
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. If a borrower defaults on a loan and the creditor repossesses and sells the loan collateral but there is still a balance after the collateral is sold (the collateral did not sell for enough to cover the loan balance) which of the following is true?
- a. The borrower has no further liability because their property was repossessed.
 - b. A co-signer is not liable for the deficiency balance.
 - c. The creditor may seek wage garnishment from the borrower to pay the deficiency balance.
 - d. Both "b" and "c" are true.
- _____ 2. Assume that you have taken out a loan. The interest rate is 6% and quarterly payments are to be made. What is the periodic interest rate?
- a. 6%.
 - b. 0.50%.
 - c. 1.50%.
 - d. The periodic rate depends on the annual percentage rate.
- _____ 3. Which of the following may legally own a NOW account?
- a. Donnie Baker, a sole proprietor operating a boat business.
 - b. Damage Incorporated, a non-profit organization that contributes to Cliff Burton's favorite charities.
 - c. Navin Johnson - a regular person.
 - d. All of the above may legally own a NOW account.
- _____ 4. Fred earns more than his state's median income. If Fred wants to file bankruptcy, which bankruptcy option may he choose?
- a. Chapter 7.
 - b. Chapter 13.
 - c. Chapter 11.
 - d. He may choose either Chapter 7 or Chapter 13.
- _____ 5. Elliot declared bankruptcy. Elliot had to forfeit assets which were sold with the proceeds being used to pay creditors. What type of bankruptcy did Elliot go through?
- a. Chapter 7.
 - b. Chapter 13.
 - c. Chapter 25.
 - d. There is no bankruptcy like the type described.

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

1. You have taken out a 2-year loan where you make two payments each year. You have borrowed \$3,500. The interest rate is 4.00%. Your payment is \$919.19. Complete an amortization table for this loan. What is the total amount of interest that you paid? Complete a separate amortization table and indicate how much less interest you would pay if you made payments of \$1,250.00 instead. **(12 points)**

Balance	Payment	Interest	Principal Reduction	New Balance

Total interest paid =

Balance	Payment	Interest	Principal Reduction	New Balance

Total interest paid =

Savings from larger payment =

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

You owe \$5,000 on a loan. You make monthly payments. The interest rate is 6%. How many dollars of the next payment will go to pay interest?

If you make the first payment on a new loan on the last day of your grace period it won't hurt your credit and you won't have to pay a late charge, but something negative will happen as a result of it. What will that negative thing be and why will that negative thing happen?

We discussed both check protection lines of credit and the "overdraft protection" plans that pay overdrafts during class. If you wrote three checks each year that would overdraw your checking account - which one would be most likely to cost you less and why?

OOPS! If you made a mistake on problem number 1 on page 2 and need a new table, here is another copy.

Balance	Payment	Interest	Principal Reduction	New Balance

Total interest paid =

Balance	Payment	Interest	Principal Reduction	New Balance

Total interest paid =

Savings from larger payment =