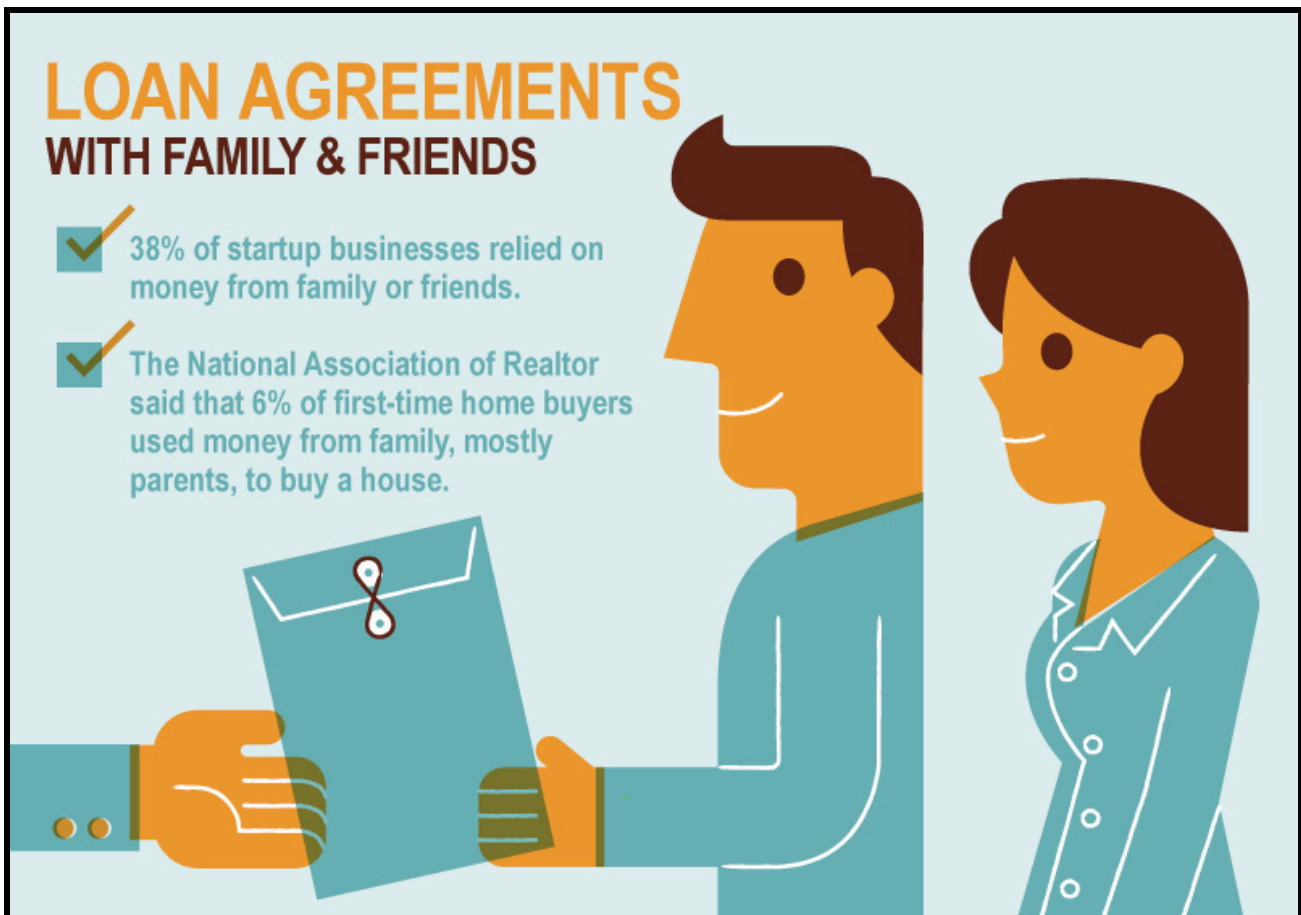


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 INTRO

CHECK THIS OUT: Debt.org [←CLICK FOR LARGE VERSION]

Review the infographic, and then use it to answer the question.



1. The National Association of Realtors said that only 6% of first-time home buyers used money from family to buy a house. Why do you think that number is so low?



LEARN IT

ARTICLE: Pros and Cons of Borrowing Money from Family and Friends

Borrowing money usually starts when you're a child and you need a dollar or two from your parents, but borrowing money from family and friends as you get older can have its ups and downs. Read the article below to learn more.

