



REAL ESTATE RESOURCES ACADEMY

Exam Tickets

500 Flashcards for the Georgia Real Estate
Salesperson Prelicense Exam

PROPERTY OWNERSHIP · AGENCY · CONTRACTS · GEORGIA LICENSE LAW
APPRAISAL · FINANCE · MATH CALCULATIONS · AND MORE

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About Us

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500 flashcards total — tap the bookmarks panel in your PDF reader to jump straight to any topic.

Property Ownership & Estates

50 flashcards · PRO series

PRO-000 What is fee simple absolute?

ANSWER

The highest form of ownership; complete bundle of rights with no conditions, of potentially infinite duration, freely transferable and inheritable.

PRO-001 What is fee simple defeasible?

ANSWER

Ownership subject to a condition; if the condition is violated, the estate can be lost. Includes fee simple determinable and fee simple subject to condition subsequent.

PRO-002 Fee simple determinable vs. subject to condition subsequent?

ANSWER

Determinable ends automatically ('so long as') and reverts to grantor; condition subsequent requires the grantor to act ('but if') to reclaim (right of re-entry).

PRO-003 What is a life estate?

ANSWER

An ownership interest that lasts for the life of a specified person (the life tenant); it ends at that person's death and passes to a remainderman or reverts to the grantor.

PRO-004 What is a life estate pur autre vie?

ANSWER

A life estate measured by the life of someone other than the life tenant.

PRO-005 What is a remainder interest?

ANSWER

A future interest that passes the property to a third party (not the grantor) automatically when a life estate ends.

PRO-006 What is a reversion interest?

ANSWER

A future interest where the property returns to the original grantor (or their heirs) when a life estate ends.

PRO-007 What duties does a life tenant have?

ANSWER

To maintain the property, pay taxes, and avoid committing waste that would harm the interests of the remainderman or reversioner.

PRO-008 What is 'waste' in a life estate context?

ANSWER

Damage or destructive use of the property by the life tenant that reduces its value for the future interest holder.

PRO-009 What are the two main categories of estates?

ANSWER

Freehold estates (fee simple, life estate) with uncertain duration, and leasehold estates (tenancies) with defined/determinable duration.

PRO-010 What is an estate for years (tenancy for years)?

ANSWER

A leasehold with a definite start and end date; terminates automatically without notice at the end of the term.

PRO-011 What is a periodic tenancy?

ANSWER

A lease that renews automatically for successive periods (e.g., month-to-month) until either party gives proper notice to terminate.

PRO-012 What is a tenancy at will?

ANSWER

A leasehold with no fixed term that can be terminated by either party at any time, typically with proper notice.

PRO-013 What is a tenancy at sufferance?

ANSWER

Occurs when a tenant remains in possession after the lease expires without the landlord's consent (a 'holdover' tenant).

PRO-014 What is tenancy in severalty?

ANSWER

Ownership of property by one person or entity alone.

PRO-015 What is tenancy in common?

ANSWER

Ownership by two or more people, each holding an undivided (possibly unequal) interest, with no right of survivorship; interests can be sold or willed separately.

PRO-016 What is joint tenancy?

ANSWER

Ownership by two or more people with equal, undivided interests and the right of survivorship; requires the four unities of time, title, interest, and possession.

PRO-017 What are the four unities required for joint tenancy?

ANSWER

Time (acquired at the same time), Title (same deed/document), Interest (equal shares), and Possession (equal right to possess the whole).

PRO-018 What is right of survivorship?

ANSWER

When a joint tenant dies, their interest passes automatically to the surviving joint tenant(s), bypassing probate and any will.

PRO-019 What happens if a joint tenant sells their interest?

ANSWER

The joint tenancy is severed for that share; the new owner becomes a tenant in common with the remaining owners.

PRO-020 What is tenancy by the entirety?

ANSWER

A form of joint ownership available only to married couples, with right of survivorship, that in some states cannot be severed without both spouses' consent.

PRO-021 What is community property?

ANSWER

In community property states, property acquired during marriage is owned equally by both spouses regardless of whose name is on the title (Georgia is NOT a community property state).

PRO-022 What is a condominium?

ANSWER

Individual ownership of a unit (airspace) in fee simple, combined with a tenancy-in-common interest in the common elements/areas.

PRO-023 What is a cooperative (co-op)?

ANSWER

Ownership of shares in a corporation that owns the building; the shareholder receives a proprietary lease to occupy a specific unit.

PRO-024 What is a timeshare?

ANSWER

A form of ownership or right to use a property for a specified period each year, which can be fee-simple (interest timeshare) or a use/lease right (right-to-use timeshare).

PRO-025 What is a PUD (Planned Unit Development)?

ANSWER

A development combining individually owned lots with shared common areas maintained by a mandatory homeowners' association.

