FINANCIAL LITERACY

1. **In January, college-bound students can 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.gov

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 different between a student loan and a grant?**

   A loan is money you borrow and has to be paid back with interest. Grants are funds that do not have to be repaid. Grants are awarded to students with financial need.

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. In terms of credit, what does APR stand for?
   a. **Annual Percentage Rate**
   b. Annual Penalty Rate
   c. Annual Payment Rate
   d. Annual Payoff Rate

The APR is a measure of the cost of credit, expressed as a yearly interest rate. Usually, the lower theAPR, the better for you.

11. Who insures your stocks in the stock market?
   a. The Federal Deposit Insurance Corporation
   b. The Securities and Exchange Commission
   c. The U.S. Department of the Treasury
   d. **No one**

Your investments in the stock market are not insured. Know the risks before investing in the stock market.

12. The type of car you own affects the price you pay for auto insurance.
   a. **True**
   b. False

Your premium is based in part on the car's sticker price, the cost to repair it, its overall safety record, and the likelihood of theft. Many insurers offer discounts for features that enhance safety or prevent theft.

13. If your credit card was lost or stolen and used to charge items you didn't authorize, you are responsible for what amount?
   a. **Up to $50**
   b. Up to $100
   c. Up to $500
   d. All unauthorized charges

14. Negative financial information (excluding bankruptcy) can stay on your credit report for:
   a. 2 years
   b. 5 years
   c. **7 years**
   d. 10 years

Accurate negative information generally can stay on your report for seven years; bankruptcy information may be reported for 10 years.

15. Which of the following is the most accurate definition of a "budget"?
   a. A budget is a plan for your money that tracks your income.
   b. A budget is a plan for your money that tracks your income and expenses.
   c. **A budget is a plan for your money that tracks your income, expenses and savings.**

16. Having a high credit card balance is good. True or false?
   a. True
   b. False

17. Which of the following is the best financial choice to pay for college?
   a. Private loans
   b. **Grants and scholarships**
   c. Subsidized federal loans