

# Freddie Mac CreditSmart Homebuyer U Practice Test (Sample)

## Study Guide



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

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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. 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.**

## 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. 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!**

## **Questions**

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- 1. What are property taxes imposed on by the local government?**
  - A. Buildings and structures**
  - B. Vehicles and personal assets**
  - C. Commercial businesses**
  - D. Real estate**
- 2. Which document outlines the terms and conditions of a mortgage loan?**
  - A. Purchase agreement**
  - B. Deed of trust**
  - C. Loan estimate**
  - D. Mortgage contract**
- 3. Which documents should you have ready when applying for a mortgage?**
  - A. Insurance policy documents and homeowner's association agreements**
  - B. Proof of income, tax returns, and bank statements**
  - C. Past rental agreements and utility bills only**
  - D. Personal references and business letters**
- 4. What is a potential consequence of not having an escrow account?**
  - A. Loss of home to foreclosure**
  - B. Improved budgeting skills**
  - C. Higher interest rates**
  - D. Less financial flexibility**
- 5. What gives assurance that property taxes and home insurance are paid on time?**
  - A. Self-assessment**
  - B. Escrow Account**
  - C. Financial Counseling**
  - D. Direct Payments**

- 6. What term relates to property used as a security for a debt or loan?**
- A. Collateral**
  - B. Asset**
  - C. Guarantee**
  - D. Equity**
- 7. Do real estate agents need to take a test to get licensed?**
- A. Yes, licensing exams are mandatory**
  - B. No, it is optional**
  - C. Only in some states**
  - D. They only need experience**
- 8. What financial situation could require speaking with a HUD-certified housing counselor?**
- A. Need for a mortgage refinancing**
  - B. Creation of an action plan for financial resolution**
  - C. Change in employment status**
  - D. Desire to buy a second home**
- 9. Who typically pays the commission for real estate agents?**
- A. The buyer, in all cases**
  - B. The seller, during the sale closing**
  - C. Both parties share the payment**
  - D. Only the lender pays the agent**
- 10. Why is it important for consumers to be aware of online scams?**
- A. To enjoy faster transactions**
  - B. To take advantage of loans without scrutiny**
  - C. To practice good cybersecurity habits**
  - D. To make online purchases safely**

## **Answers**

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

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## **Explanations**

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**1. What are property taxes imposed on by the local government?**

- A. Buildings and structures**
- B. Vehicles and personal assets**
- C. Commercial businesses**
- D. Real estate**

Property taxes are primarily imposed on real estate by local governments as a means of generating revenue for public services such as education, infrastructure, and emergency services. This includes residential properties, commercial properties, land, and any structures built on that land. Real estate is assessed based on its value, and the tax is calculated as a percentage of that assessed value. This funding mechanism is crucial for local governments because it allows them to maintain and improve community resources, ensuring better living conditions and enhanced public services for residents. The other options, while they may involve different types of taxes, do not fall under the umbrella of property taxes specifically imposed on real estate. Vehicles and personal assets are generally subject to different types of taxation, such as personal property taxes or sales taxes. Commercial businesses may be taxed on their income or business operations rather than specifically for the property they occupy. Therefore, the focus on real estate distinguishes property taxes as a unique and essential aspect of local government funding.

**2. Which document outlines the terms and conditions of a mortgage loan?**

- A. Purchase agreement**
- B. Deed of trust**
- C. Loan estimate**
- D. Mortgage contract**

The mortgage contract is the document that outlines the specific terms and conditions of a mortgage loan. This legally binding agreement details the obligations of both the borrower and the lender, including the loan amount, interest rate, repayment schedule, and any other conditions that apply to the mortgage. This contract ensures that both parties are clear on what is expected and what will happen in case of default, termination, or other significant events. In contrast, the purchase agreement primarily outlines the terms of the sale of the property itself, rather than the specific loan details. The deed of trust serves as a security instrument, providing the lender with rights to the property if the borrower fails to meet the loan terms, but it does not lay out the terms of the loan. The loan estimate is a document that provides an estimate of the loan terms and costs associated with the mortgage, giving borrowers some preliminary information but not the binding terms of the loan.