PRO-026 What is real property?

ANSWER

Land and everything permanently attached to it, including the airspace above and the subsurface below, plus the legal rights of ownership.

PRO-027 What is personal property (chattel)?

ANSWER

Movable property not permanently attached to land; also called personalty.

PRO-028 What is a fixture?

ANSWER

An item of personal property that has become permanently attached to real property and is treated as part of the real estate.

PRO-029 What is the MARIA/legal test for a fixture?

ANSWER

Method of attachment, Adaptability to the property's use, Relationship of the parties, Intent of the party who attached it, and Agreement between the parties.

PRO-030 What is trade fixture?

ANSWER

An item installed by a commercial tenant for business use; it remains personal property and the tenant may remove it before the lease ends.

PRO-031 What is emblement?

ANSWER

Annually cultivated crops; treated as personal property even though growing in the soil, and a tenant farmer typically retains rights to harvest them.

PRO-032 What are riparian rights?

ANSWER

Rights of an owner whose land borders a river, stream, or lake, generally including reasonable use of the water.

PRO-033 What are littoral rights?

ANSWER

Rights of an owner whose land borders a large navigable body of water such as an ocean or sea, typically extending to the high-water mark.

PRO-034 What is accretion?

ANSWER

The gradual addition of land to a property through natural deposits of soil by water.

PRO-035 What is avulsion?

ANSWER

The sudden loss or addition of land caused by a rapid change such as a flood or shift in a watercourse.

PRO-036 What is erosion?

ANSWER

The gradual wearing away of land by natural forces such as wind or water.

PRO-037 What are air rights?

ANSWER

The legal right to use, control, or occupy the space above a parcel of land, which can be sold or leased separately from surface rights.

PRO-038 What are subsurface (mineral) rights?

ANSWER

The rights to the natural resources located below the surface of a property, which can be severed and owned separately.

PRO-039 What is the bundle of rights?

ANSWER

The collection of legal rights that come with property ownership: possess, use, enjoy, exclude, and dispose (transfer).

PRO-040 What is a general warranty deed?

ANSWER

A deed that provides the greatest buyer protection; the grantor warrants title against defects arising both during and before their ownership.

PRO-041 What is a special warranty deed?

ANSWER

A deed in which the grantor only warrants against title defects that arose during their own period of ownership.

PRO-042 What is a quitclaim deed?

ANSWER

A deed that conveys whatever interest the grantor has, if any, with no warranties of title; commonly used to clear a cloud on title.

PRO-043 What are the essential elements of a valid deed?

ANSWER

Grantor and grantee named, granting clause, adequate legal description, consideration, signature of grantor, and delivery/acceptance.

PRO-044 What is 'delivery and acceptance' of a deed?

ANSWER

The grantor must intentionally deliver the deed and the grantee must accept it for a valid transfer of title to occur.

PRO-045 What is adverse possession?

ANSWER

A method of acquiring title to another's land through open, notorious, continuous, exclusive, and hostile possession for a statutory period.

PRO-046 What is escheat?

ANSWER

The reversion of property to the state when an owner dies with no will and no heirs.

PRO-047 What is eminent domain?

ANSWER

The government's power to take private property for public use, provided the owner receives just compensation.

PRO-048 What is condemnation?

ANSWER

The legal process by which the government exercises eminent domain to acquire private property.

PRO-049 What is inverse condemnation?

ANSWER

A legal action by a property owner claiming the government has effectively taken their property (e.g., via regulation) without formal condemnation, seeking compensation.

REAL ESTATE RESOURCES ACADEMY
THE LEADER IN REAL ESTATE EDUCATION

Property Rights & Interests

45 flashcards · PRO series

PRO-050 What is an easement?

ANSWER

A non-possessory right to use another person's land for a specific purpose.

PRO-051 What is an easement appurtenant?

ANSWER

An easement that benefits an adjoining parcel of land (the dominant estate) and burdens another (the servient estate); it runs with the land.

PRO-052 What is an easement in gross?

ANSWER

A personal right to use another's land that benefits a person or company rather than another parcel of land (e.g., a utility easement); typically does not transfer with the land.

PRO-053 What is the dominant estate?

ANSWER

The parcel of land that benefits from an easement appurtenant.

PRO-054 What is the servient estate?

ANSWER

The parcel of land that is burdened by (subject to) an easement.

PRO-055 What is an easement by necessity?

ANSWER

An easement created by law when a parcel has no legal access to a public road, typically over a neighboring lot that was once part of the same tract.

PRO-056 What is an easement by prescription?

ANSWER

An easement acquired through open, continuous, and hostile use of another's land for the statutory period, similar to adverse possession but without exclusivity or payment of taxes.

