Arkansas CTE

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

1.2 Discuss how installment loans originated

1. Describe the characteristics of credit users 1.2.1

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

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

1.5 Define real property loans

1. Discuss the various types of loans included in this category 1.5.1

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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Define lien

1.8 Define manufactured home

1.9 Define indirect loans

1.10 Define chattel

1.11 Define equality

1. Discuss home equity loans and how they benefit lenders 1.11.1

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

1.13 Define recreational vehicles

1. Discuss the recreational vehicle market 1.13.1

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

1.15 Present the Higher Education Act of 1965

1. Discuss education loans 1.15.1

1.16 Define deposit account loans

1.17 Define secondary market

1.18 Define personal loans

1. Discuss various reasons for personal loans 1.18.1

1.19 Define check credit

1. Discuss the purpose of check credit 1.19.1

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 Define card issuers and agents

1. Discuss why the credit card market is so competitive 1.21.1

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

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

2.3 Determine the primary objective of the Uniform Consumer Credit Code (UCCC)

1. List six UCCC recommendations 2.3.1

2.4 Present the bankruptcy laws

1. State two kinds of bankruptcy plans and their differences 2.4.1

2.5 Define Community Reinvestment Act (CRA) and its purpose

1. Discuss the responsibilities that financial institutions have to their communities 2.5.1

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

3.2 Define amortization

1. Explain the correlation between reduced principal and reduced interest 3.2.1

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

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

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

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

3.8 Consider possible factors involved in early repayment of a loan

1. Discuss early repayment penalties 3.8.1

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

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

4.3 Determine methods of detecting consumer loan fraud

1. List characteristics of a fraudulent loan application 4.3.1

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

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

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

5.4 Analyze the different elements used in credit reports, income analysis, debt analysis, and risk analysis to make the credit decision

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

Establishing and Perfecting Security Interest

6.1 Review the four C's of credit

1. Discuss the purpose and process of accepting collateral 6.1.1

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

6.3 Define depreciation

1. Identify how value is determined 6.3.1

6.4 Define purchase money loan

6.5 Define lien holder

1. Discuss prior liens and encumbrances 6.5.1

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

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

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

6.9 Determine the procedure of terminating a financing statement

1. Discuss the lender's responsibility in filing a termination statement 6.9.1

Loans

7.1 Define promissory note

1. Discuss the elements and purpose of a promissory note 7.1.1

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State the truth in lending disclosures necessary for consumer loans

1. List the element that must be disclosed to borrowers 7.2.1

7.3 Define security agreement

1. Discuss the purpose of a security agreement 7.3.1

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

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

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

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

7.9 Explain the right of rescission

1. Describe the conditions of the right of rescission/cancellation 7.9.1

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

7.11 Describe loan-closing activities

1. Identify the purpose of a consumer loan closing 7.11.1

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

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

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

8.3 Identify reasons to use different processing types

1. Explain the four types of payment processing systems used by banks 8.3.1

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

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

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

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

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

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

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

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`

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`

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`

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`

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`

9.11 Explain Chapter 7 bankruptcy

1. Arrange a field trip to bankruptcy court `9.11.1`

9.12 Explain Chapter 13 bankruptcy

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

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`