FINANCEFIEND | UNIT 2: CONSUMER CREDIT

Name: _____ Class/Period: _____ Date: _____

ANSWER KEY — Responses correspond to the numbered student prompts.

Lesson 1 of 3: Credit Score

CREDIT SCORE — Basics and Borrowing Costs

1. A credit score helps lenders estimate how likely you are to _____ borrowed money. Scores generally range from _____ to _____. **[Answers: repay; 300; 850]**

2. Credit _____ collect report information. Models such as _____ and VantageScore use it to calculate scores. **[Answers: bureaus; FICO]**

3. Five scoring factors are payment _____, credit _____, length of credit history, credit _____, and new credit. The first two are especially important in many models. **[Answers: history; utilization; mix]**

4. Match the common FICO ranges: 300–579 _____; 580–669 _____; 670–739 _____; 740–799 _____; 800–850 _____. **[Answers: Poor; Fair; Good; Very Good; Excellent]**

5. Higher scores may help borrowers qualify for _____ interest rates. Lenders may also consider _____ and existing debt. **[Answers: lower; income]**

6. On the same $18,000, 60-month loan, Luis (789) pays $1,067.31 in interest and Jake (560) pays $4,676.73. Luis saves $_____ in interest. **[Answers: 3,609.42]**

7. Credit information may also matter when applying to _____ a home, setting up utilities, or undergoing certain employment screenings. **[Answers: rent]**

CREDIT SCORE — Reports and Inquiries

8. A credit _____ is a record of accounts, balances, limits, payment history, inquiries, identifying information, and certain public records. Credit _____ is your overall borrowing and repayment track record. **[Answers: report; history]**

9. The three major bureaus are _____, _____, and _____. A bank, credit score service, or bureau may provide a score. Scores can differ by model and report data. **[Answers: Equifax; Experian; TransUnion]**

10. Use _____ to access free reports. Look for errors and unfamiliar accounts, and _____ inaccurate information. **[Answers: AnnualCreditReport.com; dispute]**

11. Applying for a new credit card generally creates a _____ inquiry that can temporarily lower your score. Checking your own report creates a _____ inquiry and does not lower it. **[Answers: hard; soft]**

12. Preapproved offers may involve soft inquiries. Some scoring models may _____ eligible loan-shopping inquiries made within a specified window. **[Answers: group]**

CREDIT SCORE — Building and Protecting Credit

13. Utilization = credit card _____ ÷ credit _____ × 100%. A $500 balance on a $1,000 limit gives _____%. Below 30% is a guideline. **[Answers: balance; limit; 50]**

14. Pay on _____, keep utilization low, let accounts age, limit new _____, and review reports. Manage a mix of credit only as needed. **[Answers: time; applications]**

15. Missed payments, high utilization, frequent applications, short credit history, _____ on debt, and _____ can hurt credit. **[Answers: defaulting; bankruptcy]**

16. Income, bank balances, ordinary _____ purchases, job changes, checking your own credit, and taking a financial education course do not directly determine your score. **[Answers: debit]**

Lesson 2 of 3: Credit Cards

CREDIT CARDS — Basics and Card Types

17. A credit card lets you _____ from the issuer. A debit card draws money from your _____ account. **[Answers: borrow; checking]**

18. A monthly statement lists transactions, balance, _____ payment, and due date. The maximum you can borrow at one time is the credit _____. **[Answers: minimum; limit]**

19. Responsible use can build _____. Cards may offer rewards and protections. Overspending, carrying a balance, and late payments can lead to interest, fees, or _____. **[Answers: credit; debt]**

20. Match the card types: basic borrowing _____; cash back or points _____; refundable deposit _____; eligible college students _____; company expenses _____; retailer offers _____. **[Answers: standard; rewards; secured; student; business; store]**

CREDIT CARDS — Terms and Comparisons

21. APR stands for _____ and is an annualized rate. The interest charged depends on the balance, rate, and how long the debt remains unpaid. **[Answers: annual percentage rate]**

22. Pay the full _____ balance by the due date to generally avoid purchase interest when the _____ period applies. **[Answers: statement; grace]**

23. Paying only the _____ can extend repayment and increase interest. A yearly charge for having the card is an _____ fee. **[Answers: minimum; annual]**

24. Name the fee for missing a required payment _____, an eligible purchase processed abroad _____, and moving debt to another card _____. **[Answers: late payment fee; foreign transaction fee; balance transfer fee]**

