

FINA 2770
Review for Exam #2
Fall 2006
Professor Lin

NOTE:

These review topics are a sample of the materials we covered in class. This is by no means comprehensive coverage of all the topics you might see on the exam. You are still responsible for topics not covered in this review sheet. Refer to the text, homework assignments, and lecture notes for a complete coverage of the topics for exam #2. Use this review sheet only AFTER you have mastered the text, lecture notes, and homework assignments.

General Topics

Chapter 6

1. Definition of credit and consumer credit. Is mortgage a form of consumer credit?
2. Uses and misuses of credit (p. 169)
3. Advantages and disadvantages of credit.
4. Open-end vs. Close-end credits
5. "Financial Planning Calculations" (p. 179)
6. Debt-payments-to-income ratio (p.180-181)
7. Co-signing a loan
8. Credit Bureaus, credit reports, FICO score, Fair Credit Reporting Act
9. The Five Cs of Credit Management (p. 186)
10. Financial Planning Problems (p. 199) #1, 2, 5, 7

Chapter 7

1. Cash advances (p. 207)
2. Truth in Lending law, finance charge, APR (p. 210-212)
3. Simple interest, simple interest on declining balance, add-on interest
4. Cost of Open-end credit, adjusted balance, previous balance, average daily balance
5. What is the minimum payment trap
6. The Rule of 78s (p. 218-219)
7. Personal Bankruptcy; Chapter 7 versus Chapter 13
8. Financial Planning Problems (p. 235) #1-5, 8-9
9. What is the Consumer Credit Counseling Service?

Chapter 9

1. Renting versus buying housing, worksheet on p. 275
2. Housing and tax deductions
3. What is down payment? What is PMI?
4. Exhibit 9-8
5. Compare and contrast (1) conventional mortgages (2) ARM (3) VA/FHA (4) Balloon
6. Rate cap, payment cap
7. Second mortgage and refinancing
8. Exhibit 9-12: Common mortgage closing costs
9. Points, Earnest Money, Escrow account
10. Choosing between renting and buying your residence is an essential decision related to housing. Compare and contrast renting and buying from the perspective of personal financial planning.
11. What can you do if your identity is stolen? Discuss at least three common approaches.