

Credit and Loans

Pretest

1. Your credit history will never affect your ability to get a good job.
 - a) True
 - b) False
2. One big reason you could be denied credit is that you do not make enough money (another way to say that is that you do not have sufficient income).
 - a) True
 - b) False
3. No matter what the other terms are, you should always apply for the credit card that has the lowest interest rate.
 - a) True
 - b) False
4. One good reason to have a credit card is that it is more convenient to order items over the telephone or online.
 - a) True
 - b) False
5. What information will you have to provide to get a credit card?
 - a) Current address
 - b) The year you graduated from high school
 - c) Full name
 - d) Your addresses for the past five years
 - e) A, c, and d
6. How often should you order a copy of your credit report?
 - a) Whenever you are getting ready to borrow money.
 - b) Don't order a copy of it. It costs money.
 - c) Order a copy at least once a year.
 - d) When you get a divorce.
7. Which of the following is Not one of the Five C's of Credit.
 - a) Character
 - b) Capacity
 - c) College degree
 - d) Capital
 - e) Conditions
8. Which do you think you should shop for first, your new home or the money to finance the new home?
 - a) New home
 - b) Money to finance a new home.
9. When should you not consider buying a home.
 - a) When you think you do not have a large enough down payment.
 - b) When you have just come through a divorce
 - c) When you are starting a new job

- d) When you are fairly sure you are going to move within a year.
10. Annual property taxes usually run between 1% and 3% of the cost of your home.
- True
 - False
2. You can borrow money to build a home and the type of loan you have during the time you are building the home is called a construction loan.
- True
 - False

Credit and Loans Module

This unit will cover two areas important to your financial well-being:

- **Credit** It's important to have good credit so you can access borrowed money for large ticket purchases such as cars or houses.
- **Loans** If a person is credit-worthy and has a source of income from which to repay a loan he/she is more likely to receive a loan from a financial institution.

Read pages 1 through 4 to learn important information about credit:

- How Your Credit History Affects You
- How to Establish a Credit History
- What Questions You Will be Asked When You Apply for Credit
- If You are Approved for Credit What You Should Do
- Why You Could be Denied Credit
- What is in Your Credit Report
- The Advantages of Using Credit
- The Disadvantages of Using Credit
- What You Should Do Before You Apply for Credit

Page 5 has an exercise for you to use to test your understanding. Complete this exercise and list ways to establish credit.

Posttest

1. In what areas can your credit history affect your life?
 - a) The job you have
 - b) Where you live
 - c) How much interest you pay when you borrow
 - d) All of the above
2. What information will you have to provide to get a credit card?
 - a) Current address
 - b) The year you graduated from high school
 - c) Full name
 - d) Your addresses for the past five years
 - e) A, c, and d

3. How often should you order a copy of your credit report?
 - a) Whenever you are getting ready to borrow money
 - b) Don't order a copy of it. It costs money.
 - c) Order a copy at least once a year.
 - d) If you get a divorce
4. Which of the following is **not** one of the Five C's of Credit.
 - a) Character
 - b) Capacity
 - c) College degree
 - d) Capital
 - e) Conditions
5. Which do you think you should shop for first, your new home or the money to finance the new home?
 - a) New home
 - b) Money to finance a new home
6. What information should you take with you when you go to the bank to make an application for a mortgage loan?
 - a) W-2 forms for the past 2 years
 - b) Most recent pay stubs
 - c) Names, addresses, account numbers, balances and monthly payments for all revolving charge accounts
 - d) All of the above
7. Annual property taxes usually run between 1% and 3% of the cost of your home.
 - a) True
 - b) False
8. No matter what the other terms are, you should always apply for the credit card that has the lowest interest rate.
 - a) True
 - b) False
9. One good reason to have a credit card is that it is more convenient to order merchandise over the telephone or the internet.
 - a) True
 - b) False
10. PMI is another term for mortgage insurance.
 - a) True
 - b) False