

# CEE

## *Standard 4*

# USING CREDIT

GRADE 12  
BENCHMARKS

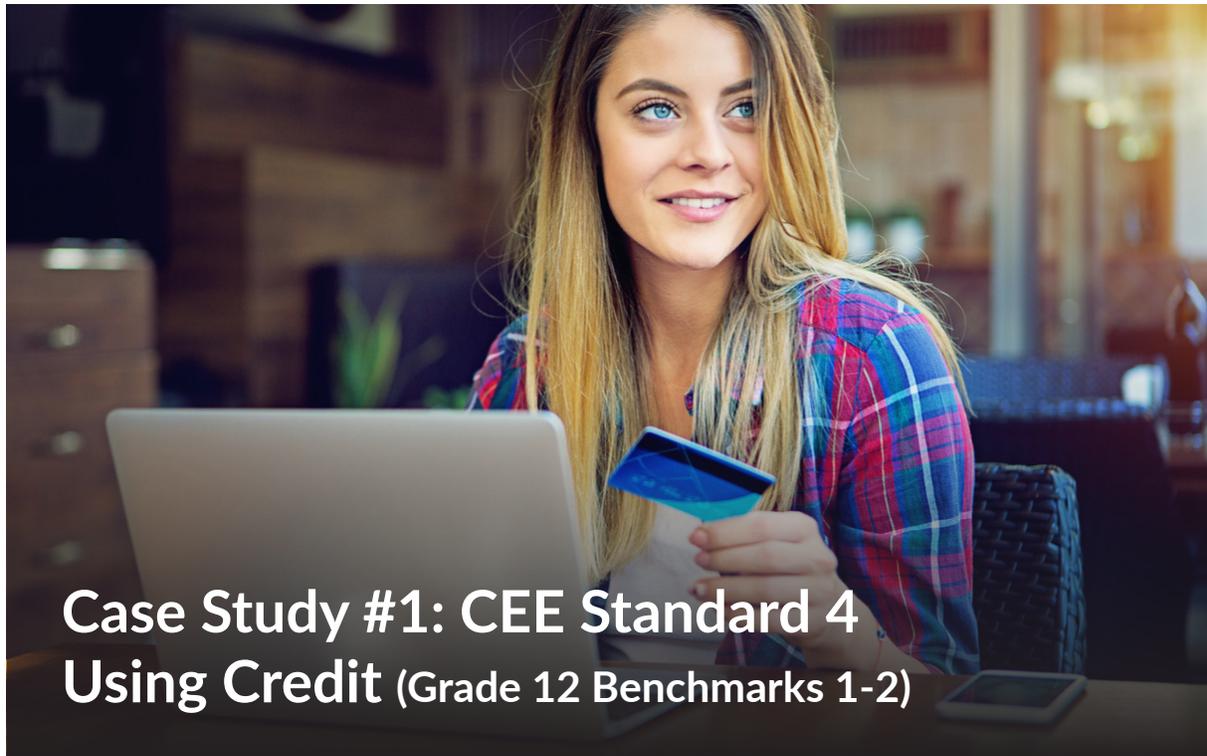


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THE BENCHMARKS FOR GRADE 12 FOCUS ON CREDIT REPORTS, CREDIT SCORES, BEHAVIORS THAT CONTRIBUTE TO STRONG CREDIT REPORTS AND SCORES, AND THE IMPACT OF CREDIT REPORTS AND SCORES ON CONSUMERS, AS WELL AS CONSUMER PROTECTION LAWS AND HOW THEY APPLY TO CREDIT AND CREDIT CARD USE.

[www.centsaieducation.com](http://www.centsaieducation.com)

1. To compare the cost of credit for your very first credit card, you should focus on:
  - a. Annual percentage rate (APR)
  - b. Initial fees charged
  - c. Fees charged for late or missed payments
  - d. All of the above
2. If you miss a payment on a credit card with a low introductory rate, the creditor may:
  - a. Increase your credit limit
  - b. Increase your APR
  - c. Offer you a new credit card
  - d. Call the credit bureaus to tell them you didn't pay
3. You may consider making a down payment on your first card to:
  - a. Decrease the amount borrowed
  - b. Minimize the risk posed to the creditor
  - c. Secure a lower interest rate
  - d. All of the above
4. Loans secured with collateral carry more risk than unsecured loans.
  - a. True
  - b. False
5. A credit report is best described as:
  - a. A document detailing what you have available in store credits at the mall
  - b. A document that includes information about all your credit cards
  - c. A document that credit bureaus use to record your credit and payment history
  - d. A document that includes information about all your student loans
6. Your credit report may be used:
  - a. By an employer to make a hiring decision
  - b. By a landlord to decide if he or she should rent to you
  - c. By a credit card company to determine if you qualify for a card
  - d. All of the above
7. You can get a free copy of your credit report each year.
  - a. True
  - b. False



