

Credit Market Auction

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Friday

Credit Market Game Rules

1. Each student acts as a lender with an initial endowment of \$20,000.
2. Review the available projects and assess their risk levels and borrowing amounts.

Project	Default	Recovery	Basic Interest
Low-risk	5%	80%	4%
Medium-risk	10%	60%	8%
High-risk	15%	40%	14%

Table: Overview of different risk levels, including default rate, recovery rate, and basic interest rate.

3. Decide whether to invest in each project, considering the risk and potential returns.
4. After the investment decisions are made, the risk of each project is evaluated to determine if it defaults or succeeds.

Credit Market Game Rules

1. Projects that succeed pay back the borrowed amount plus interest to the lenders.
2. Projects that default pay back only a portion of the expected return to the lenders.
3. The goal is to maximize returns while managing risk through diversification.
4. At the end of the game, compare the returns from the investments to determine the most successful lenders.

Organic Food Store

- ▶ Description: Local entrepreneur opening an organic food store
- ▶ Borrowing amount: \$7,000
- ▶ Risk level: Low

Fashionable Clothing Boutique

- ▶ Description: Fashion enthusiast opening a boutique
- ▶ Borrowing amount: \$6,000
- ▶ Risk level: Medium

VR Gaming Arcade

- ▶ Description: Business owner establishing a VR gaming arcade
- ▶ Borrowing amount: \$9,000
- ▶ Risk level: High

Mobile Coffee Truck

- ▶ Description: Barista starting a mobile coffee truck
- ▶ Borrowing amount: \$4,500
- ▶ Risk level: Low

Innovative Sports Equipment

- ▶ Description: Inventor manufacturing new sports equipment
- ▶ Borrowing amount: \$8,000
- ▶ Risk level: High

Community Art Studio

- ▶ Description: Artist creating a community art studio
- ▶ Borrowing amount: \$5,000
- ▶ Risk level: Medium

Sustainable Energy Solutions

- ▶ Description: Startup developing clean energy solutions
- ▶ Borrowing amount: \$12,000
- ▶ Risk level: High

Craft Brewery

- ▶ Description: Brewmaster opening a craft brewery
- ▶ Borrowing amount: \$6,500
- ▶ Risk level: Medium

Fitness Center

- ▶ Description: Enthusiast opening a state-of-the-art fitness center
- ▶ Borrowing amount: \$10,000
- ▶ Risk level: Low

Eco-friendly Cleaning Services

- ▶ Description: Green entrepreneur launching eco-friendly cleaning services
- ▶ Borrowing amount: \$3,500
- ▶ Risk level: Low

Gourmet Food Truck

- ▶ Description: Chef starting a gourmet food truck business
- ▶ Borrowing amount: \$7,500
- ▶ Risk level: Medium

Educational App Development

- ▶ Description: Developer creating an educational app
- ▶ Borrowing amount: \$9,500
- ▶ Risk level: High

Bike Rental Service

- ▶ Description: Entrepreneur establishing a bike rental service
- ▶ Borrowing amount: \$4,000
- ▶ Risk level: Low

Independent Film Production

- ▶ Description: Filmmaker producing an independent film and is seeking funds for equipment, actors, and post-production costs.
- ▶ Borrowing amount: \$11,000
- ▶ Risk level: High