

# CUNA Financial Counselor Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.**

## **7. Use Other Tools**

**Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!**

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## **Questions**

- 1. Which factor contributes 30% to an individual's credit score?**
  - A. Length of credit history**
  - B. Types of credit used**
  - C. Capacity (Amount Owed or Usage)**
  - D. Payment history**
- 2. What is the purpose of conducting a yearly credit report review?**
  - A. To apply for loans**
  - B. To find errors or unpaid debts**
  - C. To increase credit limits**
  - D. To apply for new credit cards**
- 3. What does a credit report primarily reflect?**
  - A. Current credit limits and available credit**
  - B. Credit history and repayment behavior**
  - C. Credit utilization over time**
  - D. Frequency of credit inquiries**
- 4. How might employee financial education affect company culture?**
  - A. It can create discord among employees**
  - B. It can improve morale and culture**
  - C. It leads to higher competition**
  - D. It has no impact on culture**
- 5. What does a cash flow analysis reveal about income and expenses?**
  - A. It shows total revenue and profit margins**
  - B. It shows income and expenses are balanced**
  - C. It indicates future income potential**
  - D. It outlines investment opportunities**



- 6. What does leasing a car generally involve?**
- A. Payment for use of the car**
  - B. Full ownership rights**
  - C. Long-term financial commitment**
  - D. No monthly payments**
- 7. What is a significant action that can negatively impact a credit score?**
- A. Maxing out credit cards**
  - B. Consistently making payments on time**
  - C. Maintaining multiple credit lines**
  - D. Using credit for emergencies only**
- 8. Which tax type charges the same amount regardless of earnings, such as sales tax?**
- A. Progressive tax**
  - B. Regressive tax**
  - C. Flat tax**
  - D. Income tax**
- 9. What is one of the warning signs of financial addiction?**
- A. Consistent savings and frequent investment**
  - B. Frequent debit or credit charges at convenience stores**
  - C. Regular income from diversified sources**
  - D. High performance in investment portfolios**
- 10. Which practice can help rebuild credit after bankruptcy?**
- A. Pay bills haphazardly**
  - B. Applying for loans without a plan**
  - C. Paying bills on time**
  - D. Taking on high-interest debts**

## **Answers**

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1. C
2. B
3. B
4. B
5. B
6. A
7. A
8. B
9. B
10. C

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## **Explanations**

**1. Which factor contributes 30% to an individual's credit score?**

- A. Length of credit history**
- B. Types of credit used**
- C. Capacity (Amount Owed or Usage)**
- D. Payment history**

The factor that contributes 30% to an individual's credit score is the capacity, often referred to as the amount owed or utilization ratio. This aspect evaluates how much credit a person is using compared to their total available credit limits. A lower utilization ratio indicates that an individual is using only a small portion of their available credit, which is viewed positively by lenders and can lead to a higher credit score. This component is essential because it reflects an individual's ability to manage their credit responsibly. High credit utilization may signal to lenders that a person is potentially over-leveraged or might struggle to meet future financial obligations, which can negatively impact their creditworthiness. Understanding capacity helps individuals to maintain a healthy credit score by encouraging them to keep their credit utilization below recommended thresholds, typically below 30%. This strategic management of credit balances can lead to improved credit scores over time.

**2. What is the purpose of conducting a yearly credit report review?**

- A. To apply for loans**
- B. To find errors or unpaid debts**
- C. To increase credit limits**
- D. To apply for new credit cards**

The purpose of conducting a yearly credit report review is primarily to find errors or unpaid debts. Regularly reviewing a credit report allows individuals to identify inaccuracies that could negatively impact their credit score. Errors could stem from mistaken identity, incorrect information regarding payment history, or accounts that do not belong to the individual. By identifying and addressing these errors, individuals can dispute incorrect information directly with credit reporting agencies, potentially improving their credit score and overall financial health. Additionally, a credit report review can reveal any unpaid debts, providing an opportunity to address outstanding obligations before they escalate into more significant financial issues. This proactive approach contributes to better credit management and ensures that individuals are in the best position to apply for loans or credit in the future. While applying for loans, increasing credit limits, or applying for new credit cards may be goals related to credit usage, these actions do not address the foundational aspect of maintaining an accurate credit history, which is why reviewing reports for errors and unpaid debts is fundamentally important.

