:
   Creditor________________________________________________Amount owed____________
   Creditor________________________________________________Amount owed____________

5. References
   Name of near relative_____________________________________Relationship_____________________
   Name of personal friend_____________________________________Known how long?____________

6. Signature:
   I, the undersigned, promise that everything stated on the application is correct to the best of my knowledge.
   Applicant’s signature________________________________________Date__________________