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Finance

Name_____

Unit 5 - Credit

Date_____

Review Practice Test

Please circle the correct answer.

1. Which of the following is a good credit score?
   a. 450   b. 590   c. 420   d. 750

2. Mary has a credit score of 630 and Trina has a credit score of 750. Both take out a loan for $5000 to be paid back over 5 years. Mary will pay an interest rate of 8.7% and Trina's rate will be 3 percentage points lower. What is the rate Trina will pay?
   a. 5.7%   b. 9.7%   c. 6.7%   d. 3.7%

$$\begin{array}{r} 8.7 \\ -3.0 \\ \hline 5.7 \end{array}$$

3. What is the interest that Mary will pay on her $5000 loan at the interest rate of 8.7%, for 5 years from problem 2 above? (Use I=Prt where time is in years)
   a. $2425   b. $242,500   c. $2175   d. $25,000

   Principle X rate X time
   5000 X .087 X 5

4. How many months are there in 7 ½ years?
   a. 65 months   b. 78 months   c. 90 months   d. 42 months

   7.5 X 12

5. If you borrow $2000 for 6 years at an interest rate of 4%. What is the interest you will pay? (Use I=Prt where time is in years)
   a. $225   b. $300   c. $600   d. $400

   2000 X .04 X 6

6. Joe purchases a $4100 living room set. He can't afford to pay cash so he uses the installment plan, which requires a 13% down payment. How much is the down payment?
   a. $533   b. $480   c. $465   d. $256

   4100 X .13 =

7. Bridget wants to purchase a used car for $2000. She can save $125 per month working part time. How long will it take her to save enough to buy the car?
   a. 18 months   b. 14 months   c. 12 months   d. 16 months

   $$\frac{2000}{125 \text{ per month}}$$

8. Daniel purchases a pinball machine for his game room that sells for $3000 including tax. It requires a 5% down payment. The remainder, plus a finance charge is paid back monthly over the next 2 years. The monthly payment is 96.70. What is the down payment and the total of the monthly payments?
   a. Down payment: $200   b. Down payment: $100   c. Down payment: $150
      Total Monthly   Total Monthly   Total Monthly
      Payments: $173.40   Payments: $2080.80   Payments: $2320.80

   3000 X .05

   $$\begin{array}{r} 96.70 \\ \times 24 \end{array}$$

9. What does APR stand for?
   a. Annual Percentage Rate b. Actual Property Rate c. After the percentage is calculated

Using the table provided on the right for questions 10-14.

10. What is the monthly payment for a $3000, 5 year loan with an APR of 6.5%.?
    a. $78.28   b. $178.20   c. $94.84   d. $58.71

11. What is the monthly payment for a $11,000, 3 year loan with an APR of 8.25%?
    a. $310.45   b. $345.95   c. $280.70   d. $294.36

12. What is the total dollar amount of monthly payments for a 4 year loan of $8000 with an APR of 7.75%?
    a. $22,110.45   b. $8006.87   c. $9331.20   d. $1254.90

13. What is the finance charge for a $5000, 2 year loan with an APR of 8%?
    a. $188.04   b. $427.60   c. $324.56   d. $876.99

14. Paula wants to buy a new car for $21,000. She plans to take out a 5 year loan with an APR of 7%. What will her monthly payment be?
    a. $415.80   b. $580.90   c. $255.42   d. $ 324.87

15. The Pro Pawn shop will lend up to 55% of the value of a person's collateral. Brad wants to us a $1500 bracelet as collateral for a loan. What is the maximum amount that he could borrow from the Pawn Shop?
    a. $200   b. $400   c. $350   d. $825

16. If the APR on a credit card is 23.25%, what is the monthly interest rate?
    a. 1.94%   b. 2.56%   c. 1.35%   d. 2.35%

17. The average daily balance for Jamie's last credit card statement was $856.89. He had to pay a finance charge because he did not pay the total balance. If his APR is 21%, what is the finance charge for the month?
    a. $17.85   b. $15.00   c. $24.86   d. $14.82

18. Emma's credit card was stolen and she called the credit card company immediately to notify them that her card was stolen. The Truth in Lending Act protects her if anyone uses her stolen card. She receives her statement and someone charged $200 on the card. How much is she required to pay?
    a. $0   b. $200   c. not more than $50

19. Joanne had her card stolen also but she did not realize it until 3 days later. She notified the card company when she realized it but someone had already charged $400 worth of merchandise on it. She is still protected by the Truth in Lending act. How much will she have to pay towards the fraudulent charges?
    a. $0   b. $400   c. not more than $50

Please write your answer on the lines provided.

20. What is the difference between a credit card and a debit card?
    Credit card like a loan, payment due at statement, Debit Card is like money or check, payment due at purchase