directions
For each of the following situations, circle YES, NO, or DEPENDS to indicate your opinion on whether these people should use credit. Also, give reasons for your response.

1: Marge, age 18, plans to buy a car on credit so that she is able to drive to school.

YES
NO
DEPENDS

2: Fran and Bud recently took out a loan for a new roof.

YES
NO
DEPENDS

3: Edgar, age 20, recently used his credit card to pay for textbooks for his new semester of classes.

YES
NO
DEPENDS

4: Marcia, age 28, charges all her groceries on her credit card.

YES
NO
DEPENDS

5: Sandy and Carla, age 24 and 27, are planning on buying a boat on credit for use during summers. Carla will be the main signer for the loan, with Sandy being the co-signer.

YES
NO
DEPENDS
test your credit knowledge

The following questions are designed to help you remember the credit information just covered in class.

directions
In the spaces provided, answer each of the following questions about credit:

List five things you can do to build a credit history.
1.
2.
3.
4.
5.

When a prospective creditor evaluates a credit application, they look for the five Cs: Character, Capital, Capacity, Collateral and Conditions. For each of the following statements, write the letter that corresponds to each statement’s specific characteristic.

   a) Character   b) Capital   c) Capacity   d) Collateral   e) Conditions

6.      Do you have a savings account?
7.      Have you used credit before?
8.      Do you own a property or other asset?
9.      Do you have a steady job?
10.     Do you pay your bills on time?
11.     What is the state of the current economy?

List four things you can do to build a credit history.
12.
13.
14.
15.
In the space provided, write the letter of the type of credit each statement represents.

a) Single payment credit  b) Installment credit  c) Revolving credit

16. ____ Monthly payment on a car loan
17. ____ Monthly telephone bill
18. ____ Monthly heating bill
19. ____ Using a credit card to buy a new jacket from a department store and then paying the charge off over several months
20. ____ Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month

For each of the following statements, write a T in the space provided if the statement is true, and F in the space provided if the statement is false.

21. ____ It is legal for a creditor to deny an applicant credit based on marital status or age.
22. ____ If you are denied credit, the creditor is not legally obligated to explain why.
23. ____ When creditors evaluate your income, they can't legally refuse to consider income from public assistance in the same manner as other income.
24. ____ If you are refused credit because of a credit report, upon request from you, the lender must give you the name and address of the credit bureau that issued the report.
25. ____ Your credit report is available to anyone, regardless of the reason.
26. ____ A debt collector has the right to contact you at any time of day or night.
27. ____ To be within a safe debt load, your total credit should not exceed 20% of your net pay after subtracting rent.

28. What should you do if you find there is inaccurate information on your credit report?
29. Generally, how long can a consumer reporting agency report unfavorable information?
30. How long can bankruptcy information be reported by a consumer reporting agency?
Most people can afford a certain amount of credit and stay within a safe budget. This amount is called a “safe debt load.” The following exercises will give you practice determining safe debt loads based on various incomes and fixed expenses.

**directions**
Read each of the following scenarios and determine the largest amount of debt each person can safely carry. Write your answers in the blanks provided. Use the space below each question to show how you arrived at each answer.

1. David has a monthly net income of $1,360. His fixed monthly expenses consist of a rent payment of $450. He is paying off a student loan of $116 per month.

   David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford for the television set so that his credit card payments and student loan keep his monthly payments within a safe range 10% of his income?

2. Marsha and Michael have a combined monthly net income of $3,500. Their fixed monthly expenses consist of $675 for rent. They also have an outstanding student loan balance of $6,000 and a balance of $1,000 for the stereo they bought last month.

   How much debt can they safely carry?

3. Juanita has a monthly net income of $2,500. Her fixed monthly expenses consist of $500 for rent. She also pays a car insurance premium of $68 and a car payment of $167. Are these payments within a safe range?
true-false

1. ____ A disadvantage of using credit is impulse buying.
2. ____ Capital refers to a person's assets.
3. ____ A steady employment record helps a person's credit history.
4. ____ Installment credit usually allows a person to make additional purchases on an account.
5. ____ Using the 20-10 rule, a person making $40,000 a year after taxes should have no more than $8,000 of outstanding debt.

multiple choice

6. ____ A common advantage of using credit is:
   A. less impulse buying
   B. lower cost for items purchased
   C. ability to obtain needed items now
   D. lower chance of overspending

7. ____ A person's regular income is referred to as:
   A. character
   B. capital
   C. collateral
   D. capacity

8. ____ To build a credit history, a person could:
   A. establish a steady employment record
   B. file his or her federal income taxes on time
   C. use an ATM several times a month
   D. request to view her or his credit file

9. ____ Utility companies and medical service organizations commonly offer _____ credit.
   A. revolving
   B. single-payment
   C. installment
   D. retail

10. ____ Using the 20-10 rule, a person earning $1,500 a month should not have monthly credit payments that exceed:
    A. $300
    B. $150
    C. $20
    D. $30

case application
Ana Gonzalez is considering a loan to finance her college education. She currently owes money on several charge accounts and credit cards. What actions would you recommend?