



**Institute for Financial Counseling**

**Practice Questions  
for the  
Certification Exam**

**2007**

- 1) When a counselor is insensitive to cultural differences, he/she is exhibiting:
  - a) congruence
  - b) cultural disclosure
  - c) cultural encapsulation
  - d) multicultural enhancement
  
- 2) According to The Fair Credit Billing Act, a consumer has \_\_\_\_\_ days after receipt of a bill to dispute it in letter form.
  - a) 30
  - b) 60
  - c) 90
  - d) 120
  
- 3) The most important factor banks consider when establishing a credit limit is:
  - a) competition from other lenders
  - b) the Truth in Lending Act
  - c) the consumer's credit rating
  - d) the nuisance fees
  
- 4) Counselors can best facilitate the client's problem solving when they:
  - a) are specific about the problem-solving steps that were skipped
  - b) understand where the client is in the process
  - c) get the client to admit to mistakes
  - d) can create acceptable goals for the client
  
- 5) When conducting a counseling interview over the phone, using non-verbal feedback such as nodding and hand gestures helps the counselor:
  - a) make calculations
  - b) control angry clients
  - c) with the flow of vocal delivery
  - d) speak more clearly
  
- 6) Nathan, who has been a credit counselor for three years, is very good at convincing clients to adopt a particular debt management program. Recently, a client told him "You seem to communicate in a way that makes me feel comfortable, in charge, and confident of my decision. I don't feel pressured." What type of communication is Nathan using when he does this?
  - a) expressive
  - b) confirming
  - c) non-verbal
  - d) persuasive
  
- 7) Which law was passed to protect debtors from harassment and unreasonable treatment?
  - a) The Equal Credit Opportunity Act
  - b) The Fair Debt Collection Practices Act
  - c) The Truth In Lending Act
  - d) The Fair Credit Reporting Act

- 8) The first question a consumer should ask when prioritizing a payment schedule is:
- a) Which debts are secured or unsecured?
  - b) Can I move debt easily to another credit card?
  - c) Can I keep my credit cards if I file bankruptcy?
  - d) Which debts can be ignored with little trouble?
- 9) One characteristic of predatory lending is:
- a) frequent refinancing
  - b) charging fees slightly below competitors
  - c) reporting payment history to the credit bureau
  - d) educating customers about the amount of debt they can carry
- 10) A budget is a financial statement of estimated \_\_\_\_\_ and \_\_\_\_\_ for an individual or family over a selected period of time.
- a) debt; retirement
  - b) income; expenses
  - c) mortgage; loans
  - d) earnings; bonuses
- 11) Which kind of debt may NOT be discharged in a declaration of bankruptcy?
- a) unsecured debt older than 90 days
  - b) subsidized student loans
  - c) installment credit
  - d) all of the above
- 12) These types of goals work to ensure that the client experiences counseling as positive and affirming.
- a) preliminary goals
  - b) process goals
  - c) outcome goals
  - d) sustained goals
- 13) How words are spoken, the client's tone of voice, and emotional responses like laughing or crying are:
- a) belonging cues
  - b) clarifying responses
  - c) reflective listening techniques
  - d) verbal behaviors
- 14) Which of the following helps to establish trust with the client?
- a) conveying positive regard towards the client
  - b) being forceful and aggressive
  - c) telling the client you are an expert
  - d) telling the client you know what they are going through