PRO-057 What is an easement by express grant?

ANSWER

An easement created by a written and recorded agreement between the parties.

PRO-058 How can an easement be terminated?

ANSWER

By release, merger of dominant and servient estates under one owner, abandonment, expiration of its stated term, or non-use (for prescriptive easements).

PRO-059 What is a license (in real property)?

ANSWER

A personal, revocable, non-assignable permission to use another's land, such as a ticket to a sporting event; it is not an interest in the land.

PRO-060 What is an encroachment?

ANSWER

A physical improvement (fence, building, driveway) that intrudes onto a neighboring property, revealed typically by a survey.

PRO-061 What is an encumbrance?

ANSWER

Any claim, lien, charge, or liability that attaches to real property and may diminish its value or restrict its use.

PRO-062 What is a lien?

ANSWER

A financial encumbrance (claim) placed on property as security for a debt or obligation.

PRO-063 What is a general lien?

ANSWER

A lien that attaches to all property, both real and personal, of a debtor (e.g., a judgment lien or IRS tax lien).

PRO-064 What is a specific lien?

ANSWER

A lien that attaches only to a particular piece of property (e.g., a mortgage lien or mechanic's lien).

PRO-065 What is a voluntary lien?

ANSWER

A lien created intentionally by the property owner, such as a mortgage.

PRO-066 What is an involuntary lien?

ANSWER

A lien placed on property without the owner's consent, such as a tax lien or judgment lien.

PRO-067 What is a mechanic's lien?

ANSWER

A specific, involuntary lien filed by a contractor, subcontractor, or supplier who has not been paid for labor or materials used to improve real property.

PRO-068 What is lien priority?

ANSWER

The order in which liens are paid off if a property is sold; generally determined by recording date, except property tax liens usually take first priority regardless of when recorded.

PRO-069 What is a deed restriction (restrictive covenant)?

ANSWER

A private limitation on the use of property, created by the owner or developer and typically enforced by neighboring owners or an HOA.

PRO-070 What is a covenant, condition, and restriction (CC&R)?

ANSWER

A recorded set of rules governing use and appearance of properties within a subdivision or planned community.

PRO-071 What is an encroachment vs. an easement?

ANSWER

An encroachment is an unauthorized intrusion onto another's land; an easement is a legal, authorized right to use another's land.

PRO-072 What is riparian vs. littoral, in one line?

ANSWER

Riparian applies to flowing water (rivers/streams); littoral applies to large, non-flowing bodies of water (lakes/oceans).

PRO-073 What is a party wall?

ANSWER

A wall shared by and located on the boundary line of two adjoining properties, with each owner holding rights to use and an obligation to help maintain it.

PRO-074 What is profit à prendre?

ANSWER

A right to enter another's land and remove something of value, such as timber, minerals, or crops.

PRO-075 What is a leasehold estate as a property interest?

ANSWER

A tenant's temporary possessory interest in real property created by a lease, as opposed to the landlord's freehold (ownership) interest.

PRO-076 What is a leased fee interest?

ANSWER

The landlord/owner's ownership interest in property that is subject to a lease.

PRO-077 What is a subordination clause?

ANSWER

A clause in which a lienholder agrees their lien will rank below (be subordinate to) a lien recorded later.

PRO-078 What is a lis pendens?

ANSWER

A recorded notice that litigation is pending which may affect title to a specific property.

PRO-079 What is a judgment lien?

ANSWER

A general, involuntary lien created when a court awards a money judgment against a debtor; it attaches to all real property the debtor owns in that county.

PRO-080 What are appurtenances?

ANSWER

Rights or improvements that belong to and pass with the land, such as easements, water rights, or fixtures.

PRO-081 What is homestead exemption (property right context)?

ANSWER

A legal provision protecting a portion of a homeowner's equity from certain creditors and often reducing the property's taxable value.

PRO-082 What is dower and curtesy?

ANSWER

Historical common-law rights of a surviving spouse to a portion of a deceased spouse's real property; largely replaced today by statutory elective share laws.

PRO-083 What is an encumbrance search used for?

ANSWER

To identify liens, easements, or restrictions on a property before closing, typically performed as part of a title search.

PRO-084 What is a cloud on title?

ANSWER

Any document, claim, or encumbrance that casts doubt on the validity or marketability of the owner's title.

PRO-085 What is quiet title action?

ANSWER

A lawsuit filed to remove a cloud on title and establish clear ownership of record.

PRO-086 What is severance of mineral rights?

ANSWER

The legal separation of subsurface mineral rights from surface ownership, allowing them to be owned and conveyed independently.

PRO-087 What is a right of first refusal?

ANSWER

A contractual right giving a party the first opportunity to purchase or lease a property before the owner offers it to others.

