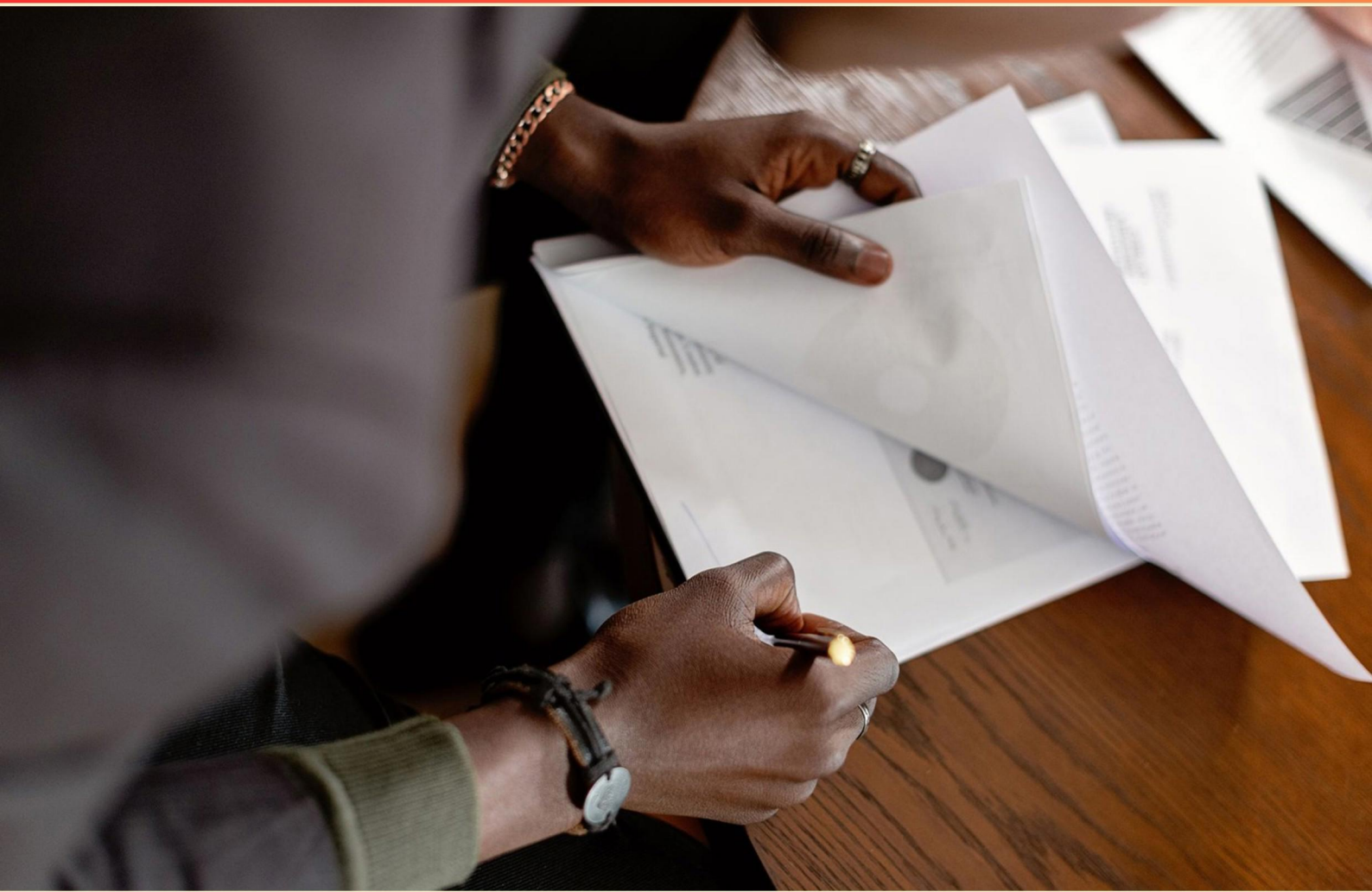


FREDDIE MAC CREDITSMART HOMEBUYER U PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

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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 action should NOT be taken immediately after a disaster?**
 - A. Implement the emergency plan
 - B. Contact your insurance company
 - C. Attempt repairs on your vehicle
 - D. Seek safe shelter
- 2. One of the four C's of lending relates to a borrower's savings and investments. What is this characteristic called?**
 - A. Capacity
 - B. Capital
 - C. Collateral
 - D. Credit
- 3. Which of the following does NOT contribute to increasing home equity?**
 - A. Paying down the loan principal
 - B. Making capital improvements to the property
 - C. Cleaning up the neighborhood
 - D. Increasing energy efficiency
- 4. What is the main benefit of a fixed-rate mortgage in a changing market?**
 - A. It allows for lower initial payments
 - B. It offers stability in interest rates and monthly payments
 - C. It has no prepayment penalties
 - D. It provides options for adjustable payments
- 5. What is the primary purpose of private mortgage insurance (PMI)?**
 - A. To protect the lender in case of default
 - B. To protect the borrower if they can't make their mortgage payment
 - C. To reduce interest rates on loans
 - D. To cover closing costs for the buyer
- 6. What does it mean if a mortgage has a fixed rate?**
 - A. The interest rate remains the same throughout the term
 - B. The monthly payments increase annually
 - C. It refers to an introductory offer
 - D. The loan must be paid off within 10 years

