

Freddie Mac CreditSmart Homebuyer U Practice Test (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. True or False: Individuals with student loan debt cannot become homeowners.**
 - A. True**
 - B. False**
 - C. Depends on income**
 - D. Only with assistance**
- 2. Is it true that routine home maintenance is essential for keeping a home efficient?**
 - A. Yes, it prevents major system failures**
 - B. No, it is optional**
 - C. Only during the first year of ownership**
 - D. It is only necessary for older homes**
- 3. When buying a property, what must you repay the seller if they have already paid them?**
 - A. Utility bills**
 - B. Property or school taxes**
 - C. Home insurance**
 - D. Mortgage payments**
- 4. Is the choice of neighborhood more important than the actual home purchase?**
 - A. True**
 - B. False**
 - C. Depends on the market**
 - D. Only if location is a priority**
- 5. What is the first step in the homebuying process?**
 - A. Apply for a loan**
 - B. Determine how much you can afford**
 - C. Find a real estate agent**
 - D. Search for properties**

- 6. Should a borrower avoid signing any documents they do not understand?**
- A. Yes, clarification is essential**
 - B. No, it's just a formality**
 - C. Only if they trust the lender**
 - D. They should ask a friend first**
- 7. What is one of the main reasons for reviewing estimated closing costs?**
- A. To determine the property's resale value**
 - B. To compare loan products**
 - C. To prepare for financial obligations upon buying a home**
 - D. To prepare for potential repairs needed after purchase**
- 8. Is the Multiple Listing Service (MLS) available to the public?**
- A. Yes, it is publicly accessible**
 - B. No, it is private**
 - C. Only some listings are public**
 - D. It is only for real estate agents**
- 9. Derogatory information on a credit report may include which of the following?**
- A. Outstanding invoices, Late payments, Risk assessments**
 - B. Collections, Judgments, Bankruptcies, Late payments**
 - C. Unpaid loans, Credit inquiries, Credit scores**
 - D. None of the above**
- 10. What describes the transfer of a home's title back to the loan servicer in exchange for debt cancellation?**
- A. Deed in Lieu of Foreclosure**
 - B. Short Sale**
 - C. Foreclosure**
 - D. Loan Forgiveness**

Answers

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

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Explanations

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1. True or False: Individuals with student loan debt cannot become homeowners.

A. True

B. False

C. Depends on income

D. Only with assistance

Individuals with student loan debt can absolutely become homeowners; therefore, the statement is false. While student loans are a financial obligation that can impact a person's debt-to-income ratio, they do not entirely prevent someone from qualifying for a mortgage. Lenders consider various factors, including credit score, income, and total debt, when assessing an individual's mortgage application. Additionally, there are programs and options available to help first-time homebuyers manage their student loan debt while navigating the home-buying process. Many lenders allow borrowers to qualify with significant student loan debt, especially if they have a stable income and a good credit history. This flexibility shows that having student loans is a common situation for many potential homebuyers, and it does not eliminate their ability to attain homeownership.

2. Is it true that routine home maintenance is essential for keeping a home efficient?

A. Yes, it prevents major system failures

B. No, it is optional

C. Only during the first year of ownership

D. It is only necessary for older homes

Routine home maintenance is essential for keeping a home efficient because it helps prevent major system failures. Regular maintenance on systems such as heating, cooling, plumbing, and electrical will not only extend the life of these systems but also improve their efficiency. For example, cleaning or replacing filters in HVAC systems ensures that they operate at optimal levels, reducing energy consumption and costs. Catching small issues before they escalate into significant problems can save homeowners from costly repairs and disruptions. In contrast, categorizing home maintenance as optional overlooks the long-term benefits and savings associated with being proactive. Limiting maintenance to only the first year of ownership ignores the ongoing nature of home systems and their need for care throughout the home's lifespan. Additionally, suggesting that maintenance is only necessary for older homes fails to recognize that even newly constructed homes require upkeep to maintain efficiency and address wear and tear from daily living.