PRO-088 What is an option (as a property interest)?

ANSWER

A contract giving the holder the right, but not the obligation, to purchase or lease property at agreed terms within a specified time.

PRO-089 What is a leasehold vs. freehold, summarized?

ANSWER

A freehold is an ownership interest of indeterminate duration; a leasehold is a possessory interest of fixed or determinable duration held by a tenant.

PRO-090 What is 'bundle of legal rights' related to encumbrances?

ANSWER

Encumbrances reduce the bundle of rights by limiting an owner's ability to use, possess, or freely transfer the property.

PRO-091 What is a HOA lien?

ANSWER

A specific lien a homeowners' association can place on a property for unpaid dues or assessments, which may lead to foreclosure in some states.

PRO-092 What is prescriptive easement 'hostile use' requirement?

ANSWER

Use of the land without the owner's permission, treated as if the user has a right to it.

PRO-093 What distinguishes an easement from a profit?

ANSWER

An easement grants a right of use; a profit grants the right to use AND remove something of value from the land.

PRO-094 What is severalty ownership as a 'right'?

ANSWER

Sole ownership by one legal entity, giving that owner full, undivided control of the bundle of rights.

Land Use & Government Powers

40 flashcards · LAN series

LAN-095 What are the four government powers over land (PETE)?

ANSWER

Police power, Eminent domain, Taxation, and Escheat.

LAN-096 What is police power?

ANSWER

The government's authority to regulate property use to protect public health, safety, and welfare (zoning, building codes).

LAN-097 What is zoning?

ANSWER

Local government regulation dividing land into districts and controlling the type, density, and use of development allowed in each.

LAN-098 What is a variance?

ANSWER

Permission granted to a property owner to deviate from zoning requirements due to unique hardship, without changing the underlying zoning.

LAN-099 What is a special use permit (conditional use permit)?

ANSWER

Approval allowing a use not normally permitted in a zone, granted because it benefits the community and meets specific conditions.

LAN-100 What is nonconforming use?

ANSWER

A property use that was legal before a zoning change but no longer conforms to current zoning; typically allowed to continue ('grandfathered') under certain conditions.

LAN-101 What is spot zoning?

ANSWER

Rezoning a small parcel in a way that is inconsistent with the surrounding area's zoning and comprehensive plan; often challenged as illegal.

LAN-102 What is a comprehensive (master) plan?

ANSWER

A long-range document guiding a community's future land use, development, and infrastructure decisions.

LAN-103 What is subdivision regulation?

ANSWER

Local ordinances governing how raw land is divided into lots, including requirements for streets, utilities, and public improvements.

LAN-104 What is a building code?

ANSWER

Regulations establishing minimum standards for construction to protect public health and safety.

LAN-105 What is a certificate of occupancy?

ANSWER

A document issued by a local government certifying a building complies with codes and is safe for occupancy.

LAN-106 What is a setback requirement?

ANSWER

A zoning rule specifying the minimum distance a structure must be from a property line, street, or other structure.

LAN-107 What is density zoning?

ANSWER

Zoning that limits the average number of housing units per acre across a development, rather than on each individual lot.

LAN-108 What is a buffer zone?

ANSWER

A strip of land, often landscaped, required between differing land uses (e.g., commercial and residential) to reduce conflicts.

LAN-109 What is downzoning?

ANSWER

Rezoning property to a more restrictive classification, typically reducing density or permitted uses.

LAN-110 What is a Planned Unit Development (PUD) in land-use terms?

ANSWER

A zoning classification allowing flexible, mixed-use development that may deviate from standard zoning in exchange for amenities or design benefits.

LAN-111 What is eminent domain used for?

ANSWER

Allowing government (or authorized entities) to take private property for public use with just compensation, such as for roads or utilities.

LAN-112 What is 'just compensation'?

ANSWER

Fair market value payment owed to a property owner when their property is taken through eminent domain.

LAN-113 What is a taking (regulatory taking)?

ANSWER

When a government regulation restricts land use so severely that it deprives the owner of nearly all economic value, potentially requiring compensation.

LAN-114 What is deed restriction vs. zoning?

ANSWER

Zoning is public law enforced by government; a deed restriction is a private agreement enforced by property owners or an HOA.

LAN-115 What is an environmental impact statement?

ANSWER

A report evaluating the potential environmental effects of a proposed development, often required before approval.

LAN-116 What is a floodplain regulation?

ANSWER

Land-use rules restricting or governing development in areas prone to flooding, often requiring flood insurance or elevation standards.

LAN-117 What is wetlands regulation?

ANSWER

Federal and state rules (e.g., under the Clean Water Act) restricting development or alteration of wetland areas due to their ecological value.

LAN-118 What is a moratorium on development?

