

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. List four types of manual (not electronic) ways to make payments on a credit account.
2. What are the advantages and disadvantages of making payments using cash?
3. What are the advantages and disadvantages of making payments using a personal check?
4. What is a money order? What are the advantages and disadvantages of making payments using a money order?
5. How is a cashier's check different from a certified check? What are the advantages to using these methods of payment?
6. What are some advantages of using electronic payments? What are some disadvantages?
7. What types of activities can customers do using online banking? Give one advantage and one disadvantage to making payments using online banking.
8. What types of information must customers provide to set up online payments at a creditor's Web site?
9. What is a wire transfer? What is its primary advantage?

10. What is a prepayment penalty? Why might you still wish to pay off a loan early, even when there is a prepayment penalty?

IN DEPTH: Payment Options

Assume the following options are available to you for paying bills:

- Pay in person with cash.
- Send a personal check by mail.
- Make online payment at creditor's Web site.
- Use your bank's online payment system.
- Buy and mail a money order.
- Secure and mail a cashier's check.
- Send a wire transfer.
- Set up a monthly automatic payment from your account.

What payment method would you choose for each of the following payments and why?

1. Monthly cell phone bill
2. Monthly electric utility bill
3. Monthly credit card bill
4. Monthly loan payment to your credit union
5. An online purchase of a book from a merchant with whom you are not familiar
6. \$100 cash for your brother who is in another town and needs the money right away