

CREDIT BASICS—KEY

1. What is credit? (CREDIT ALLOWS IMMEDIATE USE OF PRODUCTS OR SERVICES IN EXCHANGE FOR A PROMISE TO PAY IN THE FUTURE.)
2. What are the three main types of credit?
 - a. (SALES)
 - b. (CASH)
 - c. (SERVICE)
3. (SALES CREDIT) is credit you receive when you make a purchase now and promise to pay for it later.
4. What is an open charge account? What is the benefit of this type of an account? (YOU MUST PAY THE ENTIRE AMOUNT OF THE BILL WHEN YOU RECEIVE IT. **USUALLY** YOU PAY NO INTEREST CHARGES.)
5. What are three examples of service credit? (ANY OF THE FOLLOWING: DOCTOR, DENTIST, BARBER, GAS COMPANY, GARBAGE PICK-UP, ELECTRIC COMPANY, TELEPHONE COMPANY, EXCEPT PAY PHONE).
6. List five advantages of using credit. (ANY OF THE FOLLOWING: KEEPS HEALTHY ECONOMY, HELPS MEET EMERGENCIES, ADVANCE NOTICE OF SALES, CONVENIENCE, ESTABLISHES CREDIT RATING, ENJOY ITEM WHILE PAYING FOR IT, DETAILED MONTHLY BILL.)
7. What are five disadvantages of using credit? (ANY OF THE FOLLOWING: CREDIT COSTS MONEY, RISK BY SPENDING FUTURE INCOME, INCREASES COSTS BUSINESS, ALLOWS OVER-SPENDING, ENCOURAGES CARELESS BUYING, MAY CAUSE FAMILY CONFLICT.)
8. Installment debt should not exceed (ONE-THIRD) of your annual net income.
9. List four places to go for credit. (ANY OF THE FOLLOWING: COMMERCIAL BANK, SAVINGS & LOAN, CREDIT UNION, CASH VALUE LIFE INSURANCE POLICY, CASH ADVANCE CREDIT CARD, FINANCE COMPANY, PAWN BROKER)
10. What does APR mean? (ANNUAL PERCENTAGE RATE)
11. What is a credit rating? (A RATING DETERMINED BY HOW PROMPTLY YOU HAVE PAID PAST DEBTS)
12. Identify two ways to establish credit: (HAVE CHECKING AND SAVINGS ACCOUNTS, USE THE LAYAWAY PLANS AT LOCAL STORES, ASK A MERCHANT WHO KNOWS YOU WELL TO GIVE YOU A LINE OF CREDIT, MANY STORES OFFER SPECIAL TEENAGE ACCOUNTS IF THEIR PARENTS HAVE AN ACCOUNT AT THE STORE, MAKE A BIG DOWN PAYMENT, GET A COSIGNER FOR A LOAN)