ANSWER

A temporary halt on new development or permits, often used while a community updates its zoning or infrastructure plans.

LAN-119 What is inclusionary zoning?

ANSWER

Zoning that requires or incentivizes developers to include a percentage of affordable housing units in new residential projects.

LAN-120 What is a use variance vs. an area (dimensional) variance?

ANSWER

A use variance permits a use otherwise prohibited in the zone; an area variance permits deviation from a physical requirement like setback or lot size.

LAN-121 What is the purpose of a plat map?

ANSWER

To show the legal subdivision of land into lots, blocks, streets, and easements, typically recorded with the county.

LAN-122 What is highest and best use in a land-use context?

ANSWER

The legally permissible, physically possible, financially feasible use of land that produces the greatest value.

LAN-123 What is transfer of development rights (TDR)?

ANSWER

A program allowing landowners to sell unused development rights from their property to be used on another parcel, often to preserve open space.

LAN-124 What is a nonconforming lot?

ANSWER

A lot that does not meet current minimum size or dimensional requirements but existed legally before the zoning change.

LAN-125 What agency typically administers Georgia land-disturbance and environmental permits?

ANSWER

The Georgia Environmental Protection Division (EPD), under the Department of Natural Resources.

LAN-126 What is a rezoning application process generally?

ANSWER

A property owner petitions the local planning commission/governing body to change a parcel's zoning classification, usually involving public notice and hearings.

LAN-127 What is 'grandfathering' in land use?

ANSWER

Allowing an existing legal nonconforming use or structure to continue after a zoning change, rather than requiring immediate compliance.

LAN-128 What is a form-based code?

ANSWER

A land-use regulation focused on building form, scale, and street relationship rather than strictly separating uses.

LAN-129 What is an overlay district?

ANSWER

An additional zoning layer applied over a base zoning district to add special regulations (e.g., historic preservation, airport noise).

LAN-130 What is condemnation blight?

ANSWER

A decline in property value or maintenance caused by the announcement of a future eminent domain taking.

LAN-131 What is deed covenant enforcement typically handled by?

ANSWER

Private civil lawsuit by an affected property owner or homeowners' association, not by the local government.

LAN-132 What is the difference between escheat and eminent domain?

ANSWER

Escheat transfers property to the state when there is no will and no heirs (no compensation involved); eminent domain takes property for public use with compensation.

LAN-133 What is a right-of-way?

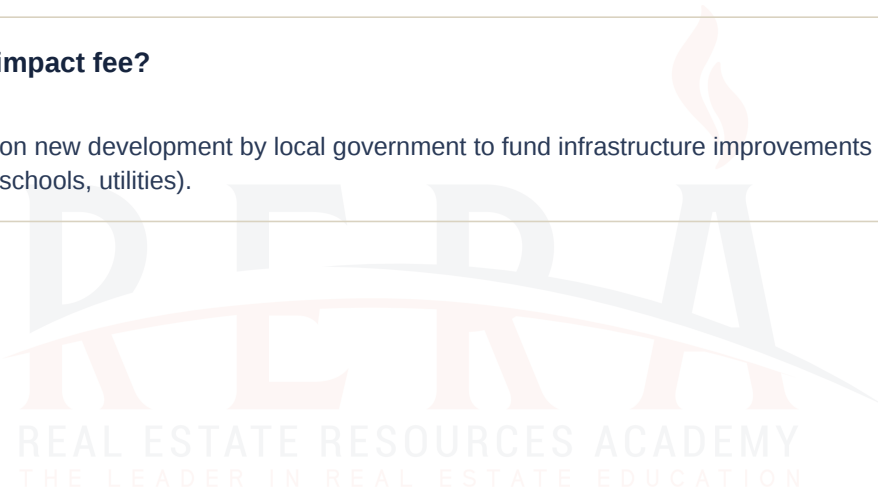
ANSWER

A type of easement granting the right to pass over another's land, often for roads, utilities, or access.

LAN-134 What is impact fee?

ANSWER

A charge imposed on new development by local government to fund infrastructure improvements made necessary by the growth (roads, schools, utilities).



Title, Recording & Closing

39 flashcards · TIT series

TIT-135 What is 'title' to real property?

ANSWER

The legal right of ownership and the evidence (documentation) of that right.

TIT-136 What is marketable title?

ANSWER

Title that is free from significant defects, liens, or encumbrances such that a reasonable, informed buyer would accept it.

TIT-137 What is a title search?

ANSWER

An examination of public records to determine the chain of ownership and identify any liens, encumbrances, or defects affecting title.

TIT-138 What is a chain of title?

ANSWER

The chronological sequence of historical transfers of title to a specific parcel of land.

TIT-139 What is an abstract of title?

ANSWER

A summarized history of all recorded documents and transactions affecting title to a property.

