

Business and Personal Finance © 2012

Chapter 15: Consumer Credit

Check Your Answers: Section Assessment

Section 4

Review Key Concepts

1. Answers may include any five of the following: you make only the minimum monthly payments; you have trouble making the minimum monthly payment; the total balance on your credit cards increases each month; you miss payments or often pay late; you use savings to pay for necessities; you borrow money to pay off old debts; you exceed the credit limits on your credit cards; or you have been denied credit.
2. The CCCS aides families with serious debt problems and helps people prevent indebtedness.
3. A person may declare Chapter 7 bankruptcy, which is a straight bankruptcy, or Chapter 13 bankruptcy, which is a wage-earner plan bankruptcy.

Higher Order Thinking

4. Someone who has filed Chapter 13 bankruptcy will repay some of his or her debts so a creditor may take this as proof of character.

21st Century Skills

5. **Access and Evaluate Information** Charts will vary based on services available in your area. For example, the info for CCCS might list their Web site and toll-free number for contact, services offered would include working with creditors to lower monthly payments and reduce interest charges, combining all monthly payments into one deposit, using direct deposit for on-time payments, and education to help prevent future debt accumulation.

Mathematics

6. **Managing Debt** Monthly salary = $\$26,000 / 12 = \$2,166.67$; Current monthly net income = $\$2,166.67 - \$600 - \$175 - \$80 = \$1,311.67$; Current monthly net income = $\$2,166.67 - \$600 - \$375 - \$80 = \$1,111.67$; Debt payment-to-income ratio after car purchase = $(\$600 + \$375 + \$80) / \$2,166.67 = 49.0\%$; Based on the 20% rule learned in section 2, Jameel should not purchase the car.