- 15) The following are all ways to improve client/counselor communication EXCEPT:
- a) Using “you should” messages
  - b) being expressive
  - c) showing empathy
  - d) being assertive
- 16) Which type of spender is easily persuaded to buy items they really may not want or need?
- a) The Passive Buyer
  - b) The Fanatical Shopper
  - c) The Special Interest Spender
  - d) The Hot Potato Spender
- 17) Which one of the following stages is NOT included in the problem solving process used by counselors?
- a) Identifying where the client is
  - b) Identifying where the client wants to go
  - c) Determining how the client will reach his/her goals
  - d) Determining who is to blame
- 18) An insolvency event includes all of the following EXCEPT:
- a) Loss of income
  - b) Frivolous spending
  - c) Medical emergency
  - d) Divorce
- 19) When an account remains past due for 90 days or more (bucket 3-6), a creditor may:
- a) re-cast the account
  - b) refer the account to a collection agency
  - c) declare a deficiency balance
  - d) serve the consumer a summons
- 20) Consumers have certain rights regarding utility shut-offs, including:
- a) receiving notification before the utility is shut off
  - b) being protected from a utility shut-off if seriously ill
  - c) arranging for deferred payments
  - d) all of the above
- 21) Mark read through the information that came with his new credit card but was unable to determine the lender’s current APR. The lender could be in violation of:
- a) The Truth in Lending Act.
  - b) The Fair Credit Billing Act.
  - c) The Equal Credit Opportunity Act
  - d) The Fair Debt Collection Practices Act

- 22) When a client asks a personal question, it is best for the counselor to:
- Tell the client it's none of his or her business
  - Quickly change the subject
  - answer the question briefly and honestly
  - stop the interview and talk about yourself at length
- 23) Which of the following is NOT an objective measure of financial well-being?
- A positive debt-to-income ratio
  - Satisfaction with finances
  - A good credit rating
  - Adequate savings for retirement
- 24) Which federal act allows individuals to pull your credit report if you are applying for a government or business license, credit or insurance transaction, or settling child support issues?
- The Fair Debt Collection Practices Act
  - The Fair Credit Reporting Act
  - The Equal Credit Opportunity Act
  - The Truth in Lending Act
- 25) When counselors reiterate client messages in their own words, they are:
- reacting personally
  - paraphrasing
  - facilitating focus
  - encoding
- 26) When consumers fail to evaluate credit offers properly and do not understand interest rates and financial charges, they are demonstrating:
- dependent spending
  - neurotic outcomes
  - lack of financial literacy
  - security needs
- 27) When creating a spending plan, everyday expenses such as transportation and miscellaneous snacks and beverages:
- should be recorded by the client
  - should not be included on an expense sheet
  - should be averaged into recorded expenses
  - do not add up to any significant amount
- 28) According to The Human/Business Model, human level needs include all of the following EXCEPT:
- courteous treatment
  - respect
  - acceptance
  - accomplishing tasks

- 29) When informing a client about the process of debt collection and possible negative consequences, effective counselors:
- a) inform clients of their rights
  - b) provide timely legal advice
  - c) protect clients from collectors
  - d) convince clients to ignore the creditor
- 30) When James is talking with his clients, he listens very carefully, and when his clients pause, he often uses short phrases like “Please continue” and “All right” to keep the pace of the interview flowing. James is using what type of listening skill?
- a) reactive
  - b) reflective
  - c) non-reflective
  - d) non-reactive

*Please use the following scenario to answer questions 31 and 32:*

Shelley is conducting a pre-bankruptcy counseling session with her client, Dan. After reviewing Dan’s finances and his level of debt Shelley says, “You should file a chapter 7 Bankruptcy.”

- 31) Shelley may have:
- a) Engaged in the unauthorized practice of law
  - b) Initiated therapeutic counseling
  - c) Violated the equal credit opportunity act
  - d) Engaged in the unauthorized practice of counseling
- 32) To ensure that she does not dispense legal advice during the session, Shelley should:
- a) Avoid definitive statements regarding a course of action
  - b) Discuss bankruptcy in general terms
  - c) Avoid interpreting the law in light of Dan’s special circumstance
  - d) All of the above
- 33) Which category of information has the most influence on a FICO credit score?
- a) payment history
  - b) new credit
  - c) types of credit
  - d) length of credit history
- 34) When Janelle is interviewing her client about sources of debt, the client tells her “I have a ton of credit-card debt from department stores. I really like to have designer clothes and jewelry. They just make me feel like a better person.” According to Maslow’s Hierarchy, Janelle’s client may be attempting to fulfill needs for:
- a) esteem
  - b) belonging
  - c) achievement
  - d) self-actualization