3. When buying a property, what must you repay the seller if they have already paid them?

- A. Utility bills
- B. Property or school taxes**
- C. Home insurance
- D. Mortgage payments

When purchasing a property, if the seller has already made payments for property or school taxes for the year, you are typically required to reimburse them for those costs up to the closing date. This reimbursement occurs because taxes are often paid annually or semi-annually in advance, and the seller is entitled to be compensated for the portion that covers the time you will own the property. During the property closing process, expenses related to taxes are prorated between the buyer and seller, so that the seller does not incur costs for a period after the sale while still covered by their previous payments. This ensures a fair distribution of costs according to the ownership timeline. Utility bills, home insurance, and mortgage payments do not follow the same reimbursement protocol during the closing process, as they are ongoing responsibilities that generally fall on the buyer after the sale is finalized or are the responsibility of the seller until the transaction is completed.

4. Is the choice of neighborhood more important than the actual home purchase?

- A. True
- B. False**
- C. Depends on the market
- D. Only if location is a priority

The idea that the actual home purchase is more important than the choice of neighborhood revolves around the fundamental concept of real estate value and lifestyle. The home itself is a tangible asset that represents a significant financial investment, and the features, condition, and layout of the home directly impact its immediate utility and comfort for the buyer. While the neighborhood does play a vital role in the long-term value of the property and can influence a buyer's experience, the preference for the home itself—its size, style, and condition—often takes precedence at the moment of purchase. Buyers typically prioritize finding a home that meets their personal needs and financial capacity. This can include aspects like the number of bedrooms, the quality of the kitchen, or whether a garage is included, which are critical for everyday living and may directly impact the buyer's quality of life. Additionally, buyers often invest a significant amount of time and effort in selecting a home that fits their specific needs, and this often leads to the perception that the decision about the home is paramount, even though the neighborhood context adds important considerations such as schools, safety, and community amenities. While other choices hint at contingencies or conditional factors, the assertion that the home purchase takes precedence emphasizes the straightforward value of making the right choice.

5. What is the first step in the homebuying process?

- A. Apply for a loan
- B. Determine how much you can afford**
- C. Find a real estate agent
- D. Search for properties

Determining how much you can afford is indeed the first step in the homebuying process. This step is essential because it allows potential buyers to understand their financial limits, including how much they can borrow and what their monthly payments might look like based on their income, debt, and other financial obligations. By assessing their budget, buyers can make informed decisions that align with their financial situation, enabling a more focused approach to searching for a property. Furthermore, this initial evaluation often dictates the rest of the homebuying journey. Once individuals have a clear understanding of their financial capacity, they can better engage with lenders, set realistic expectations when finding a real estate agent, and narrow down their property searches to homes within their financial reach. This foundational step is critical to avoiding future challenges in the homebuying process.

6. Should a borrower avoid signing any documents they do not understand?

- A. Yes, clarification is essential**
- B. No, it's just a formality
- C. Only if they trust the lender
- D. They should ask a friend first

It is crucial for a borrower to avoid signing any documents they do not understand, as clarification is essential for making informed decisions. Signing financial documents without comprehending their content can lead to unintended consequences, such as agreeing to terms that are unfavorable or detrimental to one's financial situation. Understanding the terms, conditions, and implications of each document ensures that the borrower is fully aware of their obligations and rights associated with the transaction. This practice not only protects the borrower but also fosters transparency and trust in the relationship with the lender. Seeking clarification before signing promotes responsible homebuying and helps build a solid foundation for one's financial future.

