



NAME : \_\_\_\_\_

CLASS : \_\_\_\_\_

Good Debt, Bad Debt: Using Credit Wisely  
10 Questions

DATE : \_\_\_\_\_

1. You want to take a class offered by a private college, but you don't have the \$1,500 to pay for it. Since you understand how credit now works, you apply for loans at two banks, a savings and loan, and a credit union. If you earn enough money to make the necessary payments on any of the loans, which one will cost you the least total amount of money?

- A The Second Bank: 9% interest (APR) for 18 months
- B The Credit Union: 7% interest (APR) for 36 months
- C The First Bank: 9% interest (APR) for 12 months
- D The Savings and Loan: 8% interest (APR) for 24 months

2. According to the NEFE® program, \_\_\_\_\_ is the entire amount of money you owe to lenders.

- A collateral
- B capital
- C debt
- D credit

3. According to the NEFE® program, how much of your net income or take-home pay should go toward all your loan payments, excluding mortgage?

- A A maximum of 20%
- B A maximum of 10%
- C A maximum of 25%
- D No more than 30%

4. According to the NEFE® program, \_\_\_\_\_ means someone is willing to loan you money, called principal, in exchange for your promise to pay it back, usually with interest.

- A debit
- B credit
- C mutual funds
- D usury

5. You have \$11,000 in debts. You earn enough money to make your payments, but you forget to pay your bills on time so you pay extra bank charges. The company you work for just awarded you a \$4,500 bonus, and you want to use it to pay off some debt. What should you do to best help yourself get out of debt at the earliest possible time?

Debt/Loan: Balance: Interest Rate:

Student Loan \$4,500 6%

Bank Credit Card \$3,000 15%

Car Loan \$2500 5%

Gas Credit Card \$1500 10%

Bank Loan \$500 8%

- A Pay off the Bank Credit Card, the Bank Loan, and Gas Credit Card
- B Pay off the three smallest debts so you only have to remember to make two payments per month
- C Pay off the Bank Credit Card and pay \$1500 to the Student Loan
- D Pay off the Student Loan
6. According to the NEFE® program, what is the first step toward ensuring a successful career that leads to financial stability?
- A Saving 10% of your allowance as a child to pay for college
- B Having a high school diploma or college degree
- C Learning a foreign language to be employable in the future
- D Using personal connections to secure a well-paying job
7. Which of the following is NOT a good reason to use a credit card?
- A Convenience - it can be more practical than carrying cash
- B Credit history - if you pay your bills every month, it will add to a good credit history
- C Emergencies - if you can charge the cost of your unexpected car repair bill
- D Cost savings - all credit cards give you bonus points that make up for interest fees
8. According to the NEFE® program, what is an "A.P.R."?
- A Annual Performance Rate
- B Annual Percentage Return (or investment)
- C Approved Percentage Rate
- D Annual Percentage Rate, or the amount it costs you per year to use credit, expressed as a percentage rate

9. You just used your new credit card to purchase a big screen TV. The TV cost \$2,300. The APR on your credit card is 19%. If you pay off the credit card in 12 months, how much will you actually pay for your big screen TV?

A \$2737

B \$2649

C \$2528

D \$2319

10. You just received your first credit card, so you bought an iPad for \$400. Your credit card has an interest rate of 15%, and you decide to make \$80 payments each month. How many months will it take you to pay off?

A 5 months

B 8 months

C 7 months

D 6 months

**Answer Key**

1. c

2. c

3. b

4. b

5. a

6. b

7. d

8. d

9. a

10. d