CREDIT
UNIT TEST BANK

	Total Points Earned
30	Total Points Possible
	Percentage

Name____________________

Date____________________

Class____________________

Directions: Circle the correct answer for each question.

1.4.1 1. A characteristic of installment credit states that the consumer has:
   a. a continuous loan the borrower must repay with a revolving balance
   b. equal payments administered on a regular basis until the loan is repaid
   c. varying credit limits depending upon the loan balance
   d. varying interest rates depending on the repayment history

1.4.1 2. What is a characteristic of non-installment credit?
   a. a down payment must be made before receiving the loan
   b. individuals are allowed to borrow an unlimited amount of money as long as they pay it back
   c. credit is extended in advance so the borrower does not have to apply for credit each time credit is desired
   d. payments are equal and are administered on a regular basis

1.4.1 3. How can a cardholder avoid paying interest on a credit card?
   a. Pay the minimum balance every month
   b. Pay the balance in full every month
   c. Only use a credit card for balance transfers
   d. Interest is always paid on a credit card

1.4.1 4. Which of the following is NOT considered an advantage to using a credit card?
   a. Credit cards eliminate the need for savings
   b. Credit cards are useful for emergencies
   c. Credit cards are often required to hold a reservation
   d. Credit cards offer protection against fraud

1.4.1 5. If a credit card is used properly, what benefits does it have for the cardholder?
   a. The cardholder will pay higher interest rates on other forms of credit
   b. The cardholder will develop a positive credit history
   c. The cardholder will develop a negative credit history
   d. There are no benefits for the cardholder

1.4.1 6. A benefit of comparison shopping for a credit card would be to:
   e. know the terms and conditions of various cards
   f. avoid hidden costs
   g. decrease the cost of borrowing
   h. All of the above

1.4.1 7. According to the Federal Truth in Lending Act, where must the terms and conditions of credit cards be posted?
   a. On the back of the credit card
   b. In the Schumer box
   c. On the credit card's Web site only
   d. They do not need to be posted

1.4.1 8. What is a Penalty APR?
   a. The interest rate charged on new transactions if the penalty terms in the credit card contract are triggered
   b. The interest rate charged during the credit card's introductory period after a credit card account is opened
   c. The interest rate charged on penalty transactions outlined in the credit card contract
   d. None of the above

1.4.1 9. What is a balance transfer?
   a. The act of transferring money from one account to another in order to pay a credit card balance
   b. The act of withdrawing cash from an ATM using a credit card
   c. The act of transferring credit card debt from one credit card account to another
   d. The act of paying a credit card balance with a check

1.4.1 10. When reviewing a credit card statement, what is the past due amount?
   a. The minimum amount to be paid
   b. The minimum payment due not paid by the due date
   c. The total amount owed to a credit card
   d. The charges assessed to the account for use

1.4.1 11. Only making the minimum payment on a credit card every month will:
   a. only pay a small percentage of the total balance owed
   b. make the final amount paid substantially higher than the amount initially charged to the card
   c. result in slow progress towards paying off the total balance on the card
   d. All of the above

1.4.1 12. Becky no longer wants to use her Clothes-R-Us store credit card. What should she do with the credit card?
   a. File the credit card away for use at a later time
   b. Let a family member take over the credit account so her credit score is not affected
   c. Keep the credit card in her wallet
   d. Close the account by phone and in writing and cut up the card

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1.4.1 13. What is a safety tip to remember with credit cards?
   a. Throw away all credit card offers without opening them
   b. Keep a list of all cards, account numbers, and phone numbers separate from cards
   c. Leave cards lying around
   d. Open as many credit card accounts as possible

1.4.2 14. A credit report could be characterized as a record of :
   a. a consumer's credit history
   b. reports the consumer has written
   c. all the addresses a consumer has had
   d. personal medical information

1.4.2 15. Where do credit reporting agencies acquire information regarding a consumer's credit history?
   a. Landlords
   b. Depository Institutions
   c. Cell phone companies
   d. All of the above

1.4.2 16. Which of the following is NOT included in an individual's credit report?
   a. Current and past addresses
   b. Employment history
   c. Bankruptcies and foreclosures
   d. Medical information

1.4.2 17. What information is NOT included when calculating an individual's credit score?
   a. Consumer's payment history
   b. Consumer's salary
   c. Consumer's outstanding debt
   d. All of the above

1.4.2 18. A consumer will develop a positive credit history if they:
   a. Maintain reasonable amounts of unused credit
   b. Pay phone and utility bills on time
   c. Pay cash for the majority of purchases
   d. All of the above

1.4.2 19. A low credit score will affect an individual financially because the _________________.
   a. interest rate of loans will be lower
   b. purchase price of an item will be higher
   c. monthly payments will be lower
   d. the interest rate of loans will be higher

1.4.2 20. Jenny is 18 years old and has applied for credit for the first time. Her credit application was declined, because she had no credit history. What should Jenny do to begin to build a positive credit history?
   a. Acquire a small loan from a depository institution
   b. Obtain a credit card with a co-signer
   c. Obtain a secured credit card
   d. Any of the above

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1.4.2 21. The best place for a consumer to acquire his/her credit report is at a:
   a. public library
   b. depository institution
   c. credit reporting agency
   d. municipal court

1.4.2 22. When may a person view his/her credit report for free?
   a. At any time and an unlimited number of times
   b. Once a year, from each of the three main credit reporting agencies
   c. A person may not review his/her credit report
   d. If a person has sufficient financial resources

1.4.2 23. What is a way for a consumer to develop a negative credit history?
   a. Pay bills consistently and on time
   b. Keep number of credit inquiries low
   c. Have a criminal record
   d. Hold a low number of credit/store cards

1.4.2 24. Who is able to review a consumer's credit report?
   a. Potential employers
   b. Landlords
   c. Government agencies
   d. All of the above

1.4.2 25. What is one component of the Fair Credit Reporting Act?
   a. After 5 years, all negative information is removed from the file
   b. If the credit reporting agency cannot verify information, it must be removed from the file
   c. Consumers must submit a 5 page explanation stating their disagreement to the credit report information
   d. The credit reporting agency does not have to report to the consumer

1.4.3 26. What is credit?
   a. Money allocated to a specific account for future use by the consumer without borrowing
   b. Goods, services, or money received in exchange for a promise to pay a definite sum of money at a future date
   c. The ability and willingness of an individual to pay back a loan as perceived by the lender
   d. An individual's character, capital, capacity, collateral, and conditions

1.4.3 27. Who is a lender?
   a. The person looking to borrow money from another with the intent to pay them back
   b. The organization which specializes in collecting money from individuals who have defaulted on loans
   c. The person or organization with the resources to provide the individual with a loan
   d. All of the above

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1.4.3 28. When evaluating a person's credit worthiness, which of the following is NOT considered a factor?

a. Convenience
b. Capital
c. Character
d. Condition

1.4.4 29. Payday loans are often difficult for consumers to pay back because:

a. they forget the due date
b. the entire amount is due on the due date
c. they make payments in installments
d. None of the above

1.4.4 30. Payday loan companies have found ways to avoid rollover regulations by allowing:

a. back to back loan transactions
b. consumers to take out multiple loans simultaneously
c. reducing their APR on loans
d. None of the above

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