### 3. Which documents should you have ready when applying for a mortgage?

- A. Insurance policy documents and homeowner's association agreements**
- B. Proof of income, tax returns, and bank statements**
- C. Past rental agreements and utility bills only**
- D. Personal references and business letters**

When applying for a mortgage, it is essential to have proof of income, tax returns, and bank statements readily available. These documents provide the lender with a clear picture of your financial situation, which is crucial for assessing your ability to repay the loan. Proof of income, typically in the form of pay stubs or a verification of employment, helps demonstrate your current earnings. Tax returns, usually for the last two years, offer insight into your overall financial health and stability, showing any additional income such as investments or self-employment earnings. Bank statements are also critical, as they show your savings, checking, and any other accounts that may illustrate your financial behavior and available funds for down payments and closing costs. While other documents like insurance policies, rental agreements, and personal references may have their place in various contexts, they do not specifically address the lender's need for validated income and financial assets required to make an informed lending decision. Thus, having proof of income, tax returns, and bank statements is a foundational step in applying for a mortgage.

### 4. What is a potential consequence of not having an escrow account?

- A. Loss of home to foreclosure**
- B. Improved budgeting skills**
- C. Higher interest rates**
- D. Less financial flexibility**

A potential consequence of not having an escrow account is the loss of home to foreclosure. An escrow account is commonly used by lenders to manage specific costs associated with homeownership, such as property taxes and homeowners insurance. When a borrower opts out of an escrow account, they take on the responsibility of making these payments directly. If the borrower fails to pay property taxes or homeowners insurance on time, it can lead to significant financial problems. For example, not paying property taxes can result in penalties, interest, and potentially a tax lien against the property. If the homeowner does not rectify these issues, the local government may take legal action to collect the delinquent taxes or may even foreclose on the home. Therefore, the absence of an escrow account increases the risk of missing vital payments, which could lead to serious repercussions, including the possibility of losing the home to foreclosure. This underscores the importance of managing these financial obligations responsibly, which is a primary reason many homeowners choose to set up escrow accounts.

**5. What gives assurance that property taxes and home insurance are paid on time?**

- A. Self-assessment**
- B. Escrow Account**
- C. Financial Counseling**
- D. Direct Payments**

An escrow account is a financial arrangement where funds are held by a third party on behalf of two other parties involved in a transaction. In the context of homeownership, an escrow account is typically set up by the mortgage lender to ensure that property taxes and home insurance premiums are paid on time. When homeowners make their monthly mortgage payment, a portion of that payment is allocated to the escrow account. This account accumulates funds until the due dates for property taxes and insurance premiums arrive. The lender then uses the funds from the escrow account to pay these bills directly on behalf of the homeowner. This system provides assurance that these essential payments are made on time, protecting both the borrower and the lender from potential issues such as tax liens or gaps in insurance coverage. In contrast, the other options involve different processes or responsibilities. Self-assessment requires the homeowner to evaluate their own financial situation, which does not directly ensure timely payments. Financial counseling may provide guidance on managing finances but does not guarantee that payments will be made on time. Direct payments refer to payments made directly by the homeowner but lack the security and assurance that an escrow account provides for automatic and timely disbursement of taxes and insurance payments.

**6. What term relates to property used as a security for a debt or loan?**

- A. Collateral**
- B. Asset**
- C. Guarantee**
- D. Equity**

The term that relates to property used as a security for a debt or loan is collateral. In financial terms, collateral refers to an asset that a borrower offers to a lender to secure a loan. This collateral can take many forms, including real estate, vehicles, or other valuable items. If the borrower fails to repay the loan as agreed, the lender has the right to seize the collateral to recover their losses. In the context of a mortgage, for example, the home itself serves as collateral for the loan. This means that if the homeowner defaults on the mortgage payments, the lender can take possession of the home through foreclosure. While an asset refers to any resource owned by an individual or entity that has economic value, it does not specifically denote that the asset is being used to secure a loan. Guarantee usually refers to a promise or assurance that a loan will be repaid, often involving a third party. Equity represents ownership interest in a property after subtracting any debts secured against it, rather than the property being used as security itself.

