Pre-Test

1. Which of the following are true? Select all that apply.
   a. If you miss payments on either a secured installment loan or a rent-to-own agreement, the company can repossess the item or property.
   b. Secured installment loans are loans in which you make weekly or monthly payments for as long as you use the item.
   c. Installment loans are generally less expensive than rent-to-own agreements.
   d. With rent-to-own services, you always make equal monthly payments for a specific period.

2. Which of the following should you be careful of when considering payday loan services? Select all that apply.
   a. Costly fees
   b. Being encouraged to borrow the maximum amount you qualify for
   c. Threats of criminal prosecution if you cannot repay the loan
   d. The limited number of loans you may have at one time

3. What is the first and most important step to paying off debt?
   a. Refinancing for a better interest rate
   b. Stop creating new debt
   c. Pay off debt before saving money
   d. Paying off the lowest balance first

4. In Virginia, payday loans are limited to what amount?
   a. $1,500
   b. $300
   c. $500
   d. There is no limit

5. Which of the following are true about savings secured loans? Select all that apply.
   a. Uses your savings as collateral
   b. Requires a high credit score to qualify
   c. Helps you build your credit score
   d. Has a credit limit of three times your savings
   e. Available to almost anyone, regardless of your credit history
1. When purchasing an item over time rent-to-own services are usually less expensive than consumer installment loans.
   a. True
   b. False

2. How can you avoid predatory lenders?
   a. Select a lender who does not care about your credit history or how much you earn
   b. Respond to advertisements advertising cheap and easy lending
   c. Trust home improvement contractors that can get you a loan
   d. Read and understand all documents before you sign them

3. Why should you be wary of rent-to-own and payday loan services?
   a. Lenders may use deceptive marketing tactics
   b. Lenders may use abusive collection practices
   c. Lenders may charge higher interest rates and loan fees
   d. All of the above

4. Which of the following may be an indication of a predatory lending practice? Select all that apply.
   a. The lender discloses the listing terms, including the finance charges and APR
   b. The lender approves a loan based on your equity in the home rather than your income
   c. The lender gives you time to read disclosures and make decisions
   d. A home improvement contractor knocks on your door to offer his services and then refers you to a lender for a home equity loan to pay for the work he wants to perform

5. What is the difference between Annual Percentage Rate (APR) and Effective Interest Rate (EIR)?
   a. Nothing, they’re the same
   b. APR is more costly than EIR
   c. EIR tells you the true cost because it takes compounding interest into account
   d. APR is charged in the US while EIR is the European equivalent