TIT-140 What is title insurance?

ANSWER

A policy that protects against financial loss from defects in title that existed before the policy was issued but were not discovered in the title search.

TIT-141 What is an owner's title policy vs. a lender's title policy?

ANSWER

An owner's policy protects the buyer's equity; a lender's policy protects the mortgage lender's interest, typically required by the lender and lasts only as long as the loan.

TIT-142 What is recording (in real estate)?

ANSWER

Filing a document such as a deed or mortgage with the county to provide constructive/public notice of an interest in real property.

TIT-143 What is constructive notice?

ANSWER

Notice presumed by law because a document is recorded in the public record, whether or not a party actually reviewed it.

TIT-144 What is actual notice?

ANSWER

Direct, personal knowledge of a fact, such as physically inspecting a property or being told about a claim.

TIT-145 What is a race-notice recording statute?

ANSWER

A statute (used in Georgia) that protects a subsequent bona fide purchaser who records first and had no notice of a prior unrecorded interest.

TIT-146 What does 'bona fide purchaser' mean?

ANSWER

A buyer who purchases property in good faith, for value, without notice of any competing claims or defects in title.

TIT-147 What is escrow?

ANSWER

A neutral third-party arrangement holding funds or documents until specified contractual conditions are satisfied.

TIT-148 What is a closing (settlement)?

ANSWER

The final step in a real estate transaction where ownership transfers, funds are disbursed, and documents are signed and recorded.

TIT-149 What is proration at closing?

ANSWER

Dividing ongoing expenses (taxes, HOA dues, insurance) between buyer and seller based on the closing date.

TIT-150 What is a HUD-1/Closing Disclosure?

ANSWER

A standardized form itemizing all costs, credits, and debits for buyer and seller in a residential closing (Closing Disclosure under TRID rules).

TIT-151 What is TRID (TILA-RESPA Integrated Disclosure)?

ANSWER

A rule combining Truth in Lending Act and RESPA disclosures into the Loan Estimate and Closing Disclosure forms.

TIT-152 What is RESPA?

ANSWER

The Real Estate Settlement Procedures Act, a federal law requiring disclosure of settlement costs and prohibiting kickbacks/referral fees between settlement service providers.

TIT-153 What does RESPA prohibit?

ANSWER

Unearned fees and kickbacks for referrals of settlement service business (e.g., paying an agent for referring a buyer to a specific lender).

TIT-154 What is a survey used for at closing?

ANSWER

To confirm the property's boundaries, improvements, and identify encroachments or easements affecting the parcel.

TIT-155 What is a deed of trust?

ANSWER

A three-party security instrument (borrower, lender, trustee) used in some states in place of a mortgage, giving the trustee power to sell the property if the borrower defaults.

TIT-156 What is a satisfaction of mortgage (release)?

ANSWER

A document recorded to show a mortgage debt has been fully paid off and the lien is released.

TIT-157 What is a torrens system?

ANSWER

A government-run title registration system (used in a minority of jurisdictions) that certifies title, differing from the recording system used in Georgia.

TIT-158 What is a title defect?

ANSWER

Any legal flaw, such as a missing signature, forged document, or undisclosed heir, that impairs clear ownership of property.

TIT-159 What is a title commitment?

ANSWER

A title company's preliminary promise to issue a title insurance policy once specified requirements and exceptions are addressed.

TIT-160 What is an exception in a title policy?

ANSWER

An item specifically excluded from title insurance coverage, such as a known easement or unresolved lien.

TIT-161 What is 'good and marketable title' required for in a purchase contract?

ANSWER

A standard contract condition requiring the seller to convey title free of undisclosed liens or defects at closing.

TIT-162 In Georgia, who typically conducts residential closings?

ANSWER

An attorney must supervise/conduct real estate closings in Georgia (a title/settlement agent alone is not sufficient).

TIT-163 What is a security deed in Georgia?

ANSWER

Georgia uses a security deed (not a traditional mortgage) as the instrument that actually conveys title to a lender as security for the loan, with the borrower retaining equitable title.

TIT-164 What happens to legal title under a Georgia security deed?

ANSWER

Legal title passes to the lender (or its designee) as security, while the borrower/grantor retains possession and equitable title until the loan is paid off.

TIT-165 How is foreclosure typically conducted in Georgia?

ANSWER

Primarily through nonjudicial power-of-sale foreclosure under the security deed, involving public notice and an advertised sale at the courthouse, without going through court.

TIT-166 What is the required newspaper notice period for a Georgia foreclosure sale?

ANSWER

Notice of sale must generally be advertised once a week for four consecutive weeks in the county legal organ before the sale.

TIT-167 What is a quitclaim deed commonly used for at closing?