- 7. When seeking a contractor for home repairs, what is the recommended practice regarding bids?**
- A. Get multiple bids before making a decision
 - B. Only get one bid and pay upfront
 - C. Choose the contractor with the lowest bid
 - D. Use online reviews to select the contractor
- 8. Why is it important to review your credit report before applying for a mortgage?**
- A. To check for recent loan offers
 - B. To identify and correct potential errors
 - C. To calculate your down payment
 - D. To find local mortgage lenders
- 9. 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
- 10. What is an interest rate?**
- A. The cost of borrowing money, expressed as a percentage of the loan amount
 - B. A tax charged on real estate transactions
 - C. The total amount of money borrowed
 - D. The fee charged by the lender for processing a loan

Answers

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

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Explanations

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1. What action should NOT be taken immediately after a disaster?

- A. Implement the emergency plan
- B. Contact your insurance company
- C. Attempt repairs on your vehicle**
- D. Seek safe shelter

In the aftermath of a disaster, prioritizing safety and addressing immediate needs is crucial. Attempting repairs on your vehicle is not advisable as the first course of action. After a disaster, the primary concern should be to ensure the safety of yourself and others, assess the situation, and follow established emergency procedures. This means implementing an emergency plan, which includes locating safe shelter and ensuring that anyone who may be injured gets help. Notifying your insurance company as soon as safely possible is also an important step to begin the claims process for any damages that may have occurred. By focusing on these immediate concerns, you ensure that you are maintaining safety and making informed decisions in a potentially chaotic environment. On the other hand, trying to repair a vehicle can lead to further risk, as it could divert attention from safety protocols or involve hazards related to unstable conditions following a disaster.

2. One of the four C's of lending relates to a borrower's savings and investments. What is this characteristic called?

- A. Capacity
- B. Capital**
- C. Collateral
- D. Credit

The characteristic that relates to a borrower's savings and investments is known as Capital. In the lending context, capital refers to the borrower's assets, which may include cash savings, investments, and other forms of wealth that can demonstrate financial stability and the ability to contribute to a home purchase. Lenders examine capital to assess whether a borrower has sufficient reserves to handle unexpected expenses or financial difficulties, as well as to evaluate their overall financial health. By analyzing the capital a borrower has, lenders can determine the risk associated with extending credit. A strong capital position can enhance a borrower's creditworthiness, as it indicates they have a financial cushion and a commitment to their investment in the property. This understanding is critical for both lenders and borrowers when making informed decisions about financing a home.

3. Which of the following does NOT contribute to increasing home equity?

- A. Paying down the loan principal
- B. Making capital improvements to the property
- C. Cleaning up the neighborhood**
- D. Increasing energy efficiency

Home equity is the portion of a property that the homeowner actually owns, calculated as the current market value of the home minus the outstanding mortgage balance. Among the options listed, one does not directly affect the homeowner's equity in their property: cleaning up the neighborhood. Paying down the loan principal directly increases a homeowner's equity because it reduces the outstanding balance on the mortgage. As the principal decreases, the amount of equity the homeowner has in the property increases. Making capital improvements to the property can also boost home equity. When homeowners make renovations or improvements, such as remodeling a kitchen or adding a bathroom, the overall value of the home may increase, leading to greater equity. Increasing energy efficiency, through upgrades like new windows or insulation, can improve the home's value and ultimately lead to an increase in equity as the property becomes more desirable and potentially commands a higher market price. In contrast, while cleaning up the neighborhood can enhance the overall aesthetic and desirability of the area, it does not have a direct financial impact on an individual homeowner's equity. It may contribute to a long-term increase in property values in the neighborhood, indirectly affecting the local real estate market, but it does not immediately enhance the equity of a specific home for the homeowner.

4. What is the main benefit of a fixed-rate mortgage in a changing market?

- A. It allows for lower initial payments
- B. It offers stability in interest rates and monthly payments**
- C. It has no prepayment penalties
- D. It provides options for adjustable payments

A fixed-rate mortgage is particularly advantageous in a changing market because it guarantees a consistent interest rate over the life of the loan. This means that borrowers can enjoy stability in their monthly payments, making it easier to budget and plan for the long term, regardless of fluctuations in the market interest rates. If market rates increase, those with fixed-rate mortgages are shielded from higher payments, allowing them to maintain the same financial commitment throughout the mortgage's term. The nature of fixed-rate mortgages ensures that new borrowers do not face sudden increases in their housing costs that could impact their financial security. In contrast, other types of mortgages, such as adjustable-rate mortgages, may subject borrowers to changing payments based on market rates, which can lead to unpredictability and potential financial strain. This stability becomes even more significant during periods of rising interest rates, solidifying the appeal of fixed-rate mortgages for many homebuyers.