7. What is one of the main reasons for reviewing estimated closing costs?

- A. To determine the property's resale value**
- B. To compare loan products**
- C. To prepare for financial obligations upon buying a home**
- D. To prepare for potential repairs needed after purchase**

Reviewing estimated closing costs primarily enables potential homebuyers to prepare for the financial obligations associated with buying a home. Closing costs can include a variety of fees such as loan origination fees, title insurance, appraisal fees, and prepaid costs like property taxes and homeowners insurance. Understanding these costs helps buyers budget appropriately and ensures they are financially ready when the time comes to finalize the purchase. Being well-informed about these costs can also help buyers avoid surprises on closing day, allowing for better financial planning and management of their overall housing budget. This preparation is crucial for making a smooth transition into homeownership and ensures that buyers understand the total financial commitment involved in closing on a property.

8. Is the Multiple Listing Service (MLS) available to the public?

- A. Yes, it is publicly accessible**
- B. No, it is private**
- C. Only some listings are public**
- D. It is only for real estate agents**

The Multiple Listing Service (MLS) is primarily a private database used by real estate professionals to share information about properties for sale. While some listings from the MLS may be visible to the public through various real estate websites and aggregated platforms, access to the comprehensive database is restricted to licensed real estate agents and brokers. This private nature ensures that real estate professionals can collaborate effectively, ensuring that agents can keep track of listings, sales, and other important market data that may not be available to the general public. The incorrect choices do not accurately reflect the structural function and access limitations of the MLS. For instance, while some listings may become public through aggregators, this does not equate to full public access to the entire MLS. Thus, the correct understanding is that the MLS serves as a private resource primarily meant for industry professionals.

9. Derogatory information on a credit report may include which of the following?

- A. Outstanding invoices, Late payments, Risk assessments**
- B. Collections, Judgments, Bankruptcies, Late payments**
- C. Unpaid loans, Credit inquiries, Credit scores**
- D. None of the above**

Derogatory information on a credit report refers to negative entries that can adversely affect an individual's creditworthiness. This includes serious credit events that indicate a failure to manage credit responsibly. The correct answer highlights that collections, judgments, bankruptcies, and late payments are all considered derogatory items. Collections refer to accounts that have been sent to a collection agency due to non-payment. Judgments arise from court decisions regarding debts, often due to unpaid loans, and can significantly impact a credit report. Bankruptcies indicate a legal status where an individual is unable to repay their debts, which has a long-lasting negative effect on credit history. Late payments signify instances where payments are made after their due date, showcasing a pattern of delayed repayment that lenders may view as a high-risk behavior. Other options included items that do not qualify as derogatory. For instance, outstanding invoices and risk assessments are not typically reported on credit reports, while unpaid loans can contribute to derogatory status if they lead to delinquencies or collections. Credit inquiries and scores are administrative and evaluative tools but do not represent derogatory financial behavior in the same way as items in the correct choice. Therefore, the correct answer captures the essence of what constitutes derogatory information on a credit report.

10. What describes the transfer of a home's title back to the loan servicer in exchange for debt cancellation?

- A. Deed in Lieu of Foreclosure**
- B. Short Sale**
- C. Foreclosure**
- D. Loan Forgiveness**

The process described involves the transfer of a homeowner's title back to the loan servicer as a means to cancel the debt associated with that property. This specifically aligns with a deed in lieu of foreclosure, which is a legal process where the homeowner voluntarily relinquishes the title of their property to the lender in exchange for the cancellation of the mortgage debt. This option is particularly relevant in situations where homeowners are struggling to make mortgage payments and wish to avoid the lengthy and often costly process of foreclosure. By choosing a deed in lieu, they can mitigate some of the financial and emotional stress associated with losing their home while also allowing the lender to quickly take possession of the property to sell it and recover their losses. Other options, such as a short sale, involve selling the home for less than the amount owed on the mortgage, but do not involve transferring the title directly to the loan servicer for debt cancellation. Foreclosure is a legal process initiated by the lender when the borrower defaults, leading to a court proceeding and loss of the home, not a voluntary transfer. Loan forgiveness is a broader term that can apply to various forms of debt relief but does not specifically refer to the action of transferring property title.

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.

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

<https://freddiemaccreditsmart.examzify.com>

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