## Case Study #1: CEE Standard 4 Using Credit (Grade 12 Benchmarks 1-2)

**Scenario:** Marbella is at the mall hanging out with friends and celebrating her 18th birthday. She decides to go into her favorite bath-and-body shop to pick up a few items. At the checkout, the clerk offers her 15 percent off her purchase if she applies for a credit card. The terms and conditions of the card are as follows:

- APR: 24.99% (promotional APR: 0% for 12 months)
- Annual fee: \$75
- Activation fee: \$0
- Introductory offer: 15% off the first in-store purchase
- Late-payment fee: \$35
- Credit line: \$500

She was also recently offered a credit card from her bank with the following terms and conditions:

- APR: 15.99% (promotional APR: 0% for 18 months)
- Annual fee: \$50
- Activation fee: \$0
- Introductory offer: not applicable
- Late-payment fee: \$25
- Credit line: \$500

Based on this information, answer the questions below.



1. Which card should Marbella choose? Explain why.

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2. If Marbella maxes out the store credit card and makes only the minimum payment of \$25 each month, how long will it take her to pay off the balance (assuming she doesn't make any additional purchases)?

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3. Why do you think both cards offer a promotional APR?

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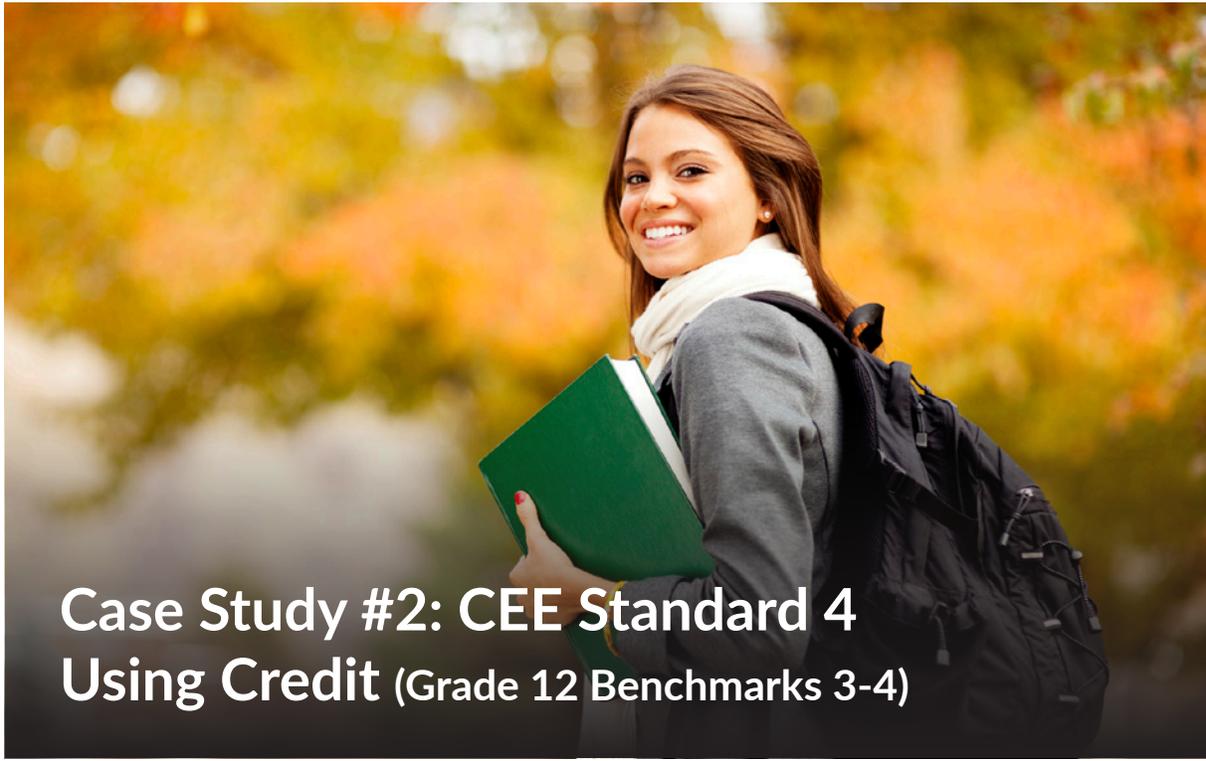
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4. As the rate of inflation increases, how will the value of Marbella's money be affected?

