

## Predatory Lending Skit

### Overview

Participants watch a role play designed to give them the opportunity to understand the challenges of shopping for a refinance or home-equity loan.

### Time

20 minutes

### Materials

- Props, such as a colorful sign for lender, fake money, chairs, clipboard, employee-of-the-month poster, etc.

### Set Up

- Ask for two volunteers to act in the role play as the borrower and the lender.

### Activity

- Give participants background about the situation and tell them they are to watch the skit and look out for things that go wrong when shopping for a loan.
- Conduct the role play.
- Ask for participants to report on the things they saw go wrong and ideas they have for improving the shopping process.

### Debriefing

Do you now feel more prepared to shop around for a refinance or home-equity loan? Why or why not?

### Skit Background

Marty is a homeowner with good credit. He bought his first home a few years ago and now wants to borrow against his home equity to make some home improvements. He has about \$30,000 in home equity through his regular mortgage payments and appreciation. One day on his lunch break, he stops at a lender's office with a big, colorful sign that reads: "Easy home-equity loans here." Sam is fond of convenience, so he stops in for a look. He is looking to borrow about \$10,000 and wants his new monthly payment to be well under \$100 per month.

Carl is the top loan officer with this lender. He is anxious to keep his employee-of-the-month status, but home-equity loan originations have been a little slow lately. Carl is very charismatic, likes to ease people's fears about borrowing against their home equity, and always encourages people to borrow more money than they had planned. He would like to have a signed loan application by the end of the day.