

TEST ♦ Chapter 4, Test Form A

GOING INTO DEBT

SCORE

USING KEY TERMS

Matching: Match each item in Column A with the items in Column B. Write the correct letters in the blanks.

A

- _____ 1. principal
- _____ 2. finance charge
- _____ 3. durable goods
- _____ 4. annual percentage rate
- _____ 5. interest
- _____ 6. installment debt
- _____ 7. finance company
- _____ 8. mortgage
- _____ 9. unsecured loan
- _____ 10. collateral

B

- a. installment debt owed on houses, buildings, or land
- b. something of value used to secure a loan
- c. financial institution that takes over contracts for installment debts from retailers and receives a fee for collecting the debt
- d. cost of credit expressed in dollars and cents
- e. amount of money originally borrowed
- f. amount of money a borrower must pay for the use of someone else's money
- g. cost of credit expressed as a yearly percentage
- h. loan guaranteed only by a promise to repay it
- i. manufactured items intended to last more than three years
- j. debt that is repaid in equal payments over a fixed period of time

RECALLING FACTS AND IDEAS

Multiple Choice: In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- _____ 11. Interest rates for all types of credit are
 - a. set by the state government.
 - b. set by the federal government.
 - c. set by the commercial banks.
 - d. regulated by state and federal laws.

- _____ 12. Mortgages are offered by all of the following except
 - a. credit unions.
 - b. savings and loan associations.
 - c. savings banks.
 - d. consumer finance companies.

- _____ 13. Consumers can transfer money electronically from their bank accounts to the bank accounts of stores or restaurants by using
 - a. credit cards.
 - b. debit cards.
 - c. American Express cards.
 - d. credit union share drafts.

T E S T (continued) **Chapter 4, Test Form A**

- _____ **14.** A finance charge is the
- a. amount of money originally borrowed in a loan.
 - b. cost of credit expressed monthly in dollars and cents.
 - c. fee charged to a savings account.
 - d. cost of credit expressed as a yearly percentage.
- _____ **15.** Credit cards such as Visa and MasterCard are issued by
- a. banks.
 - b. finance companies.
 - c. credit card companies.
 - d. mortgage companies.

CRITICAL THINKING QUESTIONS

Directions: Answer each of the following sets of questions on a separate sheet of paper.

- 16. Making Predictions** Why is a bank more likely to make a first-time borrower a secured loan rather than an unsecured loan?
- 17. Making Comparisons** What are the advantages and disadvantages of using debit and credit cards?

APPLYING SKILLS

Understanding Percentages

Credit Card Issuer	Annual Fee	Annual Percentage Rate
First National Bank	No fee	9.5%
Premium First	\$50	7.5%
Federal Savings	\$35	10.0%

- 18.** How much annual interest would First National Bank charge you for a year on an unpaid balance of \$1,500?
- 19.** How much less interest would you have paid a year if your credit card had been issued by Premium First?
- 20.** For which kind of credit card user would First National Bank’s card make the most sense?

TEST ♦ **Chapter 4, Test Form B**

G **OING INTO DEBT**

SCORE

USING KEY TERMS

Matching: Match each item in Column A with the items in Column B. Write the correct letters in the blanks.

A

- _____ 1. finance charge
- _____ 2. commercial bank
- _____ 3. principal
- _____ 4. credit
- _____ 5. mortgage
- _____ 6. interest
- _____ 7. credit bureau
- _____ 8. secured loan
- _____ 9. collateral
- _____ 10. credit check

B

- a. amount of money a borrower must pay for the use of someone else's money
- b. receipt of money to buy goods or services in the present with the promise to pay for them in the future
- c. cost of credit expressed monthly in dollars and cents
- d. bank whose main functions are to accept deposits, lend money, and transfer funds among banks, individuals, and businesses
- e. private business that investigates a person to determine the risk involved in lending money to that person
- f. something of value that a borrower lets the lender claim if a loan is not repaid
- g. installment debt owed on houses, buildings, or land
- h. investigation of a person's income, current debts, personal life, and past history of borrowing and repaying debts
- i. amount of money originally borrowed
- j. loan backed up by collateral

RECALLING FACTS AND IDEAS

Multiple Choice: In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- _____ 11. A financial institution that is owned and operated by members to provide savings accounts and low interest loans is a

a. savings and loan.	b. credit union.
c. commercial bank.	d. savings bank.
- _____ 12. Which of the following is an example of a durable good?

a. washing machine	b. hairbrush
c. blouse	d. gasoline
- _____ 13. Some credit companies lure people into signing up by

a. offering low initial APRs.	b. offering debit and credit cards.
c. linking up with commercial banks	d. engaging in heavy advertising.

T E S T (continued) **Chapter 4, Test Form B**

- _____ **14.** A usury law
- a. restricts the amount of credit a financial institution can offer.
 - b. sets maximum interest rates consumers can be charged.
 - c. defines lending practices for state financial institutions.
 - d. allocates credit based on need.
- _____ **15.** Credit cards were first introduced in the United States
- a. in the 1950s.
 - b. just after World War II.
 - c. in the 1920s.
 - d. in the early twentieth century.

CRITICAL THINKING QUESTIONS

Directions: Answer each of the following sets of questions on a separate sheet of paper.

- 16. Finding the Main Idea** Why do many college students find themselves over their heads in credit card debt?
- 17. Understanding Cause and Effect** Why do you think credit cards are more popular today than they were 40 years ago?

APPLYING SKILLS

Understanding Percentages

Credit Card Issuer	Annual Fee	Annual Percentage Rate
First National Bank	No fee	9.5%
Premium First	\$50	7.5%
Federal Savings	\$35	10.0%

- 18.** How much interest would Premium First charge you for a year on an unpaid balance of \$3,500?
- 19.** How much more interest would you have paid a year if your credit card had been issued by Federal Savings?
- 20.** Why might you be willing to pay the high annual fee that Premium First charges?