



NAME: \_\_\_\_\_

SCORE: \_\_\_\_\_/50 points

**Multiple Choice:** Read each item carefully; then select the best answer. (1 point each)

- \_\_\_\_ 1. What is the guideline for the maximum amount you should owe each month for loan payments (not including a home loan payment)?
- a. 10 percent of monthly gross income
  - b. 10 percent of monthly net income
  - c. 20 percent of monthly gross income
  - d. 20 percent of monthly net income
- \_\_\_\_ 2. Which is not a type of credit?
- a. Car loan
  - b. Car registration
  - c. Phone service
  - d. Credit card
- \_\_\_\_ 3. Madeline is comparing her options to borrow \$5,000 to buy inventory and equipment for her new sub sandwich shop. Which loan appears to be the best deal? (Hint: Use the simple interest formula to estimate the interest.)
- a. 7 percent interest loan due in two years
  - b. 8 percent interest loan due in 18 months
  - c. 10 percent interest loan due in one year
- \_\_\_\_ 4. Suki will soon turn 18 and wants to move into her own apartment in a few years. But she is worried that she won't be able to rent an apartment without any credit history. What can Suki do to start building a good credit history?
- a. Rent an apartment with a friend who already has signed a lease.
  - b. Continue to use her debit card responsibly, being careful to not overdraw on the account.
  - c. Close her checking account to avoid bouncing a check.
  - d. Get and use a store credit card or major credit card and pay off amounts due each month.
- \_\_\_\_ 5. Which of the following agencies provide free credit reports for consumers?
- a. Equifax, credit unions
  - b. Credit unions, banks
  - c. Experian, Credit Reports Association
  - d. TransUnion, Experian
  - e. None of the above; you must pay a fee for any credit report

- \_\_\_ 6. Credit experts recommend that you check the status of your credit reports at least
- a. every time you apply for a loan or credit card
  - b. when you apply for your first loan or credit card
  - c. once a year
  - d. once every five years
- \_\_\_ 7. Who may review your credit report without your permission?
- a. Your parents after you are 18 years old
  - b. Your current employer
  - c. The car salesperson you talked to when you inquired about a loan to buy a car
  - d. Your doctor
- \_\_\_ 8. Which of the following can impact your credit score?
- a. Getting bonus pay from your employer
  - b. Living with your parents to cut down on monthly expenses
  - c. Paying cash for a used car
  - d. Making a late car loan payment
- \_\_\_ 9. If you use a credit card to buy something online from the Internet, look for the following on the Web site page:
- a. 
  - b. "SECURE"
  - c. "APPROVED BY THE FEDERAL TRADE COMMISSION"
  - d. 
- \_\_\_ 10. Who is responsible for reporting identity fraud?
- a. The victim of fraud
  - b. The company that accepted a stolen credit card or false information
  - c. Any of the three credit reporting agencies
  - d. The police
- \_\_\_ 11. You can't find your credit card, and you think it may have been stolen. What should you do?
- a. Wait at least 90 days to report the card as missing or stolen in case you find the card
  - b. Immediately apply for another card to cancel out the stolen card
  - c. Contact your bank for a replacement
  - d. Call the credit card company as soon as you are aware the card is missing

**Short Answer:** Read each item carefully; then write an answer based on what you learned about using and managing credit. [3 points each]

12. Imagine you are comparing loans to buy a car. List at least three things you should compare to help you determine if which loan is right for your situation.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

13. List at least three pieces of personal information you should be prepared to provide to a lender when you apply for a credit card or car loan.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

14. List three strategies you can apply as you turn 18 to build a good credit history.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

15. What can you do to deter someone from using your personal information to avoid becoming a victim of identity theft?

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

16. Use the 20-10 Rule to calculate the debt limits for the income amounts below. If you earn any income now, also compute your debt limits. [6 points total]

Annual Net Income	Maximum Total Debt	Maximum Monthly Payments
\$3,400		
\$20,500		
\$45,000		

17. Are these situations appropriate or inappropriate ways to use credit? Place a check in the correct column to show your decision. In the right column, write at least one sentence to justify your answer. [Each situation response is worth 2 points]

Situation	Appropriate (✓)	Inappropriate (✓)	Explanation
Take out a one-year loan to buy a mountain bike.			
Borrow \$5,000 to pay for a wedding reception.			
Use store credit to buy a new refrigerator to replace one that is no longer working.			
Sign a five-year loan for a used car.			
Set up a six-month payment plan to pay hospital X-ray fees after being injured in an accident.			

**True/False:** Read each statement carefully. Show whether the statement is True (T) or False (F) by writing either “T” or “F” in the blank space. [1 point each]

- \_\_\_\_ 18. When items are bought on credit and paid for over a long period of time, the cost to the buyer is the same as if the items were bought with cash.
- \_\_\_\_ 19. If your payment for your full credit card is received by the lender before the due date, you will not owe any interest.
- \_\_\_\_ 20. Using a debit card for purchases is a convenient way to buy now and pay later.
- \_\_\_\_ 21. The maximum amount you can charge on a credit card is called the capacity.
- \_\_\_\_ 22. Under the Fair Debt Collection Act, creditors are allowed charge a new debt collection fee without informing the borrower notice.

**Matching:** Read each statement carefully. Select the term that best matches the statement by writing the letter of the matching term in the blank. [1 point each]

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| ____ 23. The total amount of money you owe other people.   | A. APR           |
| ____ 24. A period of time before interest starts accumulating on charged purchases.                                | B. Capital       |
| ____ 25. What you pay to use another person’s money.   | C. Collateral    |
| ____ 26. A reference of how you have used credit in the past.  | D. Contract      |
| ____ 27. Something of value that lenders can repossess if you are unable or unwilling to repay a loan as promised. | E. Credit        |
| ____ 28. A way for you to buy something now and pay for it later.  | F. Credit Report |
|  | G. Credit Score  |
|  | H. Debt          |
|  | I. Garnish       |
|  | J. Grace Period  |
|  | K. Interest      |