

Worth!

By A. LaFaye / ISBN: 978-0-439-91342-3

Lesson Authors

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Standards and Benchmarks (see page 19)

Lesson Description

Students participate in a banking role play in which they portray roles based on characters in the book *Worth!* by A. LaFaye. The students learn about banking, profit, risk, and reward. Students discuss some of the factors that affect loan interest rates and the availability of credit. Students apply their knowledge of the content by writing a fictional applicant a letter of acceptance or rejection.

Grade Level

7-12

Concepts

Banks
Collateral
Interest
Principal
Profit
Reward
Risk

Objectives

Students will be able to

- define the terms risk, reward, collateral, principal, interest, profit, and bank;
- explain that risk is the chance of loss and that rewards are positive incentives that make people better off; and
- explain why greater risk results in higher potential for reward or loss.

Time Required

Two class periods (not including the reading of the book)

Materials

- Visuals 1 and 2
 - Handout 1, cut into cards and laminated (if desired) for future use
 - Handout 2, one copy for each student not assigned a part in the role play
 - Handout 3, one copy for each student
 - Dice or interactive dice roller
 - A small reward for the successful loan officers in the role play (optional)
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Role-Play Preparation (For Day Two)

For the role play, students will play either (i) loan applicants or (ii) loan officers at one of two banks. Set up the room so the loan applicants (who may be individual students or small groups of students) can speak to both banks at the same time and the rest of the class is able to see and hear.

Procedures

1. Introduce the book *Worth!* by explaining that it is a story about a family who lost their farm in Illinois and moved to Nebraska to start over. Read the following summary from the author's webpage and then read the story to the class or assign reading the book as homework.

In 1870s small-town Nebraska, nothing is easy for young Nathaniel Peale. His leg is crushed in a farming accident, so he can no longer help his father on the farm. Afraid he'll lose their homestead, Mr. Peale adopts a young boy named John Worth through the Orphan Train system. Nathaniel feels replaced by this young boy and frustrated because he lost the closeness he had with his father. He also struggles to keep up with kids half his age when he attends school for the first time. John Worth doesn't have it any easier. His family died in a fire in New York City and now he's on a farm in Nebraska with no idea what to do. The boys struggle to find their place in their new family situations. Their struggle comes to a head when talk of a range war starts and they spot the person who's out to heat things up by cutting fences.

SOURCE: <http://www.alafaye.com/books/worth.html>.

2. Once the class has read the book, explain that you will use *Worth!* to discuss **risk** and **reward**, **collateral**, **profit**, **principal**, **interest**, and **banks**.

3. Ask the students the following questions about borrowing and lending:
 - In what circumstances would you lend money to a friend or family member? *(Answers will vary.)*
 - What factors would you consider before making the loan? *(Answers will vary but may include the length of the loan or the reliability of the borrower to repay the loan.)*
 - Why would you lend the money? *(Answers will vary but may include feeling sorry for the borrower, feeling they themselves may need a loan someday, or being confident the borrower will pay the money back.)*
 - What would you do if the borrower was not able or refused to pay you back? *(Answers will vary, but the lender may go to the borrowers' friends or family for help in getting the money back, refuse to lend them money in the future, or ask for something of value in return for the unpaid debt.)*
4. Instruct the students to do the following:
 - Write down three sources of loans. *(Answers will vary but might include family, friends, commercial banks, finance companies, credit unions, or pawn shops.)*
 - Write down the first thing you think of when you hear the word "bank." *(Answers will vary.)*
5. Allow several students to share their responses aloud or have them write their responses on the board. Discuss students' answers and their perceptions of a bank. *(Answers will vary, but students may not know how a bank works, the services banks provide, and so on.)*
6. Ask the students the following question:
 - What do banks do? *(Answers will vary, but students may say that banks provide many services such as checking accounts, savings accounts, or safe-deposit boxes.)*
7. Display *Visual 1: Banking Vocabulary* and reveal each term as instructed. Reveal "bank" and define a bank as a business that accepts deposits and make loans.
8. Read the following sections from *Worth!* and ask the students the questions that follow:

Page 25: Locusts ate up all we had, left us with nothing to live on for the winter or pay the bank with, so Pa had to give them our farm and we had to move up to Chicago. Just until we had enough to buy back our land, Pa said. We came to Nebraska instead.

 - Why did the Peales lose their land and move to Nebraska? *(The bank kept their land because they were not able to make the payments on their loan. Because their crop was destroyed, the Peales had no income.)*

Page 58: “Oh, then who lost that farm? Who borrowed money he couldn’t pay back? Who dragged us to Chicago?”

