

High Cost Financial Services Key

1. Subprime credit is:

- Illegal and predatory.
- More expensive than prime credit.
- Never recommended.

2. The Truth in Lending Act:

- Ensures that lenders disclose their terms in the application or contract.
- Protects borrowers against unfair billing errors.
- Protects borrowers against illegal collection practices.

3. Payday loans are not recommended because:

- They are secured by a home.
- You must repay the loan within 14 days or the lender will take immediate legal action.
- Their interest rates are among the highest of all loan products.

4. Car title loans:

- Are secured loan products.
- Typically have 25 percent APRs.
- Are only available to borrowers who have a good credit history.

5. Check-cashing businesses:

- Offer free financial services to the community.
- Usually charge about two percent of the amount of a check to provide you with the money.
- Are excellent alternatives to traditional financial institutions.

6. A rent-to-own arrangement:

- Provides an interest-free period of time before payments are due.
- Makes sense when you want a luxury item that you can't afford.
- Is an expensive way to purchase items.

7. To recover from using high-cost credit products and services:

- Prioritize the creditors that charge the highest interest rates and fees.
- Drop insurance coverage so you can pay more to your creditors.
- Completely avoid using credit now and in the future.

8. A wise alternative to using a subprime loan in times of need is:

- Cash out your retirement savings.
- Sell property that you don't need or use.
- Use all the equity in your home.

9. Traditional financial institutions:

- Will always lend you money when you need it.
- Are only available to those with an excellent credit history.
- Typically provide their members with the most cost-effective services, loans, and lines of credit.

10. Rather than turning to expensive financing to purchase an item, it is usually better to:

- Use a store's layaway program.
- Ask your employer for an advance on your paycheck.
- Cash out a life insurance policy.