

Name:

Date:

Before You Choose a Credit Card

Assessment

Read the following 10 questions carefully. Select the best answer for each question.

1. Which of the following is true of **charge cards**?

- a) Do not have a **credit limit**
- b) Are **revolving balance** cards
- c) Have a high **finance charge** when a balance is carried from month-to-month
- d) Can only be used at **specific locations**



2. Which is the most common type of credit card?

- a) Secured
- b) Pre-Paid
- c) Standard
- d) Charge

3. Paying only the **minimum monthly payment**, not the entire balance, by the payment due date will:

- a) Make the **finance charge** start to accumulate interest on the remaining balance.
- b) Eliminate the **grace period** for the next month.
- c) Satisfy your payment obligation to the credit card company.
- d) All of the above.

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4. The **credit limit** on a **secured credit card** is determined by:
- a) A request from the borrower
 - b) A pre-paid deposit
 - c) Your credit score
 - d) The issuer of the credit card

5. Which credit card fee will hurt your credit score the most?

- a) Annual fee
- b) Late payment fee
- c) A high APR (finance charge)
- d) Returned check fee



6. You have a credit card with an 11.9% APR finance charge. You accumulate \$900 in charges on this card, \$600 of which were made before the billing date.

How can you avoid a finance charge on this account?

- a) Pay \$600 by the payment due date.
- b) Pay the minimum monthly payment ***before*** the payment due date.
- c) Stop charging on the card until you are able to pay the balance off in full.
- d) You cannot avoid a finance charge unless you pay the entire \$900 balance by the due date.

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7. If your balance is \$3,500 on a 10% credit card, what will typically be the **minimum monthly payment** due?
- a) \$350
 - b) \$29.17
 - c) \$70
 - d) \$58.33
8. You transfer \$4,000 onto a 12.9% credit card with a 3% balance transfer fee. What is the **total balance due** shown on your 1st month's statement after the transfer?
- a) \$120
 - b) \$516
 - c) \$4,636
 - d) \$4,163
9. What kind of **rewards program** would be considered the most flexible and useful?
- a) Airline rewards because airline ticket prices fluctuate
 - b) "The Gap" points program, for example, if you shop at "The Gap" quite frequently
 - c) Exxon-Mobil gas rewards since gas prices are rising so far so fast
 - d) Cash back because you can use cash anywhere for anything
10. What should you pay particular attention to when choosing a new credit card?
- a) Your **spending habits** and how you intend to use the card
 - b) The **finance charge APR** and other interest rates for other services
 - c) **Fees** disclosed on the application and/or buried in the fine print
 - d) All of the above



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ANSWER KEY

1. A
2. C
3. D
4. B
5. B
6. A
7. C
8. D
9. D
10. D