- Who does Mr. Peale blame for the loss of the farm? (*Mr. Peale accepts the blame. He referred to himself when he said, “Who borrowed money he couldn’t pay back?”*)

Pages 76-77: I knew Pa spoke of the man who’d cut through that fence. I felt pretty much the same way, not only about that man who had cut into what little we had to live through the winter and pay back the bank, but also about Worth, who’d pretty much trampled my life down like so much corn.

- When Nathaniel said, “live through the winter and pay back the bank,” what is the connection between paying back the bank, the ruined crops, and winter? (*Answers may vary, but it is common for farmers to borrow money for seed in the spring and pay the bank at harvest time in the fall after they have sold their crops. Since the Peale’s crops were damaged, they would have less to sell and a difficult time making payments.*)
 - What are some reasons a farmer might need a loan? (*Answers will vary but might include to buy more land, equipment, or livestock or seed, fertilizer, or other supplies.*)
9. Reveal “Risk” and “Reward” on Visual 1. Define risk as the chance of loss. Generally, the higher the risk, the higher the potential for loss. Define reward as a positive incentive that makes people better off.
 10. Explain that the passages from *Worth!* demonstrate the concepts of risk and reward. Lenders, such as banks, face the uncertainty that a borrower will not be able to pay back a loan. The bank risks not earning a profit and could sustain losses.
 11. Reveal “Risk-reward relationship” on Visual 1. Define the term as the idea that there is a direct relationship between the risk of the loss of principal and the expected rate of return. The higher the risk of loss of principal for an investment, the greater the potential reward. Conversely, the lower the risk of loss of principal for an investment, the lower the potential reward.
 12. Tell students you are going to read a few proposals with a risk-reward relationship. After each, they should raise a hand if they would take the risk.
 - Would you bet \$100 on a coin toss if the deal were that you could keep your \$100 and receive an additional \$5.00 for heads but lose the \$100 for tails?
 - Would you bet \$100 on a coin toss if the deal were that you could keep your \$100 and receive an additional \$100 for heads but lose the \$100 for tails?

- Would you bet \$100 on a coin toss if the deal were that you could keep your \$100 and receive an additional \$400 for heads but lose the \$100 for tails?
13. Explain that in the coin-toss proposals, the potential reward increased. In order to entice people to take the risk of losing their \$100, the reward has to be great. Each person, and bank, has a certain level of risk tolerance, or aversion to risk.
 14. Explain that sometimes lenders try to reduce their risk by requiring a borrower to provide collateral when a loan is made.
 15. Reveal “Collateral” on Visual 1. Define collateral as property required by a lender and offered by a borrower as a guarantee of payment on a loan. Also, a borrower’s savings, investments, or the value of the asset purchased that can be seized if the borrower fails to repay a debt.
 16. Ask the students the following question:
 - What collateral did the Peales use to secure the loan for the farm in Illinois? (*The farm was the collateral, which was the reason they lost it.*)
 17. Explain that businesses often need loans to pay for expansions, purchase merchandise, make payroll payments in a timely manner, or for other reasons. Ask the students the following questions:
 - Where are small businesses most likely to borrow money? (*Answers will vary, but commercial banks are the most likely source of funds.*)
 - Why do banks lend to businesses and others? (*Answer may vary, but the motivating factor is to earn profits.*)
 18. Explain that banks make loans to earn a profit. Principal is the original amount of a loan. To cover their expenses and make a profit, banks charge interest on loans.
 19. Reveal “Profit” on Visual 1. Define profit as the amount of revenue that remains after a business pays the costs of producing a good or service.
 20. Reveal “Principal” on Visual 1. Define principal as the original amount of money deposited or invested, excluding any interest or dividends. It is also the original amount of a loan without any interest.
 21. Reveal “Interest” on Visual 1. Define interest as the price of using someone else’s money. When people place their money in a bank, the bank uses the money to make loans to others. In return, the bank pays interest to the account holder. Those who borrow from banks or other organizations pay interest for the use of the money borrowed.