25. A _____ box summarizes rates and fees, including APRs, grace periods, and transaction and penalty fees. Look for the issuer's Rates and Fees disclosure. **[Answers: Schumer]**

26. Paul transfers $1,000 with a 3% fee. The fee is $_____ and his new balance is $_____. **[Answers: 30; 1,030]**

27. Layla compares a $45 annual fee with a $1.50 foreign transaction fee and no annual fee. Break-even is _____ eligible transactions. Above that, the $45 card can cost less if other terms are equal. **[Answers: 30]**

28. John carries a balance, so a lower _____ can reduce interest. Tina prioritizes a lower _____ fee and no annual fee. Compare cards based on your habits. **[Answers: APR; late payment]**

CREDIT CARDS — Introductory APR and Balance Transfers

29. An introductory APR is _____ and applies to qualifying transactions. When the offer ends, the _____ APR can apply to eligible remaining balances. **[Answers: temporary; regular]**

30. Check which transactions qualify, the promotional deadline, fees, and how a _____ payment could affect the offer. **[Answers: missed]**

31. A balance transfer _____ debt to another card. On $5,000 with a 3% fee, the new balance is $_____, requiring about $_____ monthly to clear it in 12 months at 0%. **[Answers: moves; 5,150; 429.17]**

32. For $5,000 at 0%, a 3% fee and six months means a $_____ fee and about $_____ monthly. A 5% fee and 12 months means a $_____ fee and $_____ monthly. **[Answers: 150; 858.33; 250; 437.50]**

33. Issuers may use 0% offers to attract _____. They may earn transfer fees, interest after the offer, and revenue from continued card use. **[Answers: customers]**

34. A transfer can make sense when interest savings exceed the _____ and you can follow a repayment plan without adding new _____. **[Answers: fee; debt]**

Lesson 3 of 3: Payment Methods

PAYMENT METHODS — Cash, Debit, and Credit

35. _____ uses physical bills and coins and can help limit spending. It can be lost or stolen and generally cannot be used online. **[Answers: Cash]**

36. _____ spends money from checking. Holds or fraud can disrupt access to funds, and ordinary purchases generally do not build credit. **[Answers: Debit]**

37. _____ borrows from the issuer. Responsible use can build credit, but interest and fees can add to the cost. **[Answers: Credit]**

PAYMENT METHODS — Financing and the TV Scenario

38. With _____, you make regular rental payments and may eventually own the item. Check total cost, fees, cancellation terms, and when ownership transfers. **[Answers: rent-to-own]**

39. Store financing may use a store card or installment plan. With _____ interest, interest can be charged retroactively if you miss the payoff deadline. **[Answers: deferred]**

40. An _____ agreement uses scheduled payments over a set period. Check APR, fees, number of payments, and total repayment. **[Answers: installment]**

41. With _____, you reserve an item and typically take it home after paying in full. Check setup fees and cancellation terms. **[Answers: layaway]**

42. A $550 TV buyer has $200 saved. Cash requires another $_____. Qualifying fee-free, interest-free financing costs about $_____ per month for six months. **[Answers: 350; 91.67]**

43. The TV costs $_____ with a credit card if the grace period applies and the full statement balance is paid on time. Layaway with a $5 setup fee costs $_____. **[Answers: 550; 555]**

44. Compare _____ cost, ability to pay without missing essentials, when you get the item, and the consequences of a missed payment or cancellation. **[Answers: total]**

PAYMENT METHODS — Digital Wallets and Payment Apps

45. A digital _____ stores eligible cards for compatible payments. Tokenization and device _____ can help protect card details. **[Answers: wallet; authentication]**

46. A payment _____ can send or receive money. Verify the _____ before sending because authorized transfers can be hard to reverse. **[Answers: app; recipient]**

47. Buyer protections vary, and money kept in an app may have different deposit _____ coverage than bank deposits. Never share verification codes with unexpected contacts. **[Answers: insurance]**

PAYMENT METHODS — Buy Now, Pay Later

48. BNPL is a form of _____. A $200 purchase split into four equal payments with no fees or interest costs $_____ per payment. **[Answers: borrowing; 50]**

49. Multiple plans can add up. Read the terms for interest and fees. Missed payments may lead to fees, restrictions, collections, or credit _____ consequences. **[Answers: reporting]**

50. Before choosing a payment method, check affordability, total cost, payment _____, and transaction safety. **[Answers: deadlines]**