

CREDIT QUIZ

The unprecedented numbers of bankruptcy filings in recent years is proof enough that today's consumer is not fluent in the basic skills of budgeting and the wise use of credit.

Building and maintaining a good credit record is part of securing a sound financial future. Knowing how to use, not abuse, credit is fundamental to surviving in today's complex economic world. Young people in particular need to hear that credit is a responsibility as well as a tool that is meant to enhance the quality of life.

Following is a quiz to test your consumer credit knowledge.

QUESTIONS

Question 1:

How do I know if I am prepared to handle the responsibility of using a credit card to purchase things?

- A. If I qualify for credit, and if a lender is willing to give me a loan, then I am already financially responsible to repay it.
- B. Taking out a loan will help me get out of debt because a loan gives me "instant money" to pay my bills.
- C. I pay my bills on time, monitor my purchases, and use a plan or budget to repay my debts.

Question 2:

How can I tell the difference between a credit card and a charge card?

- A. I must pay a charge card in full each month; however, I may pay a portion of a credit card bill each month or pay it in full.
- B. There is no important difference -- credit cards and charge cards are two names for the same thing.
- C. I may use my charge card only at department stores; I may use my credit card for all other purchases.

Question 3:

What are my costs for owning and using a credit card?

- A. The cost of my purchases only.
- B. Interest and maybe an annual fee or late fee.
- C. None -- credit cards are free.

Question 4:

What is the best way to correct a mistake on my credit card bill?

- A. Call my credit card issuer immediately and explain the mistake.
- B. Circle the mistake in red and return my bill to my card issuer.
- C. Immediately write a letter to my credit card issuer and clearly describe the problem.

Question 5:

How should I handle an unauthorized charge -- a purchase I did not make -- if I see one on my credit card bill?

- A. Write a letter to my credit card issuer and the company that accepted my card for payment to absolve myself of any liability.
- B. Call my credit issuer immediately, follow up in writing, and report any lost or stolen credit cards to the police.
- C. Note the error on my credit card bill and send it back with a request for a corrected bill.

Question 6:

How can I protect myself from credit card fraud?

- A. Do not give my name or other personal information, such as my address or salary, when applying for a credit card.
- B. Be extremely careful about disclosing account information by telephone to unsolicited callers.
- C. Purchase large amounts of credit insurance.

Question 7:

Under law, what information must a credit issuer disclose to me?

- A. How and when all interest or fees will be applied to my account and other specific cost information.
- B. The day I may expect to receive the card in the mail.
- C. The name of the person at my financial institution who will handle my account.

Question 8:

What should I do if I find myself becoming financially overextended?

- A. Avoid calls from creditors, then file for bankruptcy.
- B. Get a loan from a credit bureau and work out a reasonable repayment schedule.
- C. Use a budget, ask lenders to help me with a payment schedule, or seek professional credit counseling.

ANSWERS

Question 1:

- D. If used wisely, credit can help you extend a payment schedule for emergencies or major purchases. Never use credit to extend your budget beyond your ability to repay your obligations.

Question 2:

- A. Charge cards include travel and entertainment cards, such as American Express or Diner's Club, and most gasoline cards. Credit cards include some department store cards and MasterCard, Visa and Discover. Generally, charge cards must be paid in full each month, while credit cards may be paid over time.

Question 3:

- B. The cost of your credit card will vary depending upon whether you carry a balance on your card each month (for which you will pay interest) or pay your balance in full each month. Individual issuers may charge you an annual fee or late payment fee.

Question 4:

- C. Under the federal Fair Credit Billing Act, you may dispute mistakes on your credit card bill. You must put your complaint in writing and you must write to a specific billing error address which may be different than the address to which you send payments. Never include a dispute letter with your payment. You may call your card issuer, but if you do not write, you may lose your rights.

Question 5:

- B. It is extremely important to call your issuer immediately if you see an unauthorized charge because it could show fraud. Follow up in writing. Always report a lost or stolen credit card immediately to your card issuer and contact local authorities.

Question 6:

- B. In addition, keep your card and card numbers in a safe place, and report loss or theft right away. You are not required to supply your phone number and address when you use a credit card to buy anything. Contact the Attorney General's Consumer Protection Division if you have problems.

Question 7:

- A. The right to full disclosure of cost and obligation information, including finance charges, such as late payment fees, must be given to you under the federal Truth In Lending Act.

Question 8:

- C. It is important to contact your creditors or a counseling service if there is a problem. Failure to pay your bills on time may result in a negative credit report which may affect your ability to get financing when you need it. Beware of "credit repair companies" that claim to fix your credit report for a fee. Instead, consider calling your local consumer credit counseling service.

The Attorney General's Consumer Protection Division has several brochures available which address credit issues. If you would like a copy of any of these brochures, call the Consumer Protection Division at 328-3404 or toll free at 1-800-472-2600.