

Financial Fitness for Life Quiz

Please answer the following questions to the best of your ability. Your responses will be used to learn more about your financial education needs. The answer key and grading system are listed on the following page.

1. Late payments on bills are a major problem and can lead to a denial of credit when seeking a loan. True False Not Sure
2. You should keep enough in your savings account to cover 3 months of living expenses. True False Not Sure
3. No more than 25% of your income should be used to pay off debts that require at least 10 months of payment before the debt is fully repaid. True False Not Sure
4. If you don't have enough money to pay your bills, you should call your creditors right away and tell them. True False Not Sure
5. A bankruptcy will stay on your credit report for 7 to 10 years. True False Not Sure
6. The lowest interest rate on a loan doesn't always mean the best loan. True False Not Sure
7. Banks are not required to provide customers the best, most competitive rate based on their credit score and financial means. True False Not Sure
8. When you use a credit card, you are borrowing money from a bank. True False Not Sure
9. The practice of keeping your ATM receipts is not a sufficient means of financial management. True False Not Sure
10. Your credit history has an effect on your ability to get a job or rent an apartment. True False Not Sure

answers

1. **True.** Payments that are more than 60 days late are reported on your credit score. Just one late payment has the potential to hurt your score, which in large part determines the interest rate you'll pay for the money you borrow.





2. True. This savings provides an emergency fund in case of job loss, emergency repairs, medical expenses, etc. Statistics show that it takes close to 90 days to regain employment if a job is lost.

3. True. If you keep your debt-to-income ratio low, you are more likely to qualify for the lowest interest rates and best terms when you apply for credit.

4. True. Being proactive and up front about your financial situation gives you a better chance of avoiding foreclosure, bankruptcy, and other consequences that will likely mar your credit report for 10 years or more.

5. True. More than one million people file for bankruptcy each year, seriously damaging their credit file and ability to obtain credit for 7-10 years. Most financial experts consider it a measure of last resort. However, if the payments on your debts far exceed your current and expected future income, bankruptcy may be your best option.

6. True. Just because the interest rate is low doesn't mean that it is the best deal. Look at the total loan package – monthly payments, fees, and down payments.

7. True. Apply the rule of “three’s.” Shop around and compare at least three loan or mortgage products before you buy to get the best deal.

8. True. Just like any product, banks offer a variety of credit cards. Shop around and look for a card with no annual fee and a limit of no more than \$500. Stay below your limit so you can pay off your balance each month.

9. True. There are several free, easy-to-use personal finance tracking systems available. Spreadsheets that allow you to track all of your income, debts and investments on one page ensure that you'll be more likely to use it and have the latest information about your finances.

10. True. Apartment management companies routinely check the bill-paying histories of prospective renters. Prospective employers must inform you if they intend to run a credit check and give you the right to dispute any errors.

All of these statements are true. Deduct 10 points for each false answer. If you scored below 80 percent, you should seek out a local NeighborWorks® organization and enroll in a financial fitness course. If you scored above 80 percent, congratulations – you are an informed, empowered consumer with the knowledge and habits that lead to greater financial independence and wealth building. Share your experience with family and friends.

