

Responsible Borrowing Discussion

Nearly every platform we use bombards us with advertisements for online banking, cash advance loans, payday loans, and structured settlement buyouts. These financial products are marketed with catchy jingles and promises of quick, easy money—but what's the real cost behind these appealing offers?

Consider a typical payday loan that offers you a \$500 advance on your next paycheck. All you need to do is leave them a post-dated check that will draw on your next payday and pay a \$75 fee for the service. If you can't pay the \$500 back in two weeks, you just pay another \$75 to keep the loan going until you can. Sounds simple, right?

The danger is that if you needed to take out a loan because you didn't have \$500 two weeks ago, chances are you won't have it when your paycheck arrives either. You might find yourself in a cycle, trying to raise \$500 to pay back the loan, while continuing to pay \$75 every two weeks until you can.

The annual interest rate on a fee of \$75 for borrowing \$500 for just two weeks is staggering. For comparison, if you owed \$500 on a retail store credit card at 23% APR, each month you'd pay about $(0.23/12)(\$500) = \9.58 in interest, or roughly \$4.79 every two weeks—far less than the \$75 fee charged by the payday lender!

How to Proceed

Track financial product advertisements:

- For 3-5 days, pay attention to lending advertisements you encounter on television, radio, streaming services, social media, or websites
- Note which types of financial products are advertised most frequently
- Pay special attention to how these products are marketed (tone, promises, disclaimers)

Research three types of high-interest loans:

Select three financial products to investigate more deeply. These might include:

- Payday loans
- Cash advance loans
- Rent-to-own agreements for furniture/appliances
- Title loans
- Credit card cash advances

- "Buy now, pay later" services
- High-interest personal loans

For each product, research and report:

1. Prevalence of advertising (how frequently you encountered ads for this product)
2. The APR (annual percentage rate) for this loan
3. Terms and conditions if you cannot pay the loan back when due
4. Calculation of how much you would pay in interest if you extended the loan for 3 months
5. Any hidden fees or terms that might not be obvious from the advertising

Create your post:

Share your analysis in a well-organized post that:

- Begins with a brief overview of the financial products you researched
- Provides your findings for each product using the criteria above
- Includes at least one mathematical calculation demonstrating the true cost of each product
- Analyzes the marketing techniques used to promote these products
- Discusses potential appropriate uses and potential harmful consequences
- Provides your recommendation regarding these products

Engage with your classmates:

After posting your analysis, read through your classmates' posts and respond to at least two of them. In each response:

- Explain how their analysis enhanced your understanding of these financial products
- Discuss any similarities or differences between the products you researched and theirs
- Share any additional insights about the mathematical concepts (interest rates, APR, payment calculations) that their post helped clarify
- Reflect on how understanding these concepts connects to responsible financial decision-making

Ensure your posts are submitted by [insert due date here].

This assignment is required and worth up to 20 points. See the grading rubric below.

Rubric:

Criteria	Proficient	Developing	Not Evident	Points
Research Quality	Thoroughly researches three financial products with specific details on rates, terms, and conditions. Provides specific examples from advertisements. Shows evidence of consulting multiple sources.	Researches most aspects of three products but may lack detail in some areas. Sources may be limited. Some advertising examples provided.	Minimal research evident. Missing key information about products or relies entirely on general knowledge. Few specific examples.	___/6
Mathematical Analysis	Accurately calculates and compares interest rates, fees, and total repayment amounts across products. Clearly demonstrates understanding of APR, compound interest, and payment calculations.	Attempts calculations with minor errors or inconsistencies. Shows basic understanding of interest concepts but may lack depth in comparing products mathematically.	Significant errors in calculations or minimal mathematical analysis provided. Limited evidence of understanding interest concepts.	___/5
Critical Evaluation	Provides thoughtful, well-reasoned analysis of lending practices, marketing techniques, and potential consequences. Balances potential benefits with risks. Offers nuanced recommendations.	Offers some analysis of lending practices and consequences but may lack depth. Recommendations present but may be simplistic or overlook important factors.	Minimal critical analysis. May simply describe products without evaluating implications. Recommendations missing or unsupported by evidence.	___/5
Peer Engagement	Provides thoughtful, substantive responses to at least two classmates that genuinely advance the discussion. Clearly explains how peers' analyses enhanced understanding. Makes connections between different financial products and concepts.	Provides two responses that show basic engagement with peers' work. Some explanation of how analyses enhanced understanding but may lack depth. Limited connections made.	Fewer than two responses or responses that show minimal engagement with peers' ideas. Little explanation of how analyses enhanced understanding.	___/4
Total				___/20

