

NAME: \_\_\_\_\_

DATE: 03/21A-22B/2018

**ASSIGNMENT: Types of Credit**

**DIRECTIONS:** Credit is your ability to borrow money. Debt is what you owe the person or organization who extends you this money.

**1) Write down the definition of “collateral.” What is the collateral in a mortgage?**

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**2.) Is the annual percentage rate (APR) of a payday loan or car loan higher? Why?**

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**3.) What is the difference between principal and interest?**

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**4.) Which type of debt has a longer maturity: student loan or credit card? Why?**

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**5.) True (and sad) story:** Before Mr. Rogers learned about the low expense ratio ETF called “VOO,” he was invested in another low expense ratio ETF called “SPY.” They are both S&P 500 ETFs, but SPY has an expense ratio of 0.09% while VOO has an expense ratio of 0.05%.

If Mr. Rogers had \$50,000, how much money would he have lost if he hadn’t learned about VOO and instead kept all his money in SPY? Assume S&P 500 gains 7.7%, Mr. Rogers retires in 35 years, and he never contributes to his Roth IRA again.

**(Show calculations please)**

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5) **\$8,527.75 — That could have been an expensive mistake!**