

Borrowers and Lenders

SITUATION CARDS

Note to the teacher: Photocopy the cards, then cut apart, and distribute one card to each student group, along with a copy of **Exercise 13.2** from the *Student Workbook*.

BORROWER

1 Your friend, Latisha, invited you to go swimming. As her guest, you only have to pay \$2 for admission to the pool. You could pack a lunch and a snack, but you'd rather take along \$5 for a hot dog, soda, and chips. You ask your brother if he'll lend you \$5. He says that he will, but you must pay him back \$2.50 next week and \$2.75 the following week. He says that the extra 25 cents is part of your cost for borrowing money.

Should you pack your lunch or borrow money?

What are the costs and benefits of borrowing?

BORROWER

2 You're at the mall with a friend. You want to buy a CD, but you're \$3 short. You ask your friend to lend you the money. He says that he'll lend you the money, but you must pay it back next week. The two of you are going to return to his house when you leave the mall. He says that you can listen to the CD at his house, but you must leave it with him until you pay him back the \$3.

What should you do?

What are the costs and benefits of borrowing?

BORROWER

3 You have been saving money to buy a certain bike. Yesterday you saw an advertisement for the bike, stating that the bike is on sale at a reduced price. The sale is really a great deal. The sale price is \$40 less than full price. But you still don't have enough money saved. You decide to ask your older brother to lend you \$35. He says he'll think about lending you the money, but you'll have to work out a repayment schedule so you can repay him in seven weeks. And he expects you to pay \$1.75 in interest for the loan. This means you must pay him \$5 each week for seven weeks, plus \$1.75.

Should you borrow the money or keep saving and hope that the bike will go on sale again sometime soon?

What are the costs and benefits of borrowing?

BORROWER

4 You and your cousin have decided to go together to buy your grandmother a birthday gift. You have agreed to spend \$10 each, but you only have \$5. You ask your mom if she'll lend you the \$5. She says that she may lend you the money if you agree to pay her back by the end of the month. That gives you three weeks. Also, your mom says, you must agree to baby-sit for your little brother on Friday afternoon for two hours, for free! You usually go to a friend's house on Friday afternoon.

What should you do?

What are the costs and benefits of borrowing?

LENDER

1 Your sister, Erin, has been invited to go swimming with a friend from school. She has the \$2 she'll need for admission to the pool, but she wants to borrow \$5 from you for lunch. You told her you will consider lending her the money but she will have to repay \$2.50 next week and \$2.75 the week after. The extra 25 cents is your payment for lending her the money. After all, if you lend her the \$5, you won't have it to spend for two weeks.

Should you lend her the money or not?

What are the costs and benefits of lending?

LENDER

2 You're at the mall with a friend. He wants to buy a CD, but he's short \$3. He asks you to lend him the \$3. You know that he doesn't always repay loans right away, so you propose the following idea. You'll consider lending him the \$3. When the two of you go back to your house, you'll listen to the CD. Then you get to keep the CD at your house until he pays you the \$3.00.

What should you do?

What are the costs and benefits of lending?

LENDER

3 Yesterday your brother asked to borrow \$35. He wants to buy a new bike. The bike is on sale, and he's \$35 short. You tell him that you'll consider the loan, but he must pay you back in seven weeks, and pay \$1.75 in interest. You are saving to pay for your car insurance. If you lend your brother the \$35, you'll have even less spending money for the next several weeks.

Should you lend your brother the money, or tell him to wait until he saves enough for the bike?

What are the costs and benefits of lending?

LENDER

4 Your daughter and your niece are going to buy their grandmother a birthday gift. Each is supposed to put in \$10 toward the gift. Your daughter doesn't have the \$10, and she asks if you will lend her \$5. Your daughter doesn't always repay what she borrows. It's only \$5, but that's enough money to pay a babysitter for your son on Friday afternoon. And you want your daughter to learn to be responsible. You tell her you may lend her the money if she agrees to pay you back at the end of three weeks, and if she baby-sits for her brother on Friday afternoon for free. Of course, she may still fail to repay at the end of the three weeks. There's no guarantee.

What should you do?

What are the costs and benefits of lending?