### 3. What does a credit report primarily reflect?

- A. Current credit limits and available credit
- B. Credit history and repayment behavior**
- C. Credit utilization over time
- D. Frequency of credit inquiries

A credit report primarily reflects an individual's credit history and repayment behavior, which includes detailed information about past and present credit accounts, payment patterns, delinquencies, bankruptcies, and any other relevant financial events. This information provides lenders and creditors with a comprehensive view of how responsible an individual has been with managing their debts and obligations over time.

Understanding credit history and repayment behavior is crucial, as it not only affects credit scores but also informs lenders about the likelihood of future repayment. The report highlights whether someone has made payments on time, how often they have missed payments, and how various accounts have been managed, all of which are key indicators of creditworthiness. This background allows financial institutions to assess risk when extending new credit. While current credit limits, credit utilization, and frequency of inquiries all play roles in gauging an individual's creditworthiness, they are not the primary focus of a credit report. Instead, these factors are derived from or influenced by the individual's overall credit history and repayment behavior, which is the foundational aspect reflected in the report.

### 4. How might employee financial education affect company culture?

- A. It can create discord among employees
- B. It can improve morale and culture**
- C. It leads to higher competition
- D. It has no impact on culture

Employee financial education can significantly enhance morale and overall company culture. When employees receive training on financial literacy, it equips them with the knowledge and skills to better manage their personal finances. This empowerment can reduce stress and anxiety related to financial issues, leading to more focused and productive employees. Furthermore, when a company invests in its employees' financial education, it demonstrates care and commitment to their well-being. This, in turn, fosters a positive work environment where employees feel valued and supported. Improved morale can create a sense of community, enhance collaboration, and increase employee retention rates, as individuals are more likely to stay with an organization that prioritizes their personal and professional development. In contrast, the other options suggest negative or neutral outcomes that do not align with the positive impact of financial education on workplace culture. Discord and competition can arise in environments lacking communication and support, while a lack of impact infers that the initiative does not leverage employee engagement or productivity. Therefore, focusing on financial education is inherently beneficial, supporting a culture of growth, trust, and collaboration.

**5. What does a cash flow analysis reveal about income and expenses?**

- A. It shows total revenue and profit margins**
- B. It shows income and expenses are balanced**
- C. It indicates future income potential**
- D. It outlines investment opportunities**

A cash flow analysis primarily focuses on the inflow and outflow of cash within a specific timeframe, typically highlighting the various sources of income and the corresponding expenses. The correct answer indicates that a cash flow analysis shows that income and expenses are balanced, which is crucial in determining an individual or organization's financial health. When income and expenses are balanced, it means that the cash inflows are equal to the cash outflows, allowing for a sustainable financial situation. This balance is essential for effective financial planning and helps in identifying areas where spending may need to be adjusted or where income can be increased to maintain equilibrium. While cash flow analysis can provide insights into total revenue and profit margins, indicate future income potential, or outline investment opportunities, these aspects are not its primary function. Instead, the analysis serves as a tool to ensure that an entity can manage its cash effectively, supporting day-to-day operations and long-term financial stability.

**6. What does leasing a car generally involve?**

- A. Payment for use of the car**
- B. Full ownership rights**
- C. Long-term financial commitment**
- D. No monthly payments**

Leasing a car generally involves making payments for the use of the car. When leasing, the individual does not purchase the vehicle but rather pays to use it for a specified period, typically ranging from two to four years. This payment structure allows the lessee to drive a new car without the commitment of ownership, as they return the car to the dealership at the end of the lease term. The lease payments usually cover the vehicle's depreciation during the lease period along with interest and any applicable fees. This option can be appealing for those who prefer to drive a new vehicle every few years without the long-term financial responsibility of ownership. The other options often misrepresent the characteristics of a lease. Full ownership rights are not conferred in a lease agreement; ownership remains with the leasing company. A lease involves a monthly payment for the duration of the agreement, contrary to the idea of no monthly payments, which does not reflect the mechanics of a lease. Additionally, leasing typically does not require as long a financial commitment compared to purchasing a car, which usually involves a loan that spans several years.