22. Explain that the interest rate borrowers pay for a loan and the rate savers receive for a savings account are determined by the amount of risk.
23. Explain that parties involved in a loan agreement, or contract, must assess their own levels of risk. For example, a bank may decide a certain applicant is a good or bad risk based on the borrower's income, payment history, and so on. On the other hand, borrowers may decide the terms of a loan, such as the interest rate or payment amount, are not desirable. For example, borrowers might not enter a loan contract if they are afraid they will default—that is, not be able to repay the loan.
24. Ask the students to recall some of the businesses noted in *Worth!* (*Answers include farms, ranches, banks, tinkering [fixing things], mercantile [general store], and cobbler [shoe repair].*) Note: If students mention the school, explain that schools are funded primarily by taxpayers and are generally not considered businesses. Note that in the next class period students will perform a role play featuring these characters and their attempts to get loans for their businesses.

Day Two

25. Tell students they will participate in a role play. Read the following introduction:

By the mid- to late 1800s, settlers were moving west in vast numbers. Although the reasons for moving varied widely, a great number of Americans were drawn to the possibility of owning and farming their own land. Through various programs and incentives, the U.S. government encouraged this westward expansion. As people moved, towns and cities began to dot the prairies of the American West.

In this role play, you will play the roles of farmers, a rancher, business owners, and loan officers at banks in a small town like the town depicted in the story *Worth!* The roles are divided into two categories: loan applicants and loan officers. Loan applicants will appear before the loan officers and request a loan for their business. Loan officers work at one of two banks and will decide whether to grant the loans or not.

The loan applicants' goal is to convince the loan officers to give them the loan amount they need. The loan officers' goal is to make loans that earn income for their bank.

26. Assign the roles as follows:
 - Assign approximately two-thirds of the students to present the six loan applications (depending on the number of students in the class, there may be one student or several students working as a team assigned to each loan application). Assign approximately one-third of the students to play loan officers and divide them between two banks. For example, in a class of 24 students, you could have 14

students (two students per application) playing loan applicants and 10 students playing loan officers, with committees of five loan officers at each of two banks.

- Divide the loan applicants equally (as much as possible) among the six loan applications. Provide each group with a card from *Handout 1: Loan Applicant Roles and Directions*. Explain that it is up to individual groups to assign individual roles. The role possibilities are noted on each card.
- Divide the loan officers into two banks (groups). Provide each loan officer with a copy of *Handout 2: Loan Officer Directions*.

27. Ask a student to read the directions for loan applicants on a Handout 1 card, as follows (Note: The directions are the same on all cards):

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.

2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

NOTE: Because *Worth!* is set in the mid-1800s, the dollar amounts reflect currency values closer to that time period.

28. Ask the students the following question:

- What is the loan applicants' goal? (*The loan applicants' goal is to convince the loan officers to give them the loan amount they need.*)

29. Ask a student to read the loan officer directions on Handout 2, as follows:

1. Your bank collects deposits from customers and makes loans hoping to earn a profit. You will hear from six businesses applying for loans. You must give loans in increments of \$300, \$600, or \$900 and in the full amounts requested. You have \$1,800 available to lend and may make no more than four loans. There is another bank in town in competition with you. After you make the loans and profit and loss are calculated, the bank with the most profit (or least amount of loss) will stay in business, while the other bank will be forced to close.

2. As you listen to the loan proposals, you may ask relevant questions, such as "Do you have collateral to back the loan?" "Are you successful?" "How long have you been in business?" or "Have you had success with loans in the past?" You may take notes.

3. After you have heard from all six businesses, meet with the loan officers in your bank to choose up to four loans to grant. Below, check off the businesses granted loans.

4. Calculate your profit or loss based on the outcomes defined on Visual 2 (to be displayed after the loans are granted).
30. Ask the students the following question:
- What is the loan officers' goal? (*The loan officers' goal is to make loans that earn income for their bank.*)
31. Ask students to read their roles and assign parts (if necessary) and review the directions quietly. Allow a few minutes for them to do so.
32. Situate the class so that the loan applicants can speak to both banks at the same time and the rest of the class is able to see and hear.
33. Explain that loan applicants will have a maximum of three minutes per application to make their case for a loan.
34. Conduct the role play by having the students seeking a loan present their cases simultaneously to the two teams of bankers, one business (family) at a time, in front of the class.
35. Once all loan applications have been presented, remind the banks that they may lend a total of \$1,800 to no more than four applicants. Explain that it is possible in this simulation for both banks to choose to make the same loans, but in real life a borrower simply chooses which loan to take. Allow the two banks time to meet privately to decide which businesses will receive loans.
36. After a few minutes, record on the board the businesses each bank chose to grant loans.
37. Explain that one piece of information not shared on the role descriptions was the loan risk level of each business, with "very low" being the lowest risk and "very high" being the highest. The actual outcome for each business loan will be determined by rolling a die.
38. Display *Visual 2: Profit or Loss?* Roll the die for each business, one at a time, and have students calculate the profit or loss of each loan based on the defined outcome and record on Visual 2. For each loan, ask students the following questions:
- Do you believe the risk level assigned to the loan (high, low, and so on) accurately portrayed the risk of the loan? (*Answers will vary.*)
 - Given the die roll, did the result of your loan turn out close to the level of perceived risk as indicated by the risk level? (*Answers will vary.*)

