

Course 3: Personal Finance (20)

Short Multiple Choice Questions (1-5). Choose the best answer.

1. Small Business Development Centers (SBDCs) provide free marketing, financing and business-related activities to local entrepreneurs. They are found in all states, as well as Washington, D.C., Puerto Rico and U.S. territories, and exist as a partnership between the U.S. Small Business Administration (SBA) and typically a local college or university designed to help foster small businesses and jobs by providing educational resources to business owners and those looking to start a business. Which of the following INCORRECTLY describes the services provided by LSBDC at the University of Louisiana-Monroe?

- (A) No cost business consulting
- (B) Low cost entrepreneurial training
- (C) Low cost funding to small businesses
- (D) Providing market research and industry statistics

2. LSBDC at the University of Louisiana-Monroe provides cutting-edge and contemporary business solutions to help businesses start and grow in Northeast Louisiana by delivering activities below *except one*:

- (A) Developing startup and growth strategies
- (B) Establishing targeted sales plans
- (C) Finding efficiencies
- (D) Preparing loan packages
- (E) Submitting your financials to funding agencies

3. SBDC specialty services include *except one*:

- (A) Business to business readiness
- (B) International trade
- (C) Technology commercialization
- (D) Risk management & emergency preparedness
- (E) Small business auditing

4. Which of the following training modules is NOT an entrepreneurial training module provided by SBDCs?

- (A) Start up assistance
- (B) Business plan writing
- (C) International finance
- (D) Financing and capital
- (E) Managing business

5. Which of the following entrepreneurial training modules is the one that has been provided by SBDCs?

- (A) SAP Certification course
- (B) QuickBooks
- (C) Xatimate certification course

Long Scenario-Based Multiple Choice Questions (6-9). Note that all individual names below are fictitious names for exam purpose.

Joyce Williams is the creating neighborhood development specialist at the Southern University EDA University Center. Joyce is running training sessions for sustainable neighborhood developer candidates. Before she begins her new session, Joyce wants to review what she taught about the Community Reinvestment Act (CRA) last Saturday. Joyce asks the candidates, “Can any of you state a few facts of the CRA?”

Whitney, an outstanding neighborhood development candidate (student), responded with the following statements:

Statement 1: “The Community Reinvestment Act (CRA) is a US federal banking regulation (12 CFR 25) that requires banks to help meet the credit needs of the local communities where it operates, including low- and moderate- income individuals (LMI) and neighborhoods.”

Statement 2: “The bank is examined on its efforts to ascertain community credit needs, its products and delivery systems, and its lending, service, and investment activities that meet the identified needs.”

Statement 3: “The issues that CRA covers exist in each and every market: Affordable housing, community services to LMI individuals, economic development, disaster recovery and activities that revitalize and stabilize an LMI area by attracting new or retaining existing businesses or residents.”

Statement 4: “The bank’s failure to achieve at least a “Highly Satisfactory” CRA rating can result in administrative sanctions including a halt to all growth activities, de novo or by merger/acquisition, and potential reputational risk.”

Joyce moves on to a discussion of community development (CD) lending, investment, and services that a national commercial bank provides to the general public as performance evaluation categories. She indicates that to receive consideration under the CRA, services must have a primary purpose consistent with the definition of community development. The CD activity must benefit the bank’s defined CRA assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s) and be responsive to community needs. **Joyce** asks the candidates, “Can anyone list a few examples of relevant community development activities that are part of the CRA rating?”

Ghirmay, a candidate (student), answers the question by giving one example:

Example 1: Activities that promote economic development by financing programs that serve small businesses or farms with gross annual revenues equal to or less than \$1 million.

Jindal, a candidate, adds another example:

Example 1: Activities that revitalize or stabilize low- or moderate- income geographies, designated disaster areas, or designated distressed or underserved non-metropolitan middle-income geographies.

Joyce continues to review the CRA and asks the candidates to recall some specific examples of community development services that were given out last session. In response, **Jean**, a candidate, gives a recollection of two examples:

Example 1: Providing financial services to low- and moderate-income individuals through branches and other facilities located in high-income areas.

Example 2: Providing technical assistance on financial matters to profit, tribal or government organizations serving low- and moderate-income housing or economic revitalization and development needs.

Lastly, **Joyce** goes over Small Business Revolving line (ReLi) of Credit offered by Wooforest National Bank and states that ReLi (an unsecured line of credit) can provide customers a low cost alternative for their short term (one-year term) borrowing needs. Joyce finishes the review by posing the following question: “What are the main features of Small Business ReLi?”

6. Which of Whitney’s statements is least likely correct:

- (A) Statement 1.
- (B) Statement 2.
- (C) Statement 3.
- (D) Statement 4.

7. In response to Joyce’s question about the examples of relevant community development activities, who is most likely correct?

