Name: Matthew Milacek

Date:

Unit 6 Graded Assignment

Assignment Questions: Credit and Loans

Answer each question fully. Complete sentences are not necessary.

**Total score: \_\_\_\_ of 29 points**

 ***(Score for Question 1: \_\_\_ of 1 point)***

* If you are borrowing money and paying interest, would you prefer an interest rate that compounds annually, quarterly, or daily? Why? (2-4 sentences)

Answer:

You'll be wanting the interest that compounds the least often in order to safeguard your wealth

***(Score for Question 2: \_\_\_ of 4 points)***

* Open open the Example\_Credit\_Report, and then answer the questions below.
* What is the total balance of Jessie Robinson's real estate account? (0.5 points)
* What is the total balance of Jessie Robinson's revolving account? (0.5 points)
* Has Jessie Robinson ever applied for bankruptcy? (0.5 points)
* How many creditors have made inquiries about Jessie Robinson's credit? (0.5 points)
* Do you think Jessie Robinson usually pays bills on time and in full? (1-2 sentences. 1.0 point)
* Do you think Jessie Robinson's credit score would be great, normal, or poor? Why? (1-3 sentences. 1.0 point)

Answer:

 a. $19,100

 b.$500

 c. no

 d.3

 .e. yes

 f. Jessie would probably have excellent credit

***(Score for Question 3: \_\_\_ of 1 point)***

* Describe a real or made-up but realistic situation in which you would want to use installment credit. (2-4 sentences)
* Answer:

When it is time to buy a car or something it would be better to use installment credit since I would be able to use the car before I fully pay for it

***(Score for Question 4: \_\_\_ of 1 point)***

* Describe a real or made-up but realistic situation in which you would want to use noninstallment credit. (2-4 sentences)
* Answer:

It's better to use noninstallment credit for cheaper products

 ***(Score for Question 5: \_\_\_ of 1 point)***

* Describe a real or made-up but realistic situation in which you would want to use revolving credit. (2-4 sentences)

Answer:

It's best to use revolving credit on smaller, more managable purchases as a way to develop one's credit score so then you are able to get larger loans when needed

***Score for Question 6: \_\_\_ of 2 points)***

* If you had no credit history yet but wanted to establish one, describe what you could do in order to establish a credit history. (3-6 sentences)

Answer:

Step 1. Open a bank account.

Step 2. Get a credit card.

Step 3. Use credit responsibly

***(Score for Question 7: \_\_\_ of 2 points)***

* Describe two things you can do to make sure you use credit responsibly. Explain why these things are important. (2-4 sentences)
* Answer:

Pay off the balance in full each month or interest will start building up

***(Score for Question 8: \_\_\_ of 1 point)***

* If you were old enough to get a credit card but unable to get one because you didn't have enough of a credit history, which of the alternate options for establishing credit would you prefer to use? Why? (2-4 sentences)
* Answer:

Get a Department Store or Gas card that reports information to the credit bureaus or get secured credit or do co-signing

***(Score for Question 9: \_\_\_ of 2 points)***

* Imagine that you have a friend who is struggling financially and is trying to choose a credit counseling service. Visit the FTC website: <http://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor> to learn about what questions to ask, and then make a list of at least four questions your friend should ask the credit counseling service. (3-6 sentences)
* Answer:

What services do you offer?

Do you offer information?

In addition to helping me solve my immediate problem, will you help me develop a plan for avoiding problems in the future?

What are your fees?

What if I can't afford to pay your fees or make contributions?

Will I have a formal written agreement or contract with you?

Are you licensed to offer your services in my state?

What are the qualifications of your counselors?

What assurance do I have that information about me (including my address, phone number, and financial information) will be kept confidential and secure?

How are your employees paid?

***(Score for Question 10: \_\_\_ of 2 points)***

* Visit the website for a large bank or credit card company, and learn about a type of credit card being offered by the company. Describe at least four features of the card and where you got this information. (3-6 sentences)

Answer:

I went to <https://www.bankofamerica.com/credit-cards/>

Bank of America® Cash Rewards for Students

Introductory APR 0% for 12 billing cycles

Standard APR 13.99% - 23.99% variable

Annual Fee $0

Balance Transfer Fee 3% of each transaction (minimum $10)

***(Score for Question 11: \_\_\_ of 2 points)***

* Visit the website for a second large bank or credit card company, and learn about a similar type of credit card being offered by this company. Describe at least two differences between this credit card offer and the one from question 10 above. Which offer would you be more likely to choose? Why? (3-6 sentences)
* Answer:
* Journey® Student Rewards

Earn 1% cash back on all your purchases. Pay on time to boost your cash back to a total of 1.25% for that month.

Purchase APR: 24.99% variable APR

Transfer Info: 24.99% variable APR

Annual Fee: $0

***(Score for Question 12: \_\_\_ of 1 point)***

* Describe a real or made-up but realistic example of a time when you might apply for a loan. (2-4 sentences)
* Answer:

So i be all like ''damn i need some o dat cash money quick yo'' so then i would get one o dem loans and stuff

 ***(Score for Question 13: NA)***

* Navigate to and open the Example\_FAFSA. Complete the steps below to save a copy of the file.. TIP: The FAFSA is the Free Application for Federal Student Aid. This application is used by many students to get federal funding for their college education.

