Understanding Credit
(What Do You Know Now?)

Read each question below. Circle the correct answer. Each question may have more than one correct answer, so circle every correct answer. Add your name and today's date at the bottom.

1. What is the definition of credit?

   A. Credit is using a credit card to pay for things.

   B. Credit is lending money to someone who asks.

   C. Credit is the ability to borrow money that must be paid back at a later date.

   D. Credit is borrowing money from someone.

   E. Credit is getting recognized for borrowing money well.

2. What is the difference between buying with cash and buying with credit?

   A. With cash, you pay the amount now. With credit, you promise to pay the amount later.

   B. With cash, you know if you have enough money to pay for the entire purchase.

   C. With credit, the amount is taken out of your bank account right away.

   D. If you do not pay your credit card bill on time, you will be charged a late fee.

   E. Some people only use cash because all credit cards charge an annual fee.

3. What is an advantage of using credit well?

   A. You can improve your credit score.

   B. You can earn a reward from any credit card you have.

   C. You don't have to worry about having the money now.

   D. You can go shopping more often.

   E. You can build a positive credit history.

4. Which statement is true about credit cards?

   A. Using a credit card is a form of borrowing.

   B. Every adult has a credit card.

   C. Most adults get a copy of their credit report.

   D. Twenty percent of adults do not know their credit score.

   E. Most young adults (35 and younger) get their first credit cards when they turn 18.

5. What are common ways adults use credit?

   A. Department store credit cards

   B. Mortgage loans

   C. Bank credit cards

   D. Installment loans

   E. Auto loans

6. How many credit cards does the average American credit card holder have?

   A. 2

   B. 3.5

   C. 3

   D. 1

   E. 4.5

Your Name:_____

Today's Date:_____