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## Case Study #2: CEE Standard 4 Using Credit (Grade 12 Benchmarks 3-4)

**Scenario:** Janice is a junior in college. She wants to buy a car to get to and from work. Her job is only a few miles away, so a basic vehicle priced just right will do. The only problem is that Janice has only \$1,000 on hand, so she's looking to finance her purchase through the student credit union. As long as she uses the \$1,000 for the down payment, the credit union will approve a loan for \$10,000.

Based on this information, answer the questions below.

1. What type of collateral would the lender use to secure Janice's loan?

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2. What three benefits will Janice derive from making a down payment on the purchase?

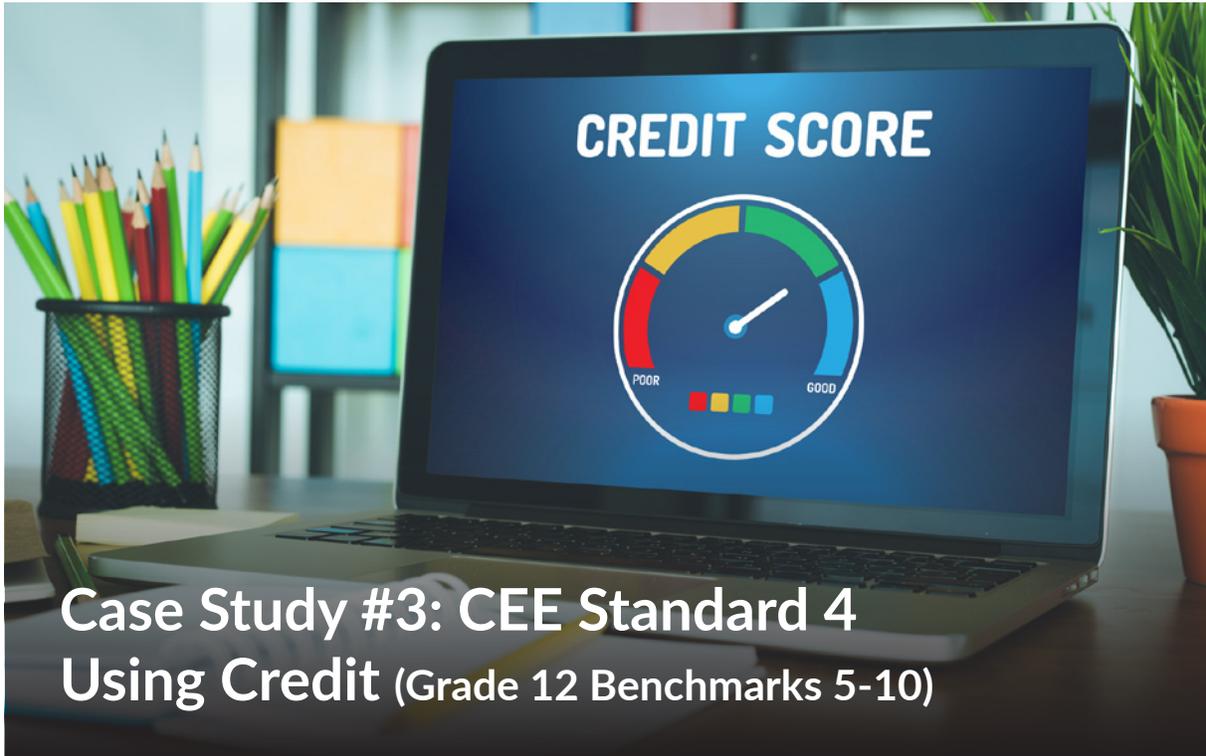
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3. If Janice had more money for a down payment, would she appear riskier or less risky to lenders? Explain why.