**7. What is a significant action that can negatively impact a credit score?**

- A. Maxing out credit cards**
- B. Consistently making payments on time**
- C. Maintaining multiple credit lines**
- D. Using credit for emergencies only**

Maxing out credit cards has a significant negative impact on a credit score because it significantly increases the credit utilization ratio, which is an important factor in credit scoring models. Credit utilization is calculated by dividing the total amount of credit used by the total amount of credit available. When individuals use close to or all of their available credit, it can signal to lenders that they may be over-relying on credit, which can be seen as a risk. Keeping credit utilization below 30% is generally recommended to maintain a healthy credit score. High levels of debt relative to available credit can also lead to higher interest rates on loans and make it more challenging to obtain new credit. In contrast, consistently making payments on time builds positive credit history and shows reliability, maintaining multiple credit lines can help diversify credit history and potentially improve scores if managed well, and using credit only for emergencies demonstrates responsible credit behavior. Thus, maxing out credit cards stands out as a pivotal action that can severely damage a credit score.

**8. Which tax type charges the same amount regardless of earnings, such as sales tax?**

- A. Progressive tax**
- B. Regressive tax**
- C. Flat tax**
- D. Income tax**

The correct answer is a regressive tax. A regressive tax is one where the tax rate decreases as the amount subject to taxation increases, meaning that individuals with lower incomes pay a higher percentage of their income compared to those with higher incomes. Sales tax is a prime example of a regressive tax, as it is imposed at a flat rate on purchases regardless of a person's income. Therefore, low-income individuals effectively spend a higher proportion of their income on sales tax compared to wealthier individuals. This characteristic of a regressive tax highlights how it disproportionately impacts those with lower earnings, as they spend a larger portion of their limited income on taxable goods and services. In contrast, a progressive tax structure, such as income tax, imposes higher rates on those with higher earnings. A flat tax typically refers to a system where a single tax rate applies to all taxable income, which is not the same as the regressive nature of sales tax.



**9. What is one of the warning signs of financial addiction?**

- A. Consistent savings and frequent investment**
- B. Frequent debit or credit charges at convenience stores**
- C. Regular income from diversified sources**
- D. High performance in investment portfolios**

Frequent debit or credit charges at convenience stores is a significant warning sign of financial addiction. This behavior often indicates impulsive spending habits, where an individual may be using small, seemingly insignificant transactions as a coping mechanism or to achieve temporary satisfaction. Such habits can lead to a cycle of financial instability, where the individual may not be mindful of their overall budget or financial well-being. In contrast, consistent savings and frequent investment, as well as regular income from diversified sources and high performance in investment portfolios, are signs of a healthy financial mindset. These behaviors reflect careful planning, disciplined saving, and a strategic approach to managing money, all of which are contrary to the patterns typically associated with financial addiction.

**10. Which practice can help rebuild credit after bankruptcy?**

- A. Pay bills haphazardly**
- B. Applying for loans without a plan**
- C. Paying bills on time**
- D. Taking on high-interest debts**

Paying bills on time is a crucial practice for rebuilding credit after bankruptcy because timely payments are one of the most significant factors that influence your credit score. When individuals demonstrate a consistent pattern of punctual bill payment, they signal to creditors and credit reporting agencies that they are responsible and capable of managing their financial obligations. This can gradually improve their creditworthiness and help repair their credit history. In the context of rebuilding credit after a bankruptcy, establishing a habit of paying all bills—such as credit cards, utilities, and other recurring financial obligations—on time is essential. This practice shows a positive shift in financial behavior, which can counteract the negative effects of bankruptcy in the long run. Other options, however, are detrimental to credit rebuilding. For instance, paying bills haphazardly can lead to missed payments and further damage to credit scores. Similarly, applying for loans without a plan can result in taking on more debt than one can manage, potentially leading to further financial issues. Lastly, taking on high-interest debts can exacerbate financial strain and lead to difficulties in making timely payments, which would harm credit standing rather than help it. Therefore, consistent and timely bill payments stand out as a foundational step toward recovering from bankruptcy and improving credit health.

## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://cunafinancialcounselor.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**