39. Determine which bank will stay in business and which one will have to close based on the total profit or loss of each bank. If desired, provide a small reward to the loan officers of the winning bank.
40. Ask students the following questions:
- How many businesses were able to get loans? (*Answers will vary.*)
 - Why did some applicants have difficulty obtaining loans? (*Answers will vary, but the applicants with higher risk may have had more difficulty getting a loan or the bankers may not have felt they had enough information.*)
 - Loan officers, why did your bank reject some of the loan applications? (*Answers will vary, but some bankers may have felt the customer would not be able to pay back the money.*)
 - Loan officers, what information did you consider when making lending decisions? (*Answers will vary but may include whether an applicant had savings or collateral and whether they sounded responsible or desperate.*)
 - Based on the rolled outcomes, how many applicants were able to pay back the money borrowed? (*Answers will vary.*)
 - Loan applicants, were you honest about your background and situation? (*Answers will vary.*)
 - In the simulation, why did the interest rate increase as the risk level increased? (*In order to take on higher risk, the bank would expect a chance of a greater return.*)
41. Explain that the outcomes were based on the roll of the die, but in real-life situations, banks use many sources of information to try to accurately assess risk. Examples include the loan applicant's credit report, work record, amount in savings, and references from people who know the applicant. Without such information, banks would likely not be able to assess the risks of various loan applications.

Closure

42. Review the important content of the lesson by asking the following questions:
- What is risk? (*Risk is the chance of loss.*)
 - What is a reward? (*A reward is a positive incentive that makes people better off.*)
 - What is the risk-reward relationship? (*The risk-reward relationship is the idea that there is a direct relationship between the risk of the loss of principal and the expected rate of return. The higher the risk of loss of principal for an investment, the greater the potential reward. Conversely, the lower the risk of loss of principal for an investment, the lower the potential reward.*)

- What is collateral? (*Collateral is property required by a lender and offered by a borrower as a guarantee of payment on a loan. It is also a borrower's savings, investments, or the value of the asset purchased that can be seized if the borrower fails to repay a debt.*)
- What is profit? (*Profit is the amount of revenue that remains after a business pays the costs of producing a good or service.*)
- What is principal? (*Principal is the original amount of money deposited or invested, excluding any interest or dividends. It also refers to the original amount of a loan without any interest.*)
- What is interest? (*Interest is the price of using someone else's money. When people place their money in a bank, the bank uses the money to make loans to others. In return, the bank pays interest to the account holder. Those who borrow from banks or other organizations pay interest for the use of the money borrowed.*)

Assessment

43. Distribute a copy of *Handout 3: Assessment* to each student. Read the directions to the students and ask them to use the terms and concepts from the lesson correctly and to be creative in their responses.

Visual 1: Banking Vocabulary

Bank — A business that accepts deposits and makes loans.

Risk — The chance of loss. Generally, the higher the risk, the higher the potential for loss.

Reward — A positive incentive that makes people better off.

Risk-reward relationship — The idea that there is a direct relationship between the risk of the loss of principal and the expected rate of return. The higher the risk of loss of principal for an investment, the greater the potential reward. Conversely, the lower the risk of loss of principal for an investment, the lower the potential reward.

Collateral — Property required by a lender and offered by a borrower as a guarantee of payment on a loan. Also, a borrower's savings, investments, or the value of the asset purchased that can be seized if the borrower fails to repay a debt.

Profit — The amount of revenue that remains after a business pays the costs of producing a good or service.

Principal — The original amount of money deposited or invested, excluding any interest or dividends. Also refers to the original amount of a loan without any interest.

Interest — The price of using someone else's money. When people place their money in a bank, the bank uses the money to make loans to others. In return, the bank pays interest to the account holder. Those who borrow from banks or other organizations pay interest for the use of the money borrowed.

Visual 2: Profit or Loss?