## 7. Do real estate agents need to take a test to get licensed?

- A. Yes, licensing exams are mandatory**
- B. No, it is optional**
- C. Only in some states**
- D. They only need experience**

Real estate agents are required to pass a licensing exam as part of the process to obtain their license. This exam is a critical component designed to ensure that agents have a comprehensive understanding of real estate laws, principles, practices, and ethics. By passing this test, prospective agents demonstrate their proficiency in essential topics that will impact their future dealings with clients and transactions. Licensing exams help maintain a standard of professionalism and competency within the real estate industry, ultimately protecting consumers and fostering a reliable real estate market. The requirement for a licensing exam emphasizes the importance of knowledge and accountability in this profession. The other options do not accurately reflect the regulations governing real estate licensure, such as the importance of standardized testing across virtually all states, which counteracts the notion that it's optional or only for some states. They also overlook the necessity of formal testing, as experience alone does not equate to the understanding of the legalities and best practices needed to operate effectively within the field.

## 8. What financial situation could require speaking with a HUD-certified housing counselor?

- A. Need for a mortgage refinancing**
- B. Creation of an action plan for financial resolution**
- C. Change in employment status**
- D. Desire to buy a second home**

A HUD-certified housing counselor can provide essential support and guidance for individuals facing various financial challenges. Specifically, the need for creating an action plan for financial resolution is particularly well-suited for counseling services. These professionals are trained to help clients assess their financial situations, identify specific issues, and develop tailored strategies to address those problems. When someone is facing difficulties such as high debt levels, income instability, or even the prospect of foreclosure, a housing counselor can offer valuable insights and practical steps to take. This might include budgeting advice, understanding mortgage options, or exploring assistance programs that could alleviate financial stress. The counselor's expertise ensures that individuals receive comprehensive support tailored to their unique circumstances and goals. While the other situations listed, such as refinancing a mortgage, dealing with changes in employment, or purchasing a second home, may also benefit from professional guidance, they do not necessarily require the specialized assistance of a HUD-certified housing counselor in the same way that developing a proactive financial action plan does.

## 9. Who typically pays the commission for real estate agents?

- A. The buyer, in all cases
- B. The seller, during the sale closing**
- C. Both parties share the payment
- D. Only the lender pays the agent

In the typical real estate transaction, the seller is generally responsible for paying the commission for real estate agents. This payment is usually handled at the closing of the sale, where the commission amount is deducted from the proceeds of the sale. This practice aligns with standard real estate agreements and market customs, making it a common expectation among buyers and sellers. Buyers often benefit from this arrangement since they are not directly responsible for agent commissions, allowing them to focus on other aspects of financing their home. While certain situations may arise where other payment methods could be considered, the seller paying the commission at closing is the predominant and recognized practice in the real estate market.

## 10. Why is it important for consumers to be aware of online scams?

- A. To enjoy faster transactions
- B. To take advantage of loans without scrutiny
- C. To practice good cybersecurity habits**
- D. To make online purchases safely

Being aware of online scams is crucial because it encourages individuals to develop good cybersecurity habits. Understanding the tactics used by scammers helps consumers recognize red flags and avoid falling victim to fraudulent activities, which can lead to identity theft, financial loss, and more. Cybersecurity awareness includes recognizing secure websites, managing personal information responsibly, and identifying phishing attempts. While options pertaining to faster transactions, taking advantage of loans, or safely making purchases are relevant to the broader context of online behavior, they don't directly address the fundamental reason for being aware of scams. Awareness of scams fundamentally enhances one's ability to protect personal and financial information from malicious actors, thereby fostering a safer online experience overall.

# 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://freddiemaccreditsmart.examzify.com>**

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

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