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## Case Study #3: CEE Standard 4 Using Credit (Grade 12 Benchmarks 5-10)

**Scenario:** Penelope wants to apply for a student loan from a private lender for graduate school. To qualify for a loan without a cosigner, she will need a credit score of at least 620. Penelope's credit score is only 600, so the loan officer suggests that she get a copy of her credit report to see there are errors in it and file disputes to try and boost her score.

Based on this information, answer the questions below.

1. What is a cosigner? Beyond being approved for the loan, how could Penelope benefit if she gets one?

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2. When Penelope views her credit report, what type of information will she find?

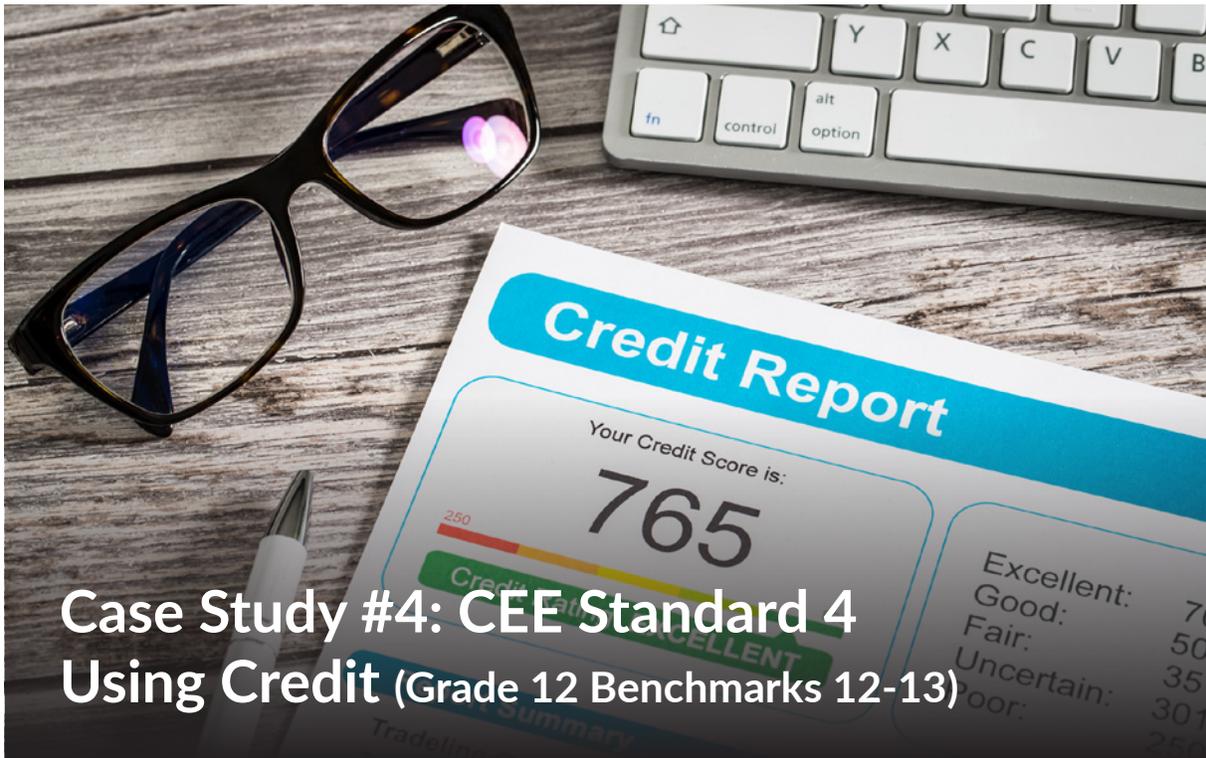
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3. If Penelope is approved for the loan but fails to make timely payments, what could happen to her credit score?

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## Case Study #4: CEE Standard 4 Using Credit (Grade 12 Benchmarks 12-13)

**Scenario:** Britton is learning about credit in his college class on personal finance. He's been discussing credit reports and scores with his older sister. Now she's eager to learn more about her own credit profile.

Based on this information, answer the questions below.

1. Britton's sister wants to get a copy of her free credit report. Which website is the best one to get it from?

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2. What are some other websites that can provide her with her credit report?

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3. Is it possible for Britton's sister to get her credit score for free? If so, from where?

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4. When she gets her credit report and score, how will it affect her credit?

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## QUIZ ANSWER KEY

### CEE Standard 4: Using Credit Grade 12 Benchmarks (1-13)

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