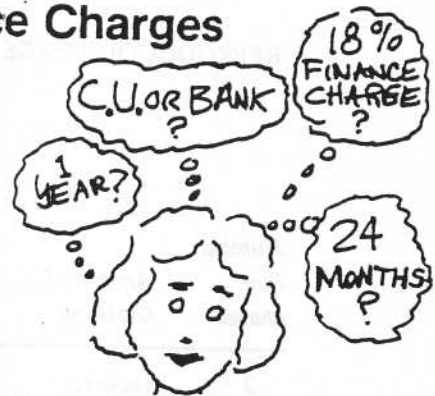


How to Save Money on Finance Charges

There are three ways to get the best deal when shopping for credit:

1. Shop around for your loan. Get credit at the place with the lowest yearly finance charge.
2. Make a big down payment. Then you'll be charged interest on a smaller amount.
3. Pay off your loan as quickly as you can.



Directions: Read each question below. Circle the letter of the credit deal in each pair which will cost less.

1. Jim and Bill each bought a home gym set. Who will pay less?
 - (a) Jim, who is paying over 6 months.
 - (b) Bill, who is paying over one year.
2. Sammy and Chris each bought identical new cars. Who will pay less?
 - (a) Sammy, with no down payment and 18% finance charge.
 - (b) Chris, with a \$3000 down payment and 18% finance charge.
3. Martha bought a stereo system. How will she pay less?
 - (a) Store financing of 20%.
 - (b) A bank loan at 16%.
4. Mr. Joseph needs to buy a new refrigerator. How will he pay less?
 - (a) By paying cash.
 - (b) By getting a credit union loan at 14%.
5. Porter wants a new bicycle. In which way will he pay a lower finance charge?
 - (a) By making a \$50 down payment.
 - (b) By making a \$25 down payment.
6. Matt is shopping for a radio. He sees the same one at two stores. Which is the best deal?
 - (a) Store #1: Price of radio \$125; finance charge \$14.
 - (b) Store #2: Price of radio \$120; finance charge \$20.
7. Circle the letter of each action below that is a good way to get the best deal when shopping for credit.
 - (a) Always make the smallest possible down payment.
 - (b) Stretch payments over the longest time possible.
 - (c) Don't shop around for credit. All rates are the same by law.
 - (d) Make the largest down payment you can.
 - (e) Pay off the loan as quickly as possible.
 - (f) Buy from the store with the lowest finance rate if prices are about the same.