Unit 4 Quiz — Credit & Debt

Teen Money Independence · Lessons 4.1 – 4.5

Name: Date:

PART 1 — MULTIPLE CHOICE (2 POINTS EACH)

Circle the best answer.

1. Which factor has the largest impact on a person's credit score?

A. Total number of credit accounts

B. Payment history (on-time vs. late payments)

C. The age of their oldest account

D. How many times they have checked their own score

2. Alex made only minimum payments on a $600 credit card balance that offered "no interest for 12 months." He did not pay it off in time. The deferred interest of $186 was charged all at once. What type of trap did Alex fall into?

A. Balance transfer fee

B. Annual fee trap

C. Deferred interest promotion

D. Penalty APR trigger

3. Sofia was rejected for an apartment because of her thin credit file. A "thin credit file" means:

A. Her credit score is below 600

B. She has too many open accounts

C. She has little or no credit history for lenders to evaluate

D. She missed a payment in the past year

4. The most important rule for using a credit card to build credit safely is:

A. Never carry a balance above 50% of your limit

B. Pay the statement balance in full every month

C. Apply for at least three cards to show you can manage credit

D. Only use your card for large purchases

5. If a student borrows $28,000 at 5.5% interest over 10 years, they will repay significantly more than $28,000. What accounts for the difference?

A. Loan origination fee paid upfront

B. Compound interest accumulating over the repayment period

C. The lender's annual maintenance charge

D. State and federal taxes on the loan proceeds

PART 2 — SHORT ANSWER (5 POINTS EACH)

👥 One year after receiving their first paychecks, each character has a different credit situation.
Lucy became an authorized user on a family member's credit card at 16 and now has a 720 credit score.
Joseph applied for three credit cards in one month and carries balances on two of them.
Alex has no credit cards and no credit history.
Sofia was rejected for a first apartment due to a thin credit file.

Use the scenario above to answer Question 2.

1. Explain the difference between a credit card's interest rate and its minimum payment requirement. Why is making only the minimum payment dangerous?

2. Both Alex and Sofia have no debt — but they are still at a financial disadvantage. Explain why having no credit history creates real-world problems, using at least one example.

PART 3 — MATH PROBLEM (10 POINTS)

1. Kayla has a $1,200 credit card balance at 24% APR. She makes only the $30 minimum payment each month. (a) How much interest does she pay in the first month? (b) How much of her $30 payment actually reduces her balance? (Hint: monthly rate = 24% ÷ 12)

Show your work:

SCORE

Multiple Choice	Short Answer	Math	Total
/10	/10	/10	/30

Grader notes: