

Name: _____ key _____ Block: _____ Date: _____

EPF Final Exam Review

1. What do we call the cost to borrow money?
 - a. Interest rate
2. Who raises/lowers interest rates in our country?
 - a. Federal Reserve
3. What happens to the economy when interest rates drop?
 - a. Speeds up/Expands/Grows
4. What is the Time Value of Money?
 - a. It is better to get money now if you can invest it and make interest off it
5. What is the Rule of 72?
 - a. $72 \div \text{interest rate} = \text{number of years to double your money with compounding interest}$
6. What is simple interest? What is compounding interest?
 - a. Simple interest is interest just on the principal (amount borrowed)
 - b. Compounding interest is interest on the principal and on the interest earned
7. Which kind of interest pays out more money (or costs more money)?
 - a. Compounding
8. What is the Annual Percentage Rate (APR)?
 - a. Average rate of interest you will pay in a year
9. What is the difference between a bank and a credit union?
 - a. Banks are for profit and often have many locations while credit unions are not-for-profit and often have fewer locations and you have to be a member to join (though they may offer better interest rates, etc.)
10. Why are banks/credit unions important?
 - a. They keep money flowing, they protect your money, and they create money by lending money
11. Who insures your money in a bank/credit union and up to how much money?
 - a. The Federal Deposit Insurance Corporation (FDIC)
 - b. Up to \$250,000
12. What are the parts of a check?
 - a. Payor, Payee, Amount, Amount (word), memo line, signature line, ABA routing number, Account number, check number, date
13. What happens when you don't have enough money to cover your checks?
 - a. You overdraw/bounce the check—you will owe an overdraft fee
14. Should you ever make check payable to "cash"?
 - a. No—it could get stolen
15. When would you use a "stop payment" on a check?
 - a. When your check was lost or stolen
16. What is direct deposit?
 - a. You are paid electronically directly into your bank account

17. How are certificate of deposits (CD) different from savings accounts?
 - a. CDs require higher amounts of money, require that the money be in the CD for a pre-determined amount of time (without facing a penalty), but have higher rates of interest than savings accounts
18. What is credit?
 - a. The ability to borrow money based on the trust that you will pay them back
19. What are consumer finance companies?
 - a. Groups that offer credit to people who can't get a loan through the bank (they charge higher interest)
20. What are the six C's of credit? What does each of the 6 C's mean?
 - a. Character (integrity), Capacity (ability to pay back loan), Collateral (what the bank can take if you don't pay back the loan), capital (assets minus debts = net worth), condition (well-being of economy), and credit history/score (past record of payments, etc.)
21. What is the difference between a secured loan and an unsecured loan?
 - a. Secured loans have collateral backing them up; unsecured do not
22. What is a cosigned loan?
 - a. When someone else signs onto the loan saying that they will be responsible for the loan if the first person falls through
23. What is the difference between a variable and fixed interest rate?
 - a. Variable rate changes; fixed rate does not change
24. What does the Truth in Lending Act do?
 - a. Requires companies to tell you the APR of a loan
25. What is prepayment?
 - a. Paying more money than you are supposed to, which shortens the length of the loan (thereby making it cheaper)
26. What is default?
 - a. When you don't pay your loan back—will hurt you and your credit score
27. What is a credit limit?
 - a. The maximum amount of money you can spend with your credit card
28. The higher your credit score, the _____ your loan will be
 - a. Cheaper
29. If you declare bankruptcy, are your student loans forgiven (taken away)?
 - a. No
30. The longer the loan, the more _____ it is?
 - a. Expensive
31. What does the CARD and Disclosure Act of 2009 do?
 - a. Prohibits people under 21 from getting a credit card, limits credit card companies' ability to go onto college campuses, etc.
32. Whose responsibility is it to check your credit score?
 - a. Your own
33. What is the best site to get your free credit report score?
 - a. Annualcreditreport.com

34. What factors hurt your credit score (FICO)?
 - a. Late payments, bankruptcy, lots of debt, lots of loans, getting credit cards
35. What are the three types of bankruptcy?
 - a. Chapter 7—individual (straight bankruptcy): the court divides up your assets and gives the cash to your creditors
 - b. Chapter 11—business: the business is given a chance to restructure themselves in an attempt to stay alive
 - c. Chapter 13—individual (financial rehab): the individual must follow a court-ordered plan of financial rehabilitation
36. What is phishing?
 - a. When a person tries to steal your identity by making a fake website that looks like it is your bank, etc.
37. What protects you against risk?
 - a. Insurance
38. What is a deductible?
 - a. The money you must pay (up to a certain amount) before your insurance picks up
39. The riskier your life, the higher your monthly insurance _____
 - a. Premiums/payments
40. What is the difference between collision insurance and comprehensive car insurance?
 - a. Collision insurance is for collisions
 - b. Comprehensive car insurance is for everything else
41. How can you reduce the cost of car insurance?
 - a. Get good grades, have a good driving record (no accidents, no tickets), buy a safer/newer car
42. What is a co-pay (Copayment)?
 - a. A small flat fee that you must pay every time you go to the doctor
43. What is Co-insurance?
 - a. When you have to pay a certain percentage of the costs and the insurance pays the other part (e.g. you pay 20% of costs, your insurance pays 80% of costs)
44. How can I get cheaper health insurance?
 - a. Raise your deductible, co-pay, and co-insurance to get cheaper monthly premiums
45. What is an HMO (Health Maintenance Organization)?
 - a. A group/network of doctors –you get cheaper prices, but you can only use these networked doctors (or else you have to pay more)
46. What is a bull market? A bear market?
 - a. Bull—rising market
 - b. Bear—falling market
47. What is a bond?
 - a. A piece of debt you can own (which means the debtor owes you the money plus interest)
48. What is a mutual fund?
 - a. A collection of stocks, bonds, securities, etc.

49. Why should you diversify your stocks?
 - a. It reduces the risk of the stock market
50. What is a dividend?
 - a. A piece of the company's profits given to shareholders
51. What is a treasury bill?
 - a. A bond from the government
52. What is the difference between a traditional 401(k) retirement account and a Roth IRA?
 - a. Traditional 401(k)—you put money into the account and it stays there tax-free until you take it out at retirement
 - b. Roth IRA—you put money into the account after you pay taxes on it—it stays there tax free and you don't have to pay taxes on it when you retire
53. What is a security deposit?
 - a. Money you pay to someone (e.g. landlord) that you lose if you damage the property
54. What are advantages and disadvantages to owning a home?
 - a. Advantages—you can build equity (value)
 - b. Disadvantages—it is a lot of responsibility
55. What do we call the study of how countries work?
 - a. Macroeconomics
56. How do we measure the size of our economy?
 - a. Gross Domestic product (GDP)
57. What is gross domestic product (GDP)?
 - a. Adding up all the stuff a country makes and consumes in a year (measures size of our economy)
58. How do we measure how much prices change in our economy?
 - a. Consumer Price Index (CPI)
59. What is the consumer price index (CPI)?
 - a. Comparing a basket of goods over time to measure price changes (inflation/deflation) in an economy
60. What is inflation?
 - a. All prices rising
61. How do we measure unemployment in this country?
 - a. Number of people looking for work who can't find work divided by the labor force (people over 16 looking for work)
62. What is the problem of unemployment?
 - a. If someone stops looking for work because they give up looking for a job, they are no longer unemployed—that means that the unemployment rate now underestimates the true level of unemployment in a country
63. Who is hurt by inflation?
 - a. Savers of money, people on fixed incomes
64. Who is helped by inflation?
 - a. Borrowers of money, people who pay fixed incomes
65. What is deflation?

- a. All prices lowering
66. Why is deflation really, **really** bad?
- a. If prices lower, companies will fire people, causing less people to buy, causing companies to have to lower their prices, causing companies to fire people, causing less people to buy, causing companies to have to lower prices...and on and on and on...
67. What do we call deflation and unemployment together?
- a. A recession
68. Draw a business cycle and label expansion, peak, contractionary period, and trough
- a. Do it
69. What can the government do to taxes to help the economy when it is struggling?
- a. Lower them
70. What can the government do to spending to help the economy when it is struggling?
- a. Raise it
71. What is fiscal policy?
- a. Using taxes or spending to fix the economy
72. Other than messing with taxes and spending, what else can the government do to help people when the economy is struggling?
- a. Increase job training programs, promote research, etc.
73. What is the name of the banks' bank, which is in charge of the nation's money supply?
- a. The Federal Reserve
74. What do we call the policy where more money is put into an economy to improve it (or money is taken out to slow it down)?
- a. Monetary policy
75. What are reserve requirements?
- a. What percentage of deposited money a bank must keep in its vaults or on balance with the Federal Reserve
76. When the government lowers the reserve requirements of a bank, does the economy speed up or slow down?
- a. Speed up
77. When the government raises the reserve requirements of a bank, does the economy speed up or slow down?
- a. Slow down