Module 7 Exercise – Bank Accounts and Credit Ratings

1. **Bank Account**

Savings

* Share Savings Account
* Minimum Deposit of $5.00
* 0.25% Dividend Rate
* 0.25% APY
* Both compounded monthly

Checking

* Free EveryDay Checking
* Minimum Deposit of $0.00
* 0.05% Dividend Rate
* 0.05% APY
* Both compounded monthly

1. **Credit Score**

Fico credit score: 735 – 785

1. SKIPPED
2. No. Because the result in the FICO credit score estimator was just about right of my current FICO score.
3. Good credit will give you lower interest rates on future loans. You will also have a higher chance of being approved thereof.
4. One good way of improving your credit score significantly is paying off credit card every month and never missing a loan payment.
5. **Default Risk**
6. Character

Lenders might view my “Character” as moderate. I haven’t made a significant loan in the past but I use my credit card very often and pay it off every month, so I might get some points for that. Employment history is ok but I am currently on disability so source of income has dwindled. Thus, might raise a red flag for my lenders.

1. Capacity

As for capacity to repay debt, $20,000 is a big amount of money for an unemployed person and a bit risky to lend money to. Therefore, if I do get approved at all, I would get a high interest rate.

1. Capital

Don’t have much assets other than money from my savings and investments. This may raise a red flag as well.

1. Collateral

Sadly, I can’t offer any collateral since I currently do not own any significant assets yet other than savings and investments.

1. Conditions

Because of the current pandemic, unemployment has risen significantly and might discourage my lender to approve my loan or to give me a ridiculously high interest rate.