

FINANCIAL LITERACY QUIZ

1. In January, college-bound students will begin completing the FAFSA. What does “FAFSA” stand for? What is the website used to complete this application?

Free Application for Federal Student Aid

Fafsa.ed.gov (do NOT use Fafsa.com – this site charges you to complete the FAFSA)

2. The FAFSA generates a number called your “EFC”. What does “EFC” stand for?

Expected Family Contribution – this is a measure of your family’s financial strength and is calculated according to a formula established by law.

3. What does it mean to default on your student loan?

To “default” means you failed to make your payments on your student loan as scheduled according to the terms of the binding legal document you signed at the time you took out your loan. If you fail to pay back your loans on time then you will most likely get a negative credit rating which could make it difficult to borrow money in the future for a house or car.

4. What does it mean to defer your loans?

Deferring on a loan allows you to temporarily postpone making your student loan payments or to temporarily reduce the amount you pay; however, you’ll typically need to pay the accumulating interest on these loans.

5. What is the main difference between a subsidized and unsubsidized loan?

The main difference between subsidized loans and unsubsidized loans is that the federal government pays the interest on subsidized loans during periods of authorized deferment, such as the in-school and economic hardship deferments, while the interest remains the responsibility of the borrower on an unsubsidized loan. This makes subsidized loans a less-expensive option for students.

6. What affects the amount of interest that you would pay on a loan?

- A) Your credit rating
- B) How much you borrow
- C) How long you take to repay the loan
- D) All of the above**

7. What is the average number of years it takes college graduates to pay off their student loans?

- A) 3 years
- B) 5 years
- C) 10 years**
- D) 20 years

8. What is a credit report?

- A) A list of your financial assets and liabilities
- B) A monthly credit card statement
- C) A loan and bill payment history**
- D) A credit line with a financial institution

9. Which of the following can hurt your credit rating/credit score?

- A) Making late payments on loans and debts**
- B) Staying in one job too long
- C) Living in the same location too long
- D) Using your credit card frequently for purchases

10. Retirement income paid by a company is called?

- A) Pension**
- B) 401(k)
- C) Social Security
- D) Rents & Securities

11. If your credit card is stolen and the thief runs up a total debt of \$1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to federal law?

- A) \$500
- B) Nothing
- C) \$1000
- D) \$50**

12. Kelly and Pete just had a baby. They received money as baby gifts and want to put it away for the baby's education. Which of the following tends to have the highest growth over periods of time as long as 18 years?

- A) US government savings bonds
- B) Stocks**
- C) Checking account
- D) A savings account

13. Maria worked her way through college earning \$20,000 per year. After graduation, her first job pays \$40,000. The total dollar amount Maria will have to pay in federal income taxes in her new job will:

- A) Be lower than when she was in college
- B) Stay the same as when she was in college
- C) Double, at least, from when she was in college**
- D) Go up a little from when she was in college

14. Carol has saved \$12,000 for her post-secondary education expenses by working part-time. Her plan is to start school next year and she needs all of the money she saved. Which of the following is the safest place for her savings for school?

- A) Corporate bonds
- B) Mutual funds
- C) A bank savings account**
- D) Locked in a safe at home
- E) Stocks