ANSWER

To clear a cloud on title, transfer property between family members, or remove a spouse from title, without warranting the condition of title.

TIT-168 What is an affidavit of title?

ANSWER

A sworn statement by the seller at closing affirming there are no undisclosed liens, defects, or parties in possession.

TIT-169 What is a deed transfer tax (intangible/transfer tax) in Georgia?

ANSWER

Georgia imposes a real estate transfer tax on deeds when property is conveyed, typically paid by the seller unless negotiated otherwise.

TIT-170 What is the Georgia Superior Court Clerk's role in real estate?

ANSWER

The Clerk of Superior Court in each county maintains land records and records deeds, security deeds, liens, and plats for that county.

TIT-171 What is a wild deed?

ANSWER

A recorded deed that is not properly connected to the chain of title, so it does not provide constructive notice.

TIT-172 What is a lender's policy of title insurance based on?

ANSWER

The loan amount, and it protects only the lender's interest, decreasing as the loan balance is paid down.

TIT-173 What is the purpose of a closing/settlement statement?

ANSWER

To itemize all financial credits and debits to buyer and seller, ensuring an accurate accounting of funds at closing.



Agency

37 flashcards · AGE series

AGE-174 What is agency (in real estate)?

ANSWER

A legal relationship in which one party (the agent) is authorized to act on behalf of another (the principal/client) in dealings with third parties.

AGE-175 What is a fiduciary duty?

ANSWER

The highest legal duty of trust and loyalty an agent owes to their principal/client.

AGE-176 What are the fiduciary duties (OLD CAR)?

ANSWER

Obedience, Loyalty, Disclosure, Confidentiality, Accounting, and Reasonable Care/Skill/Diligence.

AGE-177 What is a principal?

ANSWER

The client who hires and is represented by a real estate agent/broker.

AGE-178 What is a customer (vs. client)?

ANSWER

A party in a transaction who is not represented by the agent and is owed only honesty and fair dealing, not fiduciary duties.

AGE-179 What is seller agency?

ANSWER

A representation relationship in which the broker represents and owes fiduciary duties to the seller only.

AGE-180 What is buyer agency?

ANSWER

A representation relationship in which the broker represents and owes fiduciary duties to the buyer only.

AGE-181 What is dual agency?

ANSWER

When one broker (or licensee) represents both buyer and seller in the same transaction; requires informed written consent from both parties where permitted.

AGE-182 What is designated agency?

ANSWER

When a broker assigns two different affiliated licensees within the same firm to represent the buyer and seller separately in the same transaction.

AGE-183 What is subagency?

ANSWER

When a cooperating broker acts as an agent of the listing broker (and therefore the seller) rather than representing the buyer.

AGE-184 What is a single agent?

ANSWER

A broker who represents only one party (either buyer or seller) in a transaction, owing full fiduciary duties to that party alone.

AGE-185 What is a transaction broker / facilitator?

ANSWER

A licensee who assists both parties in a transaction without representing either as a fiduciary, common under Georgia's brokerage relationship law.

AGE-186 How is agency typically created?

ANSWER

By express agreement (written or oral) or, in limited situations, by the conduct of the parties (implied agency).

AGE-187 What is express agency?

ANSWER

Agency created through a clear, stated agreement, whether oral or written, such as a signed listing agreement.

AGE-188 What is implied agency?

ANSWER

Agency created by the actions and conduct of the parties, even without a formal written agreement.

AGE-189 What is universal agency?

ANSWER

An agency relationship in which the agent is authorized to handle all matters that can be delegated on the principal's behalf.

AGE-190 What is general agency?

ANSWER

An agency relationship authorizing the agent to handle a range of matters within a specific area of the principal's business (e.g., a property manager).

AGE-191 What is special agency?

ANSWER

The most common real estate agency type; the agent is authorized to handle one specific transaction or task only.

AGE-192 What is the duty of disclosure owed to a client?

ANSWER

The obligation to tell the client all material facts that could affect their decision-making in the transaction.

AGE-193 What is the duty of confidentiality owed to a client?

ANSWER

The obligation to protect the client's private information (e.g., motivation to sell, financial limits) both during and after the agency relationship.

AGE-194 What is the duty of accounting?

ANSWER

The obligation to properly handle and account for all client funds and documents, such as depositing earnest money promptly into a trust account.

AGE-195 What is the duty of obedience?

ANSWER

The obligation to follow the client's lawful instructions within the scope of the agency agreement.

AGE-196 What is the duty of loyalty?

ANSWER

The obligation to act in the client's best interest above the agent's own interest or that of any third party.

AGE-197 What is the duty of reasonable care and skill?

ANSWER

The obligation to perform competently, using the knowledge and expertise expected of a licensed real estate professional.

AGE-198 What material facts must be disclosed to all parties regardless of agency?