- 35) When clients communicate their particular financial scenarios, provide critical information, and determine their objectives while counselors facilitate and support the directed outcomes, the process is said to be:
- a) counselor-centered
  - b) client-centered
  - c) outcome-based
  - d) non-complimentary
- 36) Which type of representative is NOT authorized to collect debts?
- a) credit grantors
  - b) fair billing agents
  - c) attorneys
  - d) collection agencies
- 37) When a consumer is having trouble keeping up with mortgage payments, and they negotiate an easier payment schedule with the lender, this arrangement is called a mortgage:
- a) settlement
  - b) default
  - c) workout
  - d) penalty
- 38) Effective credit counselors follow problem-solving steps that \_\_\_\_\_ the natural problem-solving process.
- a) remove
  - b) compliment
  - c) counteract
  - d) ignore
- 39) Credit reports contain which of the following?
- a) credit bureau history
  - b) payment history
  - c) medical history
  - d) educational background
- 40) Mary helped her client Kevin analyze his monthly expenditures and determine the best way for him to cut costs and reduce his debt. He is now highly motivated to reduce his expenses by 15% and eliminate one quarter of his debt within six months. Kevin is currently working on:
- a) outcome goals
  - b) process goals
  - c) retro-active goals
  - d) all the above
- 41) Which type of credit does not require collateral and is granted based primarily on the applicant's credit history?
- a) Installment credit
  - b) Non-installment credit
  - c) Secured credit
  - d) Unsecured credit

- 42) Ned took out a loan with his local bank. Because of his poor credit, Ned agreed to pledge his home so that failure to repay the loan would result in foreclosure. In this case, Ned's home is referred to as \_\_\_\_\_.
- a) unsecured credit
  - b) installments
  - c) shrinkage
  - d) collateral
- 43) Bill and Linda have been very diligent about reducing their spending over the past month. They often carpool and share babysitters with neighbors. This type of economizing is called:
- a) substituting
  - b) conserving
  - c) cooperating
  - d) utilizing community resources
- 44) If a consumer is filing bankruptcy, it is advisable to:
- a) forfeit all remaining credit cards
  - b) seek legal consultation
  - c) notify your employer
  - d) garnish their wages
- 45) Both positive self-efficacy and outcome expectations are necessary for clients to:
- a) enter denial
  - b) take action
  - c) accept responsibility
  - d) acquire skills
- 46) Your goal as a credit counselor is to guide the client towards the resolution of delinquent debt while maintaining a \_\_\_\_\_ debt-to-income ratio.
- a) flexible
  - b) large
  - c) positive
  - d) negative
- 47) If you have missed several payments on your mortgage and have not made arrangements with the lender, you can receive a formal notice informing you that the full amount of the mortgage is due immediately. This is referred to as a Notice of:
- a) Default
  - b) Foreclosure
  - c) Acceleration
  - d) Sale
- 48) Credit users who aggressively try to establish and maintain a certain level of status by keeping up with a reference group are referred to as \_\_\_spenders.
- a) revenge
  - b) narcissistic
  - c) competitive
  - d) co-dependent

- 49) Rick is conducting a credit counseling interview when the client says, "These creditors just prey on and victimize people like me! I wouldn't be in this trouble if they didn't make those agreements so confusing!" Rick's client is demonstrating signs of a/an \_\_\_\_\_ locus of control.
- a) damaged
  - b) internal
  - c) surface
  - d) external
- 50) According to psychologist Albert Ellis, our current level of over-spending is
- a) the direct result of watching too much T.V.
  - b) not as bad as in other countries
  - c) something akin to mass hysteria
  - d) an attempt to prove to ourselves and others that we are worthy
- 51) 1) To avoid misinterpreting what the client is saying and to gather accurate information, effective counselors:
- a) use "I" messages
  - b) look for the hidden messages
  - c) ask clarifying questions
  - d) write everything down
- 52) Predatory lenders:
- a) offer consumers the best interest rates
  - b) often lend to consumers with high credit scores
  - c) often lend to low-risk consumers
  - d) often lend to high-risk consumers
- 53) Your credit scores may be \_\_\_\_\_ at each of the three main credit-reporting agencies.
- a) cross referenced
  - b) compared
  - c) different
  - d) discharged
- 54) Which of the following are examples of essential expenditures?
- a) travel, eating out, and clothing
  - b) travel, entertainment, and food
  - c) food, shelter, and clothing
  - d) food, shelter, and entertainment
- 55) Examples of financial setbacks include all the following EXCEPT:
- a) job loss
  - b) financial literacy
  - c) medical emergency
  - d) large, unexpected expense