Bank Outcomes

Borrower	Risk level	# Rolled	Outcome	Profit or loss
Mercantile	Very low		1, 2, 3, 4, or 5 = Loan paid in full, earn 2% interest 6 = Loan default, lose 1% of principal	
Tinkering (Repair) Shop	Moderately low		1, 2, 3, or 4 = Loan paid in full, earn 3% interest 5 or 6 = Loan default, lose 2% of principal	
Cobbler (Shoe repair)	Moderately low		1, 2, 3, or 4 = Loan paid in full, earn 3% interest 5 or 6 = Loan default, lose 2% of principal	
Peale Farm	Low		1, 2, 3, or 4 = Loan paid in full, earn 4% interest 5 or 6 = Loan default, lose 4% of principal	
Danver Farm	High		1, 2, or 3 = Loan paid in full, earn 4% interest 4, 5, or 6: Loan default, lose 8% of principal	
Gantry Ranch	Moderately high		1 or 2 = Loan paid in full, earn 8% interest 3, 4, 5, or 6 = Loan default, lose 10% of principal	
Clemson Farm	Very high		1, 2, 3, 4, or 5 = Loan default, lose 15% of principal 6 = Loan paid in full, earn 15% interest	

Rates of Return or Loss

Loan amount	1%	2%	3%	4%	8%	10%	11%	15%
\$300	\$3	\$6	\$9	\$12	\$24	\$30	\$33	\$45
\$600	\$6	\$12	\$18	\$24	\$48	\$60	\$66	\$90
\$900	\$9	\$18	\$27	\$36	\$72	\$90	\$99	\$135

Handout 1: Loan Applicant Roles and Directions (page 1 of 4)**Business: Tinkering (Repair) Shop****Applicant(s): Mr. and Mrs. Collins and family, or any combination thereof**

Mr. Collins is an experienced tinkerer. He has worked from home for several years. He has saved 10 percent of what he needs to open a repair shop in town. The requested loan amount is \$600 for a new building. His objective is to get the loan and pay the balance, in full, on time.

Directions

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.
2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

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Business: Peale Farm**Applicant(s): Mr. and Mrs. Peale and family, or any combination thereof**

Farming is a tough business. The Peale farm has had some bad spells, but this year's harvest is looking great. The farm is in excellent shape: It has several head of cattle and a good team of horses for fieldwork. The requested loan amount is \$300 for planting supplies for next spring, and that is all that is needed assuming the harvest is good.

Directions

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.
2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

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Handout 1: Loan Applicant Roles and Directions (page 2 of 4)**Business: Danver Farm****Applicant(s): Mr. and Mrs. Danver and family, or any combination thereof**

The Danver farm needs a new barn because the current shed is too small for animals. Mr. Danver has \$250 in savings, but he would like to use those funds to buy some animals for additional income. If he had a few head of cattle, and perhaps some sheep, he might be able to offset losses if there is a bad harvest. This is his second attempt at successful farming. His first farm was foreclosed on several years ago by the bank in his home state. The requested loan amount is \$600.

Directions

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.
2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

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Business: Clemson Farm**Applicant(s): Mr. and Mrs. Clemson and family, or any combination thereof**

The farm is in desperate need of financing for a new team of horses. There is no cash on hand and the family is barely getting by making payments with money borrowed from family members, who are no longer able to help. The requested loan amount is \$300. If the harvest is good, the farm will make it another year. The family already has a loan for their land.

Directions

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.
2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

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Handout 1: Loan Applicant Roles and Directions (page 3 of 4)**Business: Gantry Ranch****Applicant(s): Mr. and Mrs. Gantry and family, or any combination thereof**

Being a cattle rancher is a great business because Mr. Gantry works for himself. This year, however, he has spent most of his time searching for water for his herd and trying to get along with the farmers. The farmers think he has been cutting their fences so that his cattle can go wherever they want. This is not true of Mr. Gantry, but several area ranchers have been cutting fences. He desperately needs a \$900 loan to buy some land near his ranch with a good source of spring water. He already has a loan with the bank in town. His cattle are his major asset, but without rain soon or a loan for more land, he will no longer be in business.

Directions

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.
2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

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Business: Mercantile**Applicant(s): Mr. and Mrs. Owens and family, or any combination thereof**

Owning a mercantile has been a good life for the Owens. They have had a steady income and are now paying to send their two children to college back East. Their building is paid for, but they would like to add a restaurant on the side. They have no outstanding debt. They would like to get a loan for \$900.

