



Are You Smart About Credit?

Take the Quiz and Test Your Knowledge

Circle what you think is the best answer. (Some questions may have multiple answers.)

- 1. What are the costs of using a credit card?**
 - a) The cost of my purchases only.
 - b) Interest and maybe an annual fee or late fees.
 - c) None. Short-term loans are free.
- 2. If the balance of my credit card has hovered at \$750 for a full year, and my credit card has an APR of 19.5% and a monthly periodic rate of 1.625%, how much interest will I pay in one year?**
 - a) \$102.75
 - b) \$146.25
 - c) \$162.50
- 3. Why is maintaining a good credit history important to my future?**
 - a) Because my family will inherit it, and it's important for me to plan for their future.
 - b) Because anyone can access my credit history at any time to learn more about me.
 - c) Because a good credit history can help me obtain a job, a loan, and other forms of financing.
- 4. What might happen if I fail to meet several payments on purchases I made one year ago?**
 - a) The item(s) purchased can be taken away from me.
 - b) Negative information may be added to my credit report and remain there for up to 7 years.
 - c) Knowledge of my poor payment history could result in another credit issuer denying me credit.
- 5. Where can I go to find out what my credit history looks like?**
 - a) Contact a credit-reporting agency or visit www.annualcreditreport.com.
 - b) Ask a private investigator to find out all they can about me.
 - c) Look myself up on the Internet.
- 6. If I am denied credit based upon what I consider to be inaccurate information on my credit report, what is the best way to handle this situation?**
 - a) Call or email the credit bureau whose report lists the error and explain why information is wrong. Then ask the credit bureau to correct my report.
 - b) Obtain a copy of my credit report. Review and circle the error on my statement, return it to the credit bureau, and ask that a correction be made to my report.
 - c) Obtain a copy of my credit report from the credit bureau that provided information to the credit issuer denying me credit; then review the information for any errors. Write a letter or an email to the credit issuer whose information I dispute, explaining why I think the information is inaccurate and asking that a correction be made to my report. Send a copy of the letter to the credit bureau, as well.

- 7. If I find myself using my credit card to cover the cost of basic needs (like food or rent) because I'm regularly short on cash at the end of each month, what's the best thing to do?**
- a) Ignore it. Things are bound to get better soon.
 - b) Add up all my monthly expenditures — like food, movies, clothes, and savings — then list all forms of income. Compare the two. If expenses are greater than income, I need to consider ways to reduce them and/or increase my income.
 - c) Keep charging, but continue to make regular, timely payments to cover at least the minimum amount requested.
- 8. How do I protect myself from credit card fraud?**
- a) Do not give my name or other personal information, such as my address or salary, when applying for a credit card.
 - b) Be extremely careful about disclosing account information, whether online or by telephone to unsolicited callers.
 - c) Purchase large amounts of credit insurance.
- 9. What are some signs of credit stress?**
- a) I am receiving calls from creditors about overdue bills.
 - b) I have written some post-dated checks lately to put off expenses.
 - c) I am arranging bills in order to put off some of them until next month or the month after that.
- 10. What should I do if I find myself becoming over-extended financially?**
- a) Avoid calls from creditors and then file for bankruptcy.
 - b) Get a loan from my parents or relatives, and hold expenses and income steady.
 - c) Use a budget, ask lenders to help me with a payment schedule, or seek professional credit counseling.



Are You Smart About Credit? Quiz Answer Key

1. **b)** The cost of your credit card will vary depending upon whether you carry a balance on your card each month (in which case you will be charged interest) or pay your card in full (an option that can provide you with an interest-free loan). Individual issuers may charge you an annual fee or late payment fees.
2. **b)** If you carry a steady, average balance of \$750 per month on a card with an Annual Percentage Rate or APR of 19.5%, then the interest for each of the 12 months is approximately \$12.19 ($\$750 \times 1.625\%$ – the monthly periodic rate). Thus, interest for a year = \$146.25.
3. **c)** Your credit history is contained in a computerized record. Although no one can review your credit report without your permission, lenders, prospective employers, car dealers, landlords, and others may obtain a copy of your credit report with your signed permission and may use it to determine your creditworthiness.
4. **a), b), & c)** All of these scenarios are accurate.
5. **a)** There are three major credit reporting agencies – Equifax, Experian, and TransUnion. Everyone 18 and older can access their credit report annually at no charge by visiting www.annualcreditreport.com. Consider requesting it each year during your birth month to keep track of it annually.
6. **c)** If you identify any information you think is inaccurate, you must contact the organization that posted that information to address your concerns. You may also report inaccuracies online with forms from the credit reporting agencies.
7. **b)** Paying for basic needs because you don't have enough money at the end of the month is a sign of credit stress. Ignoring it won't make it go away, and paying only minimums while continuing to charge only increases your balance and your problem.
8. **b)** Caution is always the best safeguard. Potential credit issuers need to know some personal information in order to learn about your credit history and determine your credit-worthiness, but beware of scams.
9. **a), b), & c)** All of these scenarios are accurate.
10. **c)** Seeking professional assistance and alert your creditors. Ignoring the situation and failing to pay your bills on time can harm your credit history and adversely affect your ability to get financing later in life. Beware of organizations that offer to fix your credit report for a fee. Nothing can fix your credit; however, time and a positive payment history will start you back on the correct path. Consider contacting your local banker or a local member of the National Foundation for Credit Counseling (NFCC) for assistance with budgeting and money management. Visit www.nfcc.org for more information.