- 56) The difference between the total amount of your assets and the total amount of your liabilities is referred to as:
- a) net worth
  - b) liquid assets
  - c) bankruptcy
  - d) secured credit
- 57) What is the first step in the foreclosure process?
- a) Notice of Default
  - b) Notice of Acceleration
  - c) Notice of Sale
  - d) Notice of Non-compliance
- 58) A water bill is an example of \_\_\_\_\_ because it is paid in full with one payment by a specified date.
- a) installment credit
  - b) non-installment credit
  - c) merchant affinity cards
  - d) finance charges
- 59) When demonstrating positive regard, effective counselors:
- a) avoid making judgments about clients
  - b) convey acceptance toward clients
  - c) focus on the positive aspects of the client
  - d) do all of the above
- 60) Which of the following is NOT an example of an asset?
- a) cash
  - b) the apartment you rent
  - c) jewelry
  - d) stocks and bonds
- 61) Finance charges are based on the lenders:
- a) hidden fees
  - b) transaction fees
  - c) minimum required payment
  - d) annual percentage rate (APR)
- 62) By understanding the sources of client debt, counselors can
- a) determine who the "credit criminals" are
  - b) pinpoint blame within the household
  - c) determine how bad off they really are
  - d) pinpoint financial stumbling blocks
- 63) When communicating with clients, effective counselors utilize:
- a) "you should" messages
  - b) "I" messages
  - c) both "you should" and "I" messages, depending on the client
  - d) hidden agendas

- 64) Understanding the psychology of debt helps the counselor to:
- a) tell the client about their erroneous beliefs
  - b) categorize the client as one type of spender
  - c) identify obstacles to financial health
  - d) use reverse psychology on clients
- 65) Joan is an emergency room nurse who works the night shift at a hospital. A collection agency has called Joan at her place of work between the hours of 9:00 p.m. and 10:30 p.m. on several occasions. The collection agency asked Joan for personal information. She finally got fed up and sent the collection agency a letter to cease harassment. Which of the following actions did the collection agency have a right to do?
- a) ask for personal information
  - b) call after 9:00 p.m. because Joan works the night shift
  - c) make excessive phone calls until payment is secured
  - d) none of the above
- 66) Clients with a/an \_\_\_\_\_ locus of control are more likely to view themselves as responsible for their financial problems.
- a) damaged
  - b) internal
  - c) surface
  - d) external
- 67) For goals to be meaningful, they must be created by:
- a) the client
  - b) the creditors
  - c) the counselor
  - d) collection agencies
- 68) One reason it is important for counselors to gain an understanding of how the counseling process affects clients is that it may \_\_\_\_\_ empathy.
- a) decrease
  - b) encapsulate
  - c) compartmentalize
  - d) increase
- 69) If debt delinquency is not resolved, unsecured credit grantors can do all of the following EXCEPT:
- a) damage your credit rating
  - b) sue to collect the debt
  - c) revoke your credit privileges
  - d) seize consumer's property without a court judgment
- 70) Common reasons for financial setbacks include:
- a) job loss
  - b) divorce
  - c) lack of financial literacy
  - d) all the above

