

Matching

Match the following terms to the correct definition below.

- | | | |
|-------------------------------------|--|-----------------------------------|
| <input type="radio"/> Credit Report | <input type="radio"/> Credit Score | <input type="radio"/> Credit Card |
| <input type="radio"/> Loan Term | <input type="radio"/> Debt Snowball | <input type="radio"/> Annual Fee |
| <input type="radio"/> Depreciation | <input type="radio"/> Annual Percentage Rate | |

- _____ Cost of borrowing money on an annual basis; takes into account the interest rate and other related fees on a loan
- _____ A decrease or loss in value
- _____ A detailed report of an individual's credit history
- _____ Time frame that a loan agreement is in force, and before or at the end of which the loan should either be repaid or renegotiated for another term
- _____ Type of card issued by a bank that allows users to finance a purchase
- _____ A measure of an individual's credit risk; calculated from a credit report using a standardized formula
- _____ A yearly fee that's charged by the credit card company for the convenience of the credit card
- _____ Preferred method of debt repayment; includes a list of all debts organized from smallest to largest balance; minimum payments are made to all debts except for the smallest, which is attacked with the largest possible payments

Multiple Choice

Circle the correct answer.

- You must establish credit in order to buy a house.
 True
 False
- If you are a victim of identity theft, you are only responsible for paying back half of the debt.
 True
 False
- Which of the following is *not* a factor in determining a FICO score?
 Paying cash for all purchases
 Getting a personal loan from a bank
 Using credit cards
 Taking out a mortgage on a house
- Which of the following is *not* a good idea for getting out of debt?
 Quit borrowing money
 Get a part-time job or work overtime
 Borrow money from your parents to pay off the debt
 Sell something
- Which of the following things cannot be done with a debit card but can be done with a credit card?
 Rent a car
 Purchase something online
 Go into debt
 Purchase an airline ticket

Short Answer

Respond in the space provided.

- Why is an adjustable rate mortgage (ARM) a bad idea?

- Explain why financing a car is a bad idea.

- Describe the negative consequences of taking on debt. What effect can debt have on your future?

- What are some things you can do to protect your personal information?

- Explain how the debt snowball works.

Ch. 4 Review