5. What is the primary purpose of private mortgage insurance (PMI)?

- A. To protect the lender in case of default
- B. To protect the borrower if they can't make their mortgage payment
- C. To reduce interest rates on loans
- D. To cover closing costs for the buyer

The primary purpose of private mortgage insurance (PMI) is to protect the lender in case of default. This insurance is required by lenders when a borrower is unable to make a substantial down payment, typically less than 20% of the home's purchase price. By requiring PMI, lenders mitigate their risk, as this insurance covers a portion of the loss that the lender may incur if the borrower defaults on the loan. Essentially, PMI acts as a safeguard for lenders, reassuring them that their investments are protected, even when a borrower may have a lower equity stake in the property. The other options do not accurately reflect the purpose of PMI. While borrowers may look for ways to manage their finances and safeguard their interests, PMI specifically exists to protect the lender, not the borrower. It does not serve to reduce interest rates or cover closing costs, which are separate elements in the mortgage process. Understanding the specific role of PMI can help potential homebuyers make informed decisions about their mortgage options and associated costs.

6. What does it mean if a mortgage has a fixed rate?

- A. The interest rate remains the same throughout the term
- B. The monthly payments increase annually
- C. It refers to an introductory offer
- D. The loan must be paid off within 10 years

A mortgage with a fixed rate means that the interest rate remains the same throughout the entire term of the loan. This characteristic provides stability for borrowers, as they can predict their monthly payments over the life of the loan without worrying about fluctuations in interest rates due to market changes. This stability is particularly beneficial in budgeting and financial planning, allowing homeowners to have a clear understanding of their long-term financial obligations. In contrast, other options refer to features associated with variable rate mortgages, short-term loans, or special offers, which do not apply to fixed-rate mortgages.

7. When seeking a contractor for home repairs, what is the recommended practice regarding bids?

- A. Get multiple bids before making a decision
- B. Only get one bid and pay upfront
- C. Choose the contractor with the lowest bid
- D. Use online reviews to select the contractor

The recommended practice when seeking a contractor for home repairs is to get multiple bids before making a decision. This approach allows homeowners to compare costs, understand the range of services offered, and gauge contractor reliability. Obtaining several bids provides you with a broader perspective on the market rates for your specific repair needs, which helps in making an informed choice. By reviewing multiple bids, homeowners can look at different contractor offerings in terms of price, scope of work, timelines, and materials. It's also an opportunity to ask questions to clarify any doubts about the services proposed. This practice is instrumental in ensuring that you're not only getting a fair price but also that you're selecting a contractor who meets your expectations in terms of quality and professionalism. In contrast, relying on a single bid may leave you vulnerable to potential overcharges or inadequate work, and selecting solely based on the lowest bid could compromise quality. While online reviews are useful for initial vetting, they should complement, rather than replace, the detailed examination you obtain through multiple bids.

8. Why is it important to review your credit report before applying for a mortgage?

- A. To check for recent loan offers
- B. To identify and correct potential errors**
- C. To calculate your down payment
- D. To find local mortgage lenders

Reviewing your credit report before applying for a mortgage is crucial because it allows you to identify and correct potential errors. Credit reports can contain inaccuracies that stem from clerical mistakes, outdated information, or fraudulent activity. If you have errors on your report, they could negatively impact your credit score and, consequently, your ability to secure a mortgage or the terms of that mortgage, such as interest rates. By proactively reviewing your credit report, you can take necessary steps to dispute and rectify any inaccuracies before lenders evaluate your creditworthiness. This preparation not only increases your chances of loan approval but also helps you secure better financing terms, ultimately making homeownership more affordable. The other options provide some relevance to the mortgage application process but do not directly address the primary benefit of reviewing your credit report. Checking for recent loan offers doesn't influence the accuracy of the credit information lenders will see. Calculating your down payment is pertinent to your financial planning but doesn't relate to your credit history. Finding local mortgage lenders is part of the process but does not require a review of your credit report beforehand.

9. 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.

10. What is an interest rate?

- A. The cost of borrowing money, expressed as a percentage of the loan amount
- B. A tax charged on real estate transactions
- C. The total amount of money borrowed
- D. The fee charged by the lender for processing a loan

An interest rate is defined as the cost of borrowing money, expressed as a percentage of the loan amount. This percentage indicates how much a borrower will need to pay in addition to the principal (the original amount borrowed) over a specified period, typically annually. Interest rates are crucial in determining the total cost of a loan and affect how much borrowers will pay per month in terms of principal and interest payments.

Understanding interest rates is fundamental for homebuyers and anyone looking to finance a major purchase because it influences their overall financial responsibility. A higher interest rate results in higher costs over the life of the loan, while a lower rate can save borrowers significant amounts over time. The other options do not accurately define an interest rate. While taxes on real estate transactions and fees for processing a loan are related to finance, they are separate costs that do not resemble the concept of an interest rate. The total amount of money borrowed refers to the principal and does not encapsulate the additional cost incurred by borrowing, which is what the interest rate represents.

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!

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