ANSWER

Known material defects affecting the property's value or desirability, such as structural issues, and facts required by law (e.g., certain environmental hazards).

AGE-199 How does agency typically terminate?

ANSWER

By completion of the purpose, expiration of the term, mutual agreement, death/incapacity of either party, destruction of the property, or breach.

AGE-200 What is procuring cause?

ANSWER

The broker/agent whose uninterrupted efforts led directly to the successful sale, relevant to commission disputes.

AGE-201 What is vicarious liability in agency?

ANSWER

A broker's legal responsibility for the actions of their affiliated licensees performed within the scope of their duties.

AGE-202 What is an agency disclosure requirement?

ANSWER

A legal or brokerage-policy requirement to inform parties, typically in writing, of whom the licensee represents in the transaction.

AGE-203 What is a latent defect?

ANSWER

A hidden defect not discoverable through a reasonable inspection, which must be disclosed if known by the seller or agent.

AGE-204 What is a patent defect?

ANSWER

An obvious defect that would be discoverable through a reasonable, ordinary inspection of the property.

AGE-205 What is stigmatized property disclosure generally?

ANSWER

Facts such as a death on the property (not from a communicable disease) are generally not required to be disclosed in Georgia unless directly asked.

AGE-206 What is the difference between a fiduciary duty and general duties to a customer?

ANSWER

Fiduciary duties (loyalty, confidentiality, obedience) are owed only to a client; customers are owed honesty, fair dealing, and disclosure of material facts.

AGE-207 What is 'imputed knowledge' in agency?

ANSWER

The legal principle that a principal is considered to know what their agent knows, when the agent acquires that knowledge within the scope of the agency.

AGE-208 What is misrepresentation by an agent?

ANSWER

A false statement (intentional or negligent) about a material fact that induces a party to enter a transaction, potentially resulting in liability.

AGE-209 **What is puffing?**

ANSWER

An exaggerated, subjective opinion or sales talk (e.g., 'this is the best view in town') that is not considered fraudulent misrepresentation.

AGE-498 **What is 'ministerial acts' in the context of a customer relationship?**

ANSWER

Routine tasks a licensee may perform for a customer (unrepresented party), such as writing up an offer, that do not create a fiduciary agency relationship.



Contracts

40 flashcards · CON series

CON-210 What are the essential elements of a valid contract?

ANSWER

Offer and acceptance, consideration, legal capacity of the parties, legal purpose/objective, and mutual consent (meeting of the minds).

CON-211 What is consideration?

ANSWER

Something of value exchanged between parties to a contract, such as money, services, or a promise.

CON-212 What is legal capacity?

ANSWER

The legal ability of a party to enter into a binding contract; minors and those adjudged mentally incompetent generally lack capacity.

CON-213 What is a void contract?

ANSWER

A contract that has no legal force or effect from the outset, as if it never existed (e.g., a contract for an illegal purpose).

CON-214 What is a voidable contract?

ANSWER

A contract that appears valid but may be canceled (rescinded) by one party due to a legal defect such as fraud, misrepresentation, or lack of capacity.

CON-215 What is a unilateral contract?

ANSWER

A one-sided agreement in which only one party makes a promise, and the contract is formed only when the other party performs (e.g., an open listing).

CON-216 What is a bilateral contract?

ANSWER

A contract in which both parties exchange mutual promises to perform (e.g., a standard purchase agreement).

CON-217 What is an express contract?

ANSWER

A contract in which the terms are clearly stated, orally or in writing.

CON-218 What is an implied contract?

ANSWER

A contract formed by the actions or conduct of the parties rather than by explicit words.

CON-219 What is an executory contract?

ANSWER

A contract in which the terms have not yet been fully performed by one or both parties.

CON-220 What is an executed contract?

ANSWER

A contract in which all parties have fully performed their obligations.

CON-221 What is the Statute of Frauds?

ANSWER

A legal rule requiring certain contracts, including most real estate contracts, to be in writing and signed to be enforceable.

CON-222 What is an offer?

ANSWER

A definite proposal by one party to enter into a contract on specific terms, which if accepted, forms a binding agreement.

CON-223 What is a counteroffer?

ANSWER

A response to an offer that changes its terms, which rejects the original offer and creates a new offer.

CON-224 What is revocation of an offer?

ANSWER

Withdrawing an offer before it has been accepted; can generally be done any time prior to acceptance being communicated.

CON-225 What is the 'mailbox rule'?

ANSWER

Acceptance of an offer is generally effective upon dispatch (e.g., when mailed or sent), not upon receipt.

CON-226 What is liquidated damages?

ANSWER

A predetermined amount (often the earnest money) agreed upon in the contract as compensation if one party breaches.

CON-227 What is specific