Section I: Multiple Choice (1 point each) Choose the one best answer from the choices provided and place the letter corresponding to that answer in the space provided to the left of the question number.

_____ 1. Which of the following is true regarding a certificate of deposit?
  a. They normally have lower interest rates than regular savings accounts.
  b. Most financial institutions assess penalties for early withdrawals.
  c. The initial deposit requirements for most certificates of deposit are lower than for most savings accounts.
  d. All of the above **are** true.

_____ 2. When does FDIC insurance "kick in"
  a. when a bank is robbed.
  b. when a bank fails.
  c. when a bank is a victim of natural disaster.
  d. All of the above are true.

_____ 3. You have received a letter in the mail with a cashier's check in the amount of $10,000. The letter explains that you have won a prize and the $10,000 is the first installment. You only need to send $5,000 to them to pay processing fees and they will send you $90,000 more. Which of the following is true?
  a. This is likely an example of advance fee fraud.
  b. This is an example of phishing.
  c. You can't lose because you received a cashier's check and they're always good.
  d. None of the above are true.

_____ 4. If you notify your bank that you lost your ATM card one day after knowing that you lost it, what is your maximum legal liability for unauthorized transactions?
  a. $500.
  b. $0.
  c. $50.
  d. Your liability is unlimited if you write your PIN on the card.

_____ 5. You deposit a check into your checking account. If your bank wants to delay the availability of the check you deposited, how long may they delay the availability of the deposit if they have a specific reason to place the "hold"?
  a. The bank can never delay the availability of a deposit.
  b. 2 days.
  c. 5 days.
  d. 7 days.

Section II Short Answer/Essay   Use the information provided to completely answer the following questions.   Points as indicated.

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1. Use the time value of money tables to make the following
   calculations.   **(10 points)**

   a) How much is $200,000 that you are entitled to receive 10 years
      from now worth today if the interest rate is 9%?

   b) You deposit $5,000 into your savings account every year.   Assume
      the interest rate is 8%, you make no withdrawals and the interest
      compounds, how much money will you have in 15 years?

   c) Refer back to question "b".   Assume that the interest rate and
      amount saved per year stay the same, but you save for 5 years
      instead - how much will you have?

   d) You just won the lottery.   If the prize is 20 annual payments of
      $30,000 or a one-time payment today, what should the one-time
      payment be if the interest rate is 5%?

   e) What would the one time payment from the question in part "d" be
      if the interest rate were 6% instead of 5%?

2. Briefly answer the following questions regarding topics we've
   discussed in class the past few weeks. **(2 points each)**

   Briefly describe dumpster diving-

   **What is the primary advantage to holding cash and what is the
   primary disadvantage to holding cash?**

   **What organization insures deposits at credit unions (don't just give
   the initials, name the organization for full credit)?**

   **Other than going to their websites, what can you do to gather
   information about various deposit accounts at various banks to see
   who offers the lowest cost accounts?**