Teacher Answer Key

Case Study

1. He charged small, ordinary purchases like gas and groceries and paid the balance in full and on time every month. He also kept his utilization low on the $500 limit and did not open more accounts, so his record showed steady on-time payments.

2. A 750 score told the landlord he pays what he owes, so he got the lease on his own. Without it he would likely have needed a co-signer, meaning another adult would have to promise to cover the rent for him.

Multiple Choice

1. B

2. C

3. A

Matching

1-C, 2-A, 3-D, 4-E, 5-B

Fill-in-the-Blank

1) Credit utilization, 2) Interest rate, 3) Credit report

Short Answer (Sample Responses)

Q1: Payment history is the biggest single piece of the score, worth 35%, so a steady run of on-time payments does more for it than anything else. Missing payments works the other way: late payments, defaults or bankruptcies have a significant negative impact, and a late payment can sit on the credit report for years.

Q2: Every credit application puts a hard inquiry on the report, and that on its own can lower the score temporarily. Opening several new accounts in a short stretch also suggests the borrower may be taking on too much debt, which lowers the score as well - new credit is 10% of it.

Q3: Any two of: it is easier to qualify for loans and credit cards; the interest rates offered are lower, which saves money over time - on a car loan that can be hundreds or even thousands of dollars over the life of the loan; and landlords, who often check credit scores, are more likely to approve a rental application.