|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Money is a medium of exchange for people to use to trade things of value.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.1 - LO: 2.1.1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. A check is an example of bank currency.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.1 - LO: 2.1.1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. There was no form of paper currency in colonial America.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.1 - LO: 2.1.1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. The first Bank of the United States was a government institution.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.1 - LO: 2.2.1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. In the absence of a national banking system, state banks grew in number and influence in the early years of the United States.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.2 - LO: 2.2.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. The National Banking Act of 1864 spelled the end of state banking systems in the United States.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.2 - LO: 2.2.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. The National Banking Act of 1864 founded an adaptable, flexible system of central banking for the United States.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.2 - LO: 2.2.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Counterfeiting was not a problem when the government first began printing paper currency.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. The largest denomination dollar note currently printed is the $100 note.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. A loosening of lending oversight standards contributed to the recent mortgage crisis.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. During the mortgage and credit crises, the government did not intervene to rescue financial institutions on the brink of failure.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. What was the most common medium of exchange in colonial America?   |  |  |  | | --- | --- | --- | |  | a. | paper money | |  | b. | coins | |  | c. | checks | |  | d. | pieces of gold and silver |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. The largest denomination of paper currency printed in the United States today is the   |  |  |  | | --- | --- | --- | |  | a. | one hundred dollar note. | |  | b. | five hundred dollar note. | |  | c. | one thousand dollar note. | |  | d. | ten thousand dollar note. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. The National Currency Act of 1863 did all of the following EXCEPT   |  |  |  | | --- | --- | --- | |  | a. | established the basic banking system in use today. | |  | b. | established standards for currency. | |  | c. | taxed state bank notes. | |  | d. | made the printing of state bank notes unprofitable. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. The second Bank of the United States   |  |  |  | | --- | --- | --- | |  | a. | was considered a great friend to state banks. | |  | b. | bowed to political pressure and made no attempt to regulate credit and the money supply. | |  | c. | was thought by Andrew Jackson to represent the advancement of the few at the expense of the many. | |  | d. | gained strength throughout the life of its first charter, eventually being granted a charter renewal in 1836. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.1 - LO: 2.2.1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. The Civil War in America brought monetary issues to a crisis point because   |  |  |  | | --- | --- | --- | |  | a. | state banks began to lose influence. | |  | b. | rampant inflation threatened the entire economic system. | |  | c. | the counterfeiting of money became widespread. | |  | d. | all of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.2 - LO: 2.2.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. What causes stagflation?   |  |  |  | | --- | --- | --- | |  | a. | a stagnant economy | |  | b. | high inflation | |  | c. | high unemployment | |  | d. | all of the above |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. The Emergency Banking Act of 1933   |  |  |  | | --- | --- | --- | |  | a. | founded the system of central banking still used in the United States. | |  | b. | established a bank holiday that closed all banks in the country for one month. | |  | c. | expanded the monetary controls of the Federal Reserve. | |  | d. | separated commercial banking from investment banking to protect assets. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. To combat inflation, the government may institute any of the following policies EXCEPT   |  |  |  | | --- | --- | --- | |  | a. | tighten the money supply. | |  | b. | lower taxes. | |  | c. | allow interest rates to rise. | |  | d. | a combination of a and c. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. Check 21 allows   |  |  |  | | --- | --- | --- | |  | a. | anyone over the age of 21 to obtain a checking account. | |  | b. | a discount on account servicing fees if more than 21 checks are written during the month. | |  | c. | funds to remain in an account until 21 days after the check is written. | |  | d. | using substitute checks to process checks electronically. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. A decline in total production lasting a minimum of two consecutive quarters defines   |  |  |  | | --- | --- | --- | |  | a. | stagflation. | |  | b. | a recession. | |  | c. | a mortgage crisis. | |  | d. | all of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 22. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is all media of exchange circulating in a country.   |  |  | | --- | --- | | *ANSWER:* | Currency | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.1 - LO: 2.1.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 23. Before World War I in the United States, the term \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ currency meant the money the government printed, and nothing else.   |  |  | | --- | --- | | *ANSWER:* | paper | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.1 - LO: 2.1.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 24. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Treasury System was a network of federal offices that handled U.S. government money in the years preceding the Civil War.   |  |  | | --- | --- | | *ANSWER:* | Independent | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.2 - LO: 2.2.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 25. The National Banking Act of 1864 established the Office of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the Currency to issue charters to national banks.   |  |  | | --- | --- | | *ANSWER:* | Comptroller | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.2 - LO: 2.2.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 26.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ quarters are coins that highlight special features in each state.   |  |  | | --- | --- | | *ANSWER:* | Commemorative | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 27. When a stock is bought on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, it is purchased for a fraction of its price and then resold at a profit without the full purchase price of the stock ever having been paid.   |  |  | | --- | --- | | *ANSWER:* | margin | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 28. A bank \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ occurs when many people try to withdraw their money from a bank at once.   |  |  | | --- | --- | | *ANSWER:* | run | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 29. A collective rise in the supply of money, incomes, and prices is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | inflation | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 30. Any bank that is part of the Federal Reserve System is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ bank.   |  |  | | --- | --- | | *ANSWER:* | member | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 31. The U.S. government currently prints paper currency in seven different denominations, or amounts. If you had one bill of each of these seven denominations, how much money would you have?   |  |  | | --- | --- | | *ANSWER:* | $188 | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 32. During the 1970s the inflation rate was about \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ per year.   |  |  | | --- | --- | | *ANSWER:* | 14% | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 33. If you earn $24,000 per year and the inflation rate is 7% per year, how much would you have to earn next year to keep pace with inflation?   |  |  | | --- | --- | | *ANSWER:* | $25,680 | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 34. On January 1, the cost of a product is $50. If inflation for that year is 12 percent, what does the product cost on December 31 of that year?   |  |  | | --- | --- | | *ANSWER:* | $56 | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 35. The original cost of a product is $75. Inflation for the first year is 8 percent; for the second year, inflation is 10 percent. What is the cost of the product at the end of the second year?   |  |  | | --- | --- | | *ANSWER:* | $89.10 | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 36. Angie’s salary is $45,000. If inflation this year is 3 percent, what does Angie’s salary need to be in order to hold the same purchasing value?   |  |  | | --- | --- | | *ANSWER:* | $46,350 | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 37. What is deposit currency?   |  |  | | --- | --- | | *ANSWER:* | A check is an example of deposit currency, so-called because that is how its value is redeemed. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 38. Give three examples of paper currency in use today.   |  |  | | --- | --- | | *ANSWER:* | Three examples of paper currency in use today are (1) government currency, (2) bank currency, and (3) deposit currency. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 39. How did Alexander Hamilton attempt to establish the federal government as the final authority for America’s economic security?   |  |  | | --- | --- | | *ANSWER:* | He encouraged the new government to not only accept and pay with interest the debts of the Revolutionary War, but also to assume responsibility for the debts individual states incurred during the war. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.1 - LO: 2.2.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 40. What problem did the National Currency Act of 1863, later rewritten as the National Banking Act of 1864, address?   |  |  | | --- | --- | | *ANSWER:* | Multiple types of currency in circulation caused problems, so the National Banking Act of 1864 established standards for currency. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.2 - LO: 2.2.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 41. Why did Franklin D. Roosevelt declare a bank holiday in March 1933?   |  |  | | --- | --- | | *ANSWER:* | The onset of the Great Depression in the early 1930s prompted many people to demand their deposits from their banks, and this caused many of the banks to fail. Roosevelt declared the bank holiday to save the remaining assets of banks still in business and to let people calm down, as he tried to reassure them that the government could help. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 42. What is stagflation?   |  |  | | --- | --- | | *ANSWER:* | Stagflation is a combination of a stagnant, sluggish economy and high inflation. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 43. When did the U.S. government begin to print paper currency? Where did American paper currency come from before then?   |  |  | | --- | --- | | *ANSWER:* | The U.S. government began to print paper currency in 1861. Before then, bank notes from two chartered Banks of the United States and from many different state banks were the only paper currency. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.1.2 - LO: 2.1.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 44. Why did the first Bank of the United States fail?   |  |  | | --- | --- | | *ANSWER:* | The first Bank of the United States failed because, as the nation grew westward, people resented the control of powerful Eastern bankers. When its charter expired in 1811, there was not enough political support to renew it. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.1 - LO: 2.2.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 45. Explain why Thomas Jefferson was opposed to the creation of a central bank.   |  |  | | --- | --- | | *ANSWER:* | Jefferson believed a central bank would give too much power to too few people. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.2.1 - LO: 2.2.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 46. Briefly describe some of the causes of the recent mortgage crisis.   |  |  | | --- | --- | | *ANSWER:* | Lending oversight standards were loosened. To encourage growth in homeownership, creative lending strategies were used. Risky mortgage products were available to consumers and investors. | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 47. What does the Federal Deposit Insurance Corporation do?   |  |  | | --- | --- | | *ANSWER:* | It guarantees bank deposits against bank failures.​ | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 48. In what year did the Great Depression begin?   |  |  | | --- | --- | | *ANSWER:* | 1929​ | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 49. What effect did the Monetary Control Act of 1980 and the Garn-St Germain Depository Institution Act of 1982 have on banks?   |  |  | | --- | --- | | *ANSWER:* | They allowed banks to compete more freely with other financial firms.  ​ | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.2 - LO: 2.3.2 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 50. Explain how the successful economy of the 1920s helped cause the Great Depression of the 1930s.​   |  |  | | --- | --- | | *ANSWER:* | The booming stock market of the 1920s caused many people to invest in the market, whether they had the money to do so or not. Many people and companies borrowed money to buy stocks. Many stocks were bought on margin, which meant they were purchased for a fraction of their price, and then resold at a profit without the full purchase price ever having been paid. This led to risky investments. When the market began to fall in September 1929, investors began to sell their stocks. The panic spread into October with more and more people trying to sell, and the market collapsed. There was no money to pay what was owed on margin or on anything else.​ | | *POINTS:* | 1 | | *LEARNING OBJECTIVES:* | BNKG.CFFT.3.LO: 2.3.1 - LO: 2.3.1 | |