- (A) Ghirmay
- (B) Jindal
- (C) Both Ghirmay and Jindal

8. Jean’s recollections regarding Community Development Services are most likely:

- (A) correct with regard to the geographical locations of branch offices and other facilities in Example 1.
- (B) correct with regard to providing technical assistance on financial matters to profit organizations in Example 2.
- (C) incorrect with regard to the geographical locations of branch offices and other facilities in Example 1 and incorrect with regard to providing technical assistance on financial matters to profit organizations in Example 2.

9. Which of the following features is NOT a feature of the Small Business ReLi?

- (A) Registered with LA Secretary of State
- (B) Credit score based

- (C) A line of credit ranging from \$500 to \$10,000
- (D) A negative impact on debt/income ratio

Short Multiple Choice Questions (10-20)

10. Which of the following INCORRECTLY states the difference between a business loan and a line of credit?

- (A) A business loan is usually best for long-term debt that gets paid off over 2 to 6 years. A line of credit, however, is best for short-term purposes such as financing receivables, marketing, and making payroll.
- (B) A business loan involves a monthly payment that doesn't change from month to month and those monthly payments begin right away. Whether or not the borrowers are using all the money, the monthly payment does not change. A line of credit is required to make payments on the amount of money you've borrowed so if your balance is zero, your payment is zero.
- (C) A business loan has lower interest rates but are variable whereas a line of credit has higher interest rates but they are normally fixed rates.

11. Personal finance is to manage your money and saving and investing. It encompasses budgeting, _____, insurance, mortgages, investments, retirement planning, and tax and estate planning.

- (A) banking
- (B) taxation
- (C) auditing

12. Credit ratings apply to businesses and government, while credit scores apply only to individuals. Credit scores are derived from the credit history maintained by credit-reporting agencies such as Equifax, Experian, and TransUnion. An individual's credit score is reported as a number, generally ranging _____. Majority of American credit scores fall between 650 and 700. In general, credit tiers break down as follows: Excellent credit = 750+; Good credit = 700-749; Fair credit = 650-699; Poor credit = 600-649; Bad credit = below 600.

- (A) from 550 to 800
- (B) from 300 to 850
- (C) from 350 to 827

13. In general, individuals can build good credit by focusing less on the credit score numbers and more on what's weighing them down. Most credit scores consider the five major factors: _____; amount of debt you owe; length of credit history; mix of credit accounts; and new credit inquires.

- (A) banking
- (B) payment history
- (C) education background

14. Let's suppose that you own and run a small business. Kathy Lewis, your accountant, compiles annual accounting data for year 2018 as follows: Online sales = \$250,000; in-store sales = \$750,000; cost of goods sold = \$400,000; payroll = \$100,000; rent = \$25,000; utilities = \$10,000; depreciation

and amortization = \$5,000; taxes = \$88,000; owner's (your) draw = \$100,000. Based on the complied data, what could be your business's *net profit*?

- (A) \$372,000
- (B) \$272,000
- (C) \$172,000

15. Credit cards are the main vehicle through which your credit score is built and maintained, so watching credit spending goes hand in hand with monitoring your credit score. If you ever want to obtain a lease, mortgage, or any other type of financing, you'll need a solid credit history behind you. Also, it is important to know that most rent payments are not being reported to the credit bureaus. As a result, a renter can make on-time rent payments for years and might still find themselves with a credit score of _____ and no dream of owning a home.

- (A) 720
- (B) 700
- (C) 450

16. Under the Section 8 voucher program, if your monthly income is \$1,600, you will pay \$ _____ toward the rent. If the total rent for the apartment is \$750, the assistance will pay \$ _____ to the landlord on your behalf.

- (A) \$270; \$480
- (B) \$480; \$270
- (C) \$500; \$250

17. Monroe, LA has a nice inventory of homes in the \$60,000 range. A renter with a 650 credit score can buy a home in a rural development area with \$0 down and have a mortgage payment around \$419.00. In her first year of home ownership, a former renter will save \$ _____ and HUD will save \$ _____ on subsidies no longer required.

- (A) \$3,540; \$1,632
- (B) \$2,650; \$1,632
- (C) \$1,632; \$3,540

18. Rent Accelerator can help build positive credit by reporting up to _____ months of rental payment history to the credit bureaus.

- (A) 12 months
- (B) 24 months
- (C) 36 months

19. Which of the following strategies below is least likely to be a first-time homeownership strategy for a renter with no-credit history?

- (A) Start building positive credit
- (B) Learn how to use credit and what loan programs are available
- (C) Save for a down-payment
- (D) Increase spending proportional to income

20. A neighborhood is an area where people live and interact with one another. Neighborhoods tend to have their own identity or "feel" based on the people who live there and the places nearby. Residents may have similar types of families, incomes, and education level. Neighborhoods can include restaurants, bookstores, and parks (www.nationalgeographic.org). Neighborhoods often have fuzzy geographical boundaries. Nevertheless, it often is defined as the geographical boundary of _____ miles radius from where you live.

(A) 1.5

(B) 5.0

(C) 2.0