Pros and Cons of Borrowing Money from Family and Friends

Borrowing money from family and friends can be a good option. However, it's important to know the pros and cons of borrowing money from the people you're closest to because it is a big decision to make and it may affect your relationships:

Pros

1. **Flexible Options** - If you have poor credit or have made financial mistakes in your past it can be difficult for you to get a loan from a bank. Friends and family will most likely want to help you achieve your goals, so they will work with you in setting up a repayment plan that you can keep up with.
2. **Lower Interest Rates** - Banks can charge high interest rates on loans, so if you borrow from family and friends you are likely to get a lower interest rate or pay no interest at all.

Cons

3. **Not a Priority** - Borrowing money from a close friend or loved one is not connected to your credit score or financial record. This means you may not prioritize paying the money back because there are no immediate consequences if you don't.
4. **Judgment** - Borrowing money usually means you do not have enough money to afford something. If you borrow money from a family member or friend they may think you were irresponsible with your finances, so they may judge how you spend your money moving forward.

The next time you think about borrowing money from someone you care about make sure you weigh the benefits and risks!

[Source 1](#)
[Source 2](#)

1. Think back to a time when you really wanted to buy something and you couldn't afford it. Did you ask a family member or a friend to help you pay for it? Why or why not?

2. Let's say you want to buy a pair of shoes that cost \$150 and you ask your parents to help you pay for them. Your dad offers to give you the full \$150, but you have to pay him \$25 a month, plus an additional \$5 a month in interest until you pay it off. Your mom offers to give you \$75 towards the shoes, no time limit of when to pay her back and you don't have to pay any interest. Which option do you think is the best? Why?

3. What does it mean that your dad charged you interest?

VIDEO: [What to Say When Your Friends, Family Ask For Money](#)

When a family member or friend asks you for money there are important things you should think about before lending it to them. Watch this video that reviews best practices for lending money to loved ones. Then, answer the questions.

1. Why do you think the man at the beginning of the video was paid back AFTER he said, "You don't owe me anymore."

2. Your best friend asks to borrow \$20 from you, but you don't have it. What are some other ways you can help your friend get \$20 without loaning it to them?



DO IT

CASE STUDY: To Lend or Not To Lend

Borrowing money from a friend or lending money to a friend is not a simple process. Read and answer the questions in this case study to help Monique who is lending money to her friend, Nia.

Part 1: Pros and Cons

Best friends Monique and Nia are extremely close and can ask each other for anything. Monique's parents are both attorneys and she receives a weekly allowance of \$50. She also recently celebrated a birthday and counted \$300 in cash she found in her birthday cards. Nia's father is a single dad with four kids. Nia doesn't receive an allowance, but she does get a little money from her grandma once a month when she visits her.



One Saturday afternoon, Monique and Nia are outside jumping rope when Nia suddenly stops and plops down on the street curb.

"What's wrong?" Monique asks her friend. Nia takes a big sigh before she begins talking. Monique knows something is up.

"Yesterday I accidentally broke the bracelet my dad got me for Christmas. He's always telling me to be more careful with it and to take it off before I go outside, but I forgot. It costs \$90 to get it fixed and I don't have the money and I can't borrow it from my dad or he'll know what I did! Do you think you can loan me the money?"

Monique takes a seat next to her best friend. She silently evaluates how responsible Nia is with money. Nia spends her money as soon as she gets it and never saves while Monique saves half of her weekly allowance and hasn't touched the birthday money she recently received. Monique silently begins weighing the pros and cons of letting Nia borrow money from her.

1. List the pros and cons of Monique loaning Nia \$90 dollars to fix her broken bracelet.

Part Two: Repayment Plan

After weighing the pros and cons Monique decides to lend Nia the money she needs. After hugging and receiving several thank yous Monique brings up a repayment plan.



"Let's think about how you're going to pay me back. We should come up with a written plan that we both agree to and sign, so we can hold each other accountable."

Nia agrees and Monique runs into her house to grab a paper and pencil.

2. Monique is going to lend Nia the full \$90 that she needs. Remember Nia doesn't get an allowance, but she does get \$20 from her grandma every time she visits her. Also, if Nia helps her grandma with chores she gets even more money! Help Monique and Nia create a repayment plan with this information.

Part Three: Tough Conversation

It's been two months and Nia has failed to stick to the repayment plan they agreed upon. She comes up with an excuse every time she misses a payment. Monique decides to text Nia about her failure to pay her back.

3. Write a text message that Monique can send to Nia about being late with her repayment. Make sure your message is friendly and appropriate!

Part Four: Wrap Up

After Monique sent Nia the text message they came up with a new repayment plan. Nia has been sticking to the new plan and their friendship couldn't be better. Over dinner one night, Monique's parents ask her if she would ever loan money to a friend again. "Hmm....,"she thinks to herself.

4. Put yourself in Monique's shoes. Would you loan money to a friend again? Why or why not?



EXIT TICKET

1. List at least three things you should do if you decide to loan money to family or friends.