 ***(Score for Question 14: \_\_\_ of 5 points)***

* Complete the FAFSA form using the information below. Be sure to save your work at the end! TIP: You won't need to fill out every line on the form. Just fill out the lines listed below. Use the information from Jessie Robinson's W-2 form folder to complete lines 1-8. TIP: Each numbered item on the FAFSA is called a line.
* On line 9, use the birth date 7/15/97.
* On line 10, use the phone number 206-555-0096.
* On line 13, use the e-mail address jessierobinson@example.com.
* On line 14, select Yes.
* On line 16, select I am single.
* On line 18, use WA.
* On line 19, select Yes.
* On line 21, select Female.
* On line 23, select No.
* Fill out lines 24 and 25. TIP: It doesn't matter which option you select, but be sure to answer both questions.
* On line 26, select None of the above.
* On line 28, select No.
* Fill out lines 29, 30, and 31. TIP: It doesn't matter which option you select, but be sure to answer all three questions.
* On line 32, select I have already completed my return.
* On line 33, select IRS 1040A or 1040EZ.
* Use the information from Jessie Robinson's 1040EZ to fill out lines 35, 36, 37, 38, and 39. TIP: It's okay that Jessie Robinson's W-2 and 1040EZ forms were from 2009, since this isn't a real application, but if you were filling the FAFSA out for yourself, you would need to use your tax information from the previous year, not an earlier year.
* Fill out lines 40, 41, and 42. TIP: It doesn't matter what information you enter, but be sure to answer all three questions.
* On line 45, select Yes. Select No for lines 46-57.
* Skip the Step 4 section on pages 6 and 7. TIP: You're skipping Step 4 because you answered Yes to one of the questions in lines 45-67.
* Fill out lines 93 and 94. TIP: It doesn't matter which option you select, but be sure to answer both questions.
* Fill out line 100. TIP: It doesn't matter which option you select.
* Skip Step 6 and Step 7. TIP: If you were filling out a FAFSA for yourself, you would fill in these steps, but since this FAFSA is just for practice, it's okay to skip these steps for now.
* Click the File menu, and then click Save.
* Answer:

Type your answer here.

***(Score for Question 15: \_\_\_ of 1 point)***

* Explain the importance of reestablishing a positive credit history after bankruptcy. (2-4 sentences)

Answer:

Your credit information can determine whether you can rent an apartment, how much you pay for insurance, or whether you can get a job. It is important to reestablish good credit as soon as possible after filing for bankruptcy.

***(Score for Question 16: \_\_\_ of 1 point)***

* List and discuss at least three tips for improving a credit score after bankruptcy. (2-4 sentences)

Answer:

Open a new checking and savings account if you do not already have one.

Obtain a secured credit card. A secured credit card works like a debit card because you put money on the card before you use it. The difference is that when you use a secured credit card, the transactions are reported to the credit bureaus, which will help increase your credit score.

Pay off your credit card balance every month. The credit bureaus want to see that you are able to pay the balance instead of the minimum payment.

Get copies of your credit report. You are allowed one free credit report from each bureau each year.

Pay your bills on time. It will help you build strong financial habits.

Budget for essentials. Figure out how much money you must spend each month. Try to be as strict as possible.

Build a savings account. You can use this money for unexpected expenses instead of relying on credit.

***(Score for Question 17: \_\_\_ of 1 point)***

* List and discuss at least three types of predatory lending practices. (2-4 sentences)

Answer:

Payday Lending

Payday lending, also known as cash advance, is a short term loan that the borrower promises to repay from his or her regular income. One common method of repayment is for the borrower to write a postdated check or to give the lender his or her checking account information as collateral for the loan.

Payday loans are usually for small amounts, and they’re marketed as a quick, easy way to get fast cash. Interest rates are often as high as 400% or more, and it typically takes the payday loan user six months or more to pay the loan back.

Rapid Access Loans

Like payday loans, rapid access loans are marketed as fast cash loans. They have high interest rates—from 40% to 700%.

The collateral used to obtain rapid access loans is typically some form of tangible property. Because borrowers often use the titles to their cars as collateral, the loans are sometimes referred to as car title loans.

Tax Refund Loans

Tax refund loans are short-term cash advances against a borrower’s anticipated income tax refund. To obtain the loan, a borrower uses his or her anticipated tax refund as collateral.

The lender advances the borrower the amount of his or her anticipated tax refund less interest charges on the loan. The lender then keeps the full tax refund as repayment.

EXAMPLE A consumer's expected tax refund is $500. A lender advances the consumer $350 against the expected refund, at an interest rate of 30%. When the tax refund is received, the lender keeps the full $500 to repay the loan, making a profit of $150.

***(Score for Question 18: \_\_\_ of 1 point)***

* List and discuss at least three types of illegal debt collection practices. (2-4 sentences)

Answer:

Communication with Third Parties

A collection agency cannot contact a third party about your debt. The collection agency is only allowed to contact you, your spouse, your attorney, a credit reporting agency, and the original creditor to discuss the debt.

The collection agency can contact third parties to obtain information regarding your whereabouts.

Communication with You

The first time a creditor contacts you, they must tell you they are attempting to collect a debt. In addition, they must inform you that any information you give them will be used to collect that debt.

Debt collectors cannot contact you at unusual or inconvenient times or places. For example, they cannot call you before 8 a.m. and after a certain time at night.

Harassment or Abuse

Debt collectors cannot harass, oppress, or abuse you in an attempt to collect a debt. These practices include

Using or threatening violence.

Using vulgar or abusive words.

Publishing your name as someone who doesn’t pay bills.

Calling you repeatedly.

Calling you without identifying themselves as bill collectors.