Directions

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.
2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

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Handout 1: Loan Applicant Roles and Directions (page 4 of 4)**Business: Cobbler (Shoe repair)****Applicant(s): Mr. Cordimas and family, or any combination thereof**

Mr. Cordimas moved to the United States from Greece several years ago. He learned to work with leather as a young child and has been a successful cobbler for several years. He owns his own building and has a couple hundred dollars in savings. He is asking for a \$900 loan to expand his business and possibly hire an additional worker.

Directions

1. Read your role description carefully to gain information about your current financial situation and your reason for seeking a loan.
2. When it is your turn, present your case to both banks at the same time. Explain your situation, emphasizing how much money you want to borrow and how the loan will help you. Remember, banks want to lend money to businesses they think will be able to pay them back. Make sure you impress the bankers, but you must be honest about your situation.

NOTE: Because *Worth!* is set in the mid-1800s, the dollar amounts reflect currency values closer to that time period.

Handout 2: Loan Officer Directions

Directions

1. Your bank collects deposits from customers and makes loans hoping to earn a profit. You will hear from six businesses applying for loans. You must give loans in increments of \$300, \$600, or \$900 and in the full amounts requested. You have \$1,800 available to lend and may make no more than four loans. There is another bank in town in competition with you. After you make the loans and profit and loss are calculated, the bank with the most profit (or least amount of loss) will stay in business, while the other bank will be forced to close.
2. As you listen to the loan proposals, you may ask relevant questions, such as "Do you have collateral to back the loan?" "Are you successful?" "How long have you been in business?" or "Have you had success with loans in the past?" You may take notes.
3. After you have heard from all six businesses, meet with the loan officers in your bank to choose up to four loans to grant. Below, check off the businesses granted loans.
4. Calculate your profit or loss based on the outcomes defined on Visual 2 (to be displayed after the loans are granted).

_____ **Business: Tinkering (Repair) Shop (Mr. and Mrs. Collins, Owners)**

Loan amount requested _____ # Rolled _____ Profit or loss _____

_____ **Business: Peale Farm**

Loan amount requested _____ # Rolled _____ Profit or loss _____

_____ **Business: Danver Farm**

Loan amount requested _____ # Rolled _____ Profit or loss _____

_____ **Business: Clemson Farm**

Loan amount requested _____ # Rolled _____ Profit or loss _____

_____ **Business: Gantry Ranch**

Loan amount requested _____ # Rolled _____ Profit or loss _____

_____ **Business: Mercantile (Mr. and Mrs. Owens, Owners)**

Loan amount requested _____ # Rolled _____ Profit or loss _____

_____ **Business: Cobbler (Shoe Repair) (Mr. Cordimas, Owner)**

Loan amount requested _____ # Rolled _____ Profit or loss _____

Total bank profit or loss _____

Handout 3: Assessment

Directions: One of the nation's leading investment banks just hired you. This bank makes loans to large corporations and even governments around the world. The bank loan department has decided which loan applicants will or will not receive a loan. Your job is to correctly use all the terms in the word bank and write a letter to the company or government explaining whether its loan application was accepted or rejected. Be sure to write in complete sentences and in paragraph form.

Word Bank

reward

interest

bank

risk

principal

collateral

Standards and Benchmarks

National Standards in Economics

Standard 10: Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.

- **Benchmark 1, Grade 4:** Banks are institutions where people save money and earn interest, and where other people borrow money and pay interest.

Standard 12: Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, which affects the allocation of scarce resources between present and future uses.

- **Benchmark 1, Grade 8:** An interest rate is a price of money that is borrowed or saved.
- **Benchmark 4, Grade 12:** Riskier loans command higher interest rates than safer loans because of the greater chance of default on the repayment of a risky loan.

Common Core State Standards: Grades 6-12 Literacy in History/Social Studies, Science, & Technical Subjects

History/Social Studies

- **Key Ideas and Details**

CCSS.ELS-Literacy.RH.6-8.1: Cite specific textual evidence to support analysis of primary and secondary sources.

CCSS.ELS-Literacy.RH.6-8.2: Determine the central ideas or information of a primary or secondary source; provide an accurate summary of how key events or ideas develop over the course of the text.

- **Craft and Structure**

CCSS.ELS-Literacy.RH.9-10.4: Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.

Writing

- **Range of Writing, Grades 9-10**

CCSS.ELS-Literacy.WHST.9-10.10. Write routinely over extended time frames (time for reflection and revision) and shorter time frames (a single sitting or a day or two) for a range of discipline-specific tasks, purposes, and audiences.