

**National Credit Education Week**  
**April 17-23,2011**  
A Quiz on Credit Basics

**Our credit system is a remarkable thing.** It provides opportunities for people of all walks of life to achieve things that previously were reserved only for those of privilege. Owning a house, earning a college degree, starting a business—these dreams come true every day thanks to the idea of *credit*. But if credit is misused or consumers are unaware of their rights in a credit transaction, what had once been a dream come true can wind up feeling more like a burden. Knowing how credit works and how to use it wisely is essential to accomplishing your personal financial goals. How much do *you* know about credit? Take the quiz to find out!

**1. What is the single most important way to maintain a positive credit history?**

- a.) Avoid cosigning loans for others.
- b.) Pay your bills on time.
- c.) Avoid exceeding your credit limit on revolving accounts.
- d.) Transfer credit balances often to take advantage of low introductory rates.

**2. Which of the following is an example of a revolving account?**

- a.) Auto loan.
- b.) Mortgage.
- c.) Student loan.
- d.) Credit card.

**3. Your credit history can have an impact on which of the following?**

- a.) Your application for a credit card.
- b.) The rates you pay for auto and home insurance.
- c.) Your job application with a prospective employer.
- d.) All of the above.
- e.) None of the above.

**4. Which of the following balance calculation methods used by credit card companies results in the most expensive credit terms (assuming the interest rates are equal), and is the one you should avoid when evaluating credit card offers?**

- a.) Two-cycle average daily balance, including new purchases.
- b.) Average daily balance, excluding new purchases.
- c.) Two-cycle average daily balance, excluding new purchases.
- d.) Average daily balance, including new purchases.

**5. Aside from the annual percentage rate, what is the most important factor to consider when choosing between several credit card offers?**

- a.) Length of the grace period.
- b.) The balance calculation method.
- c.) The annual fee.
- d.) The fee for late payments.

**6. Your credit card is stolen and the thief runs up a total of \$1,000. You notify the issuer of the card as soon as you discover it is missing. What is the maximum amount that you can be obligated to pay according to federal law?**

- a.) None.
- b.) \$50.
- c.) \$1,000.
- d.) \$500.

**7. Which of the following debts can be discharged (wiped out) when you file for bankruptcy?**

- a.) Child support.
- b.) Student loans.
- c.) Taxes owed to the IRS.
- d.) All of the above.
- e.) None of the above.

**8. Which of the following costs are expressed in a credit offer's annual percentage rate?**

- a.) Annual fees, acceptance fees and interest.
- b.) Annual fees, late fees, over-limit fees and interest.
- c.) Annual fees, credit-loss protection insurance and interest.
- d.) Interest.

**9. Saul must borrow \$10,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?**

- a.) If the loan was insured by the federal government.
- b.) If his parents cosigned the loan.
- c.) If he went to a state college rather than a private college.
- d.) If his parents took out an additional mortgage on their house for the loan.

**10. Which of the following statements best describes your right to check your credit history for accuracy?**

- a.) Your credit record can be checked at any time for free.
- b.) If you are turned down for credit based on information the creditor obtained in a consumer report, the report can be checked for free.
- c.) Most people will have to pay to receive a single copy of their credit record each year, but the fees are low and cannot exceed the maximum amount set by law.
- d.) Access to credit records is reserved for lenders and government agencies. Individuals cannot see their credit records.

**11. Which of the following statements is true?**

- a.) If you missed a payment more than five years ago, it cannot be considered in a loan decision.
- b.) People have so many loans it is very unlikely that one bank will know your history with another bank.
- c.) Banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments you have missed.
- d.) Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.

**12. Which of the following is a way to establish credit history if you currently have none?**

- a.) Open a savings account with a federally-insured financial institution.
- b.) Do business with a rent-to-own store.
- c.) Open an account in your name with a local utility company.
- d.) Apply for government assistance programs.
- e.) Borrow and repay a series of small, personal loans from a check-cashing or payday lender.

**13. Debbie has agreed to cosign a loan with her son so he can be approved for an auto loan from the bank. Which of the following is a risk Debbie is taking as a cosigner?**

- a.) Debbie will have to carry an additional auto insurance policy in her name on her son's car.
- b.) If her son does not repay his loan, Debbie's own car will be taken by the bank.
- c.) If her son does not repay his loan, Debbie will be responsible for making the payments on his car.
- d.) As the principal applicant on the loan, only her son is responsible for the payments, but Debbie may be contacted by the bank if her son does not repay the loan.