- 71) When a client believes that he or she can successfully engage in the necessary behavior to achieve a desired outcome, he/she is exhibiting:
- a) reciprocity
  - b) self-efficacy
  - c) dynamic change
  - d) long-term vision
- 72) Anthony's car was just repossessed. It was valued at \$15,000 and the lender sold it at a private auction for \$11,000. The deficiency balance that Anthony is responsible for is:
- a) no more payments once the car is repossessed
  - b) no more than 11% of the car value
  - c) \$4,000 plus expenses incurred during repossession
  - d) \$11,000 plus expenses incurred during repossession
- 73) Which of the following is an effective listening technique?
- a) being preoccupied
  - b) reacting personally to what is said
  - c) multitasking
  - d) listening for the total meaning
- 74) Successful lawsuits filed by creditors can result in:
- a) judgment liens
  - b) wage garnishment
  - c) bank account seizures
  - d) all of the above
- 75) The first step of the natural process of problem solving is:
- a) feeling a sense of urgency
  - b) realizing there are different approaches
  - c) awareness of the problem
  - d) exploring the alternatives
- 76) Which is NOT a factor that should be considered for consumer credit-worthiness?
- a) marital status
  - b) income vs. expenses
  - c) amount of debt
  - d) credit history
- 77) The most widely used credit bureau scores are based on a statistical model and are referred to as \_\_\_\_\_ scores.
- a) FIXED
  - b) FED
  - c) FIN-O
  - d) FICO
- 78) The three components of active listening are:
- a) what you do, what you say, and what you observe
  - b) what you hear, who you hear, and what you do
  - c) what you hear, what you say, and what you do
  - d) what you hear, what you do, and what you don't do

- 79) Which of the following is NOT an effective method to raise your credit score?
- a) get current on payments
  - b) move debt to other accounts
  - c) keep low balances
  - d) pay bills on time
- 80) With \_\_\_\_\_ fees, sometimes a bank will penalize a cardholder for making all payments on time, and a flat rate may be added instead of a finance charge.
- a) late
  - b) over-the-limit
  - c) pay-off
  - d) annual
- 81) Which of the following is NOT one of the most important conditions for establishing a positive client/counselor relationship?
- a) empathy
  - b) prudence
  - c) genuineness
  - d) positive regard
- 82) Questions 83 and 84 refer to Ramon. Collection agencies are constantly harassing Ramon by making excessive calls after 9:00pm each night. This collection agency could be in violation of the:
- a) Fair Credit Reporting Act
  - b) Truth in Lending Act
  - c) Equal Credit Opportunity Act
  - d) Fair Debt Collection Practices Act
- 83) Ramon expresses frustration with the harassing collection agency to his credit counselor. His counselor, Andrea, suggests that Ramon exercise his rights under the Act by first:
- a) contacting his state senator
  - b) hiring a legal defense team
  - c) sending a certified cease and desist letter
  - d) sending a letter to the collector's supervisor
- 84) Which of the following statements describes a way to incur added credit-card debt?
- a) limit the number of credit cards maintained
  - b) avoid maintaining cards with high interest rates
  - c) maintain cards with short grace periods
  - d) all of the above

- 85) Chapter 7 bankruptcy is sometimes referred to as a:
- a) liquidation bankruptcy
  - b) debt consolidation
  - c) reversible bankruptcy
  - d) renegotiation bankruptcy
- 86) Which of the following takes place when a consumer files a petition for chapter 7 bankruptcy?
- a) The consumer will lose their job
  - b) Any and all civil judgments will temporarily stop
  - c) The consumer will be sent to a debtor prison
  - d) Any foreclosures will take place immediately
- 87) Chapter 7 bankruptcy can remain on a credit report for up to:
- a) 7 years
  - b) 10 years
  - c) 2 years
  - d) It is never removed
- 88) How many times can a Chapter 7 bankruptcy be filed within an eight-year period?
- a) Once
  - b) Ten times
  - c) Up to three times
  - d) None
- 89) Rapport building
- a) Should be initiated only after gathering all the facts
  - b) Is not really important unless you are setting goals
  - c) Encompasses the entire counseling process
  - d) Is usually completed within the first five minutes
- 90) Which of the following is NOT a way for counselors to help their clients develop self-efficacy?:
- a) Monitor client progress
  - b) Blame the creditors
  - c) Inspire by example
  - d) Encourage and challenge