To Charge or Not to Charge Test

Matching

A. Credit
B. Credit report
C. Credit limit
D. Credit score
E. Grace period
F. Installment credit
G. Interest
H. Minimum payment
I. Mortgage
J. Principal
K. Revolving credit

1. The amount of money owed on the loan (without the cost of interest)
2. A number representing your ability to repay a loan
3. Open-ended credit which allows you to charge an item, pay part or all of it off, then charge again
4. Money paid for the use of someone else’s money
5. The least amount the consumer must pay on revolving credit
6. Money made available to a borrower by a lender
7. A period of 25-30 days in which no interest is charged on a credit card if the balance is paid off
8. A detailed report summarizing the history of purchases made on credit and your payment history; detailed information including application for credit
9. An installment loan on a house
10. The maximum amount of money the loaner agrees to lend
11. Monthly payments for a set length of time
True/ False

_____ 1. It is safe to give credit card information on the phone even if you did not initiate the call.

_____ 2. Purchasing a house is an example of an investment.

_____ 3. When you purchase an item on credit, you are obligating your future income.

_____ 4. It is a good use of credit to purchase a clothing item on sale.

_____ 5. One advantage of using credit is to build a credit history.

_____ 6. Applying for many credit cards that you do not use at department stores so you can get a discount does not affect your credit rating.

_____ 7. Keeping credit card balances low will improve your credit score.

_____ 8. You will pay less interest if you borrow on a car for five years instead of four years.

_____ 9. Typically you pay a lower rate of interest on revolving credit than you do on installment credit.

_____ 10. “Fair Credit Reporting Act” is a law that limits who can see your credit rating.

_____ 11. One must be at least 18 years of age to be issued a credit card.

_____ 12. Financial counseling is a way to learn how to budget, use credit wisely and make good financial choices.

Multiple Choice

_____ 1. You may look at your credit report _____ time(s) a year at no cost.
   a. One
   b. Two
   c. Three
   d. Four
2. Which of the following does NOT factor into your credit score?
   a. Payment history
   b. Amount owed
   c. New charges
   d. Your age

3. All of the following are ways to protect against identity theft EXCEPT:
   a. keeping a list of credit cards
   b. keeping your social security card in your wallet
   c. using a locked mailbox
   d. mail bills at the post office

4. Installment credit is useful for all of the following EXCEPT:
   a. buying a house
   b. buying a car
   c. buying a sweater
   d. buying a refrigerator

5. Which of the following does NOT make you credit worthy?
   a. Having a savings account
   b. Having too much of your income already obligated in credit
   c. Making payments on time
   d. Having a well-paying job

6. Which of the following is the best use of credit?
   a. Buying a pizza when you have no cash
   b. Buying a coat at a clearance sale
   c. Using a credit card to reserve a hotel room
   d. Using a credit card to get a cash advance

7. What information should you really make sure you read on a credit card application?
   a. Interest rate, late fees and grace period
   b. Interest rate, lenders name and introductory interest rate
   c. Rewards offers for using credit
   d. Minimum payment required

8. A disadvantage of credit is ________.
   a. the temptation to purchase items you cannot afford
   b. the ability to make a motel reservation on the Internet
   c. the ability to rent a car
   d. a method of paying emergency expenses