

Pre-Test: Charge It Right

1. Select all that apply. Credit is:

- a. Money given to you that you do not have to pay back
- b. Money you borrow to pay for things, but must pay back with interest
- c. Safer and more convenient than carrying cash
- d. Money you have saved for larger purchases

2. Having a credit card & good credit provides many benefits, they include all of the following EXCEPT:

- a. You can make large purchases and pay for them over time
- b. It may be easier for you to obtain employment or purchase a home
- c. They can be useful in times of emergencies
- d. You pay interest charges on any balance you carry on your credit card

3. You should consider which of the following when determining if you are ready for a credit card? Select all that apply.

- a. Whether you can afford the monthly payments
- b. Which credit card has the lowest introductory rate
- c. What you will purchase with the credit card (needs versus wants)
- d. How much you will pay for items when paying interest versus saving and paying with cash

4. Factors that credit card issuers take into account when deciding whether to issue you a credit card:

- a. Credit history
- b. Income
- c. Current debt
- d. All of these

5. If the Annual Percentage Rate (APR) increases on your credit card, what will happen to your credit card payment?

- a. It will also increase
- b. It decreases, since the credit card company pays a higher percentage of the payment
- c. It stays the same, but you have to pay over a longer time
- d. It stays the same, but your credit limit is reduced

6. What is the first step you should take if your credit card is lost or stolen?

- a. Review your statement to see if any purchases were made by someone other than yourself
- b. File a police report
- c. Call the credit card company immediately to report the lost or stolen card
- d. Have a new card issued

7. Which of the following accurately describes credit cards?

- a. They always allow you to make unlimited number of purchases with no set dollar limit
- b. They are used to purchase goods and services and pay for them over time
- c. You must always pay the balance in full each month
- d. When you purchase items, the money is withdrawn from your checking account

8. How can you reduce the interest you pay on a credit card and the time to pay off the debt?

- a. Failing to make the minimum payment
- b. Pay more than the minimum payment
- c. Pay the minimum payment
- d. Pay off the balance in full each month
- e. b and d

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1. What are some important factors to look for and compare when shopping for a credit card?
 - a. Annual percentage rate
 - b. Grace period
 - c. Fees
 - d. Method for calculating interest
 - e. All of the above

2. What is the difference between a debit card and credit card?
 - a. When you use a credit card the money comes directly from your checking account, but with a debit card you can pay later
 - b. When you use a debit card the money comes directly from your checking account, but with a credit card you can pay later
 - c. Carrying a balance on a debit card usually means you pay some interest
 - d. Credit cards are linked to your checking or savings account

3. Which of the following are benefits of having a credit card?
 - a. It allows you to make a large purchase (e.g., car or house) and pay for it over time
 - b. It is can be useful in times of emergencies
 - c. It is more convenient and safer than carrying large amounts of cash
 - d. All of the above

4. Lenders will review the Four Cs to determine whether you are a good credit risk. Which of the following refers to the value of your assets and your net worth?
 - a. Capacity
 - b. Capital
 - c. Character
 - d. Collateral

5. Select all that apply. What can you do to manage your credit responsibly?
 - a. Pay your monthly bill on time or contact your creditor immediately if you cannot pay
 - b. Try to pay more than the minimum monthly payment
 - c. Use credit to purchase items you want but do not have the cash for
 - d. Verify the charges listed on your monthly statement and correct any errors right away

6. Which of the following are examples of using your credit card responsibly?
 - a. Protecting your credit card and account numbers to prevent unauthorized use
 - b. Charging items when you cannot afford the monthly payment
 - c. Paying interest on items when you could have waited and paid for them with cash
 - d. Knowing the terms of your credit card
 - e. a and d

7. If your credit card is lost or stolen you should immediately call the credit card company or card issuer.
 - a. True
 - b. False

8. What should you know about the APR on a credit card?
 - a. What the amount is
 - b. Whether the rate is an introductory rate and will change after a period of time
 - c. Whether the rate is fixed or variable
 - d. All of the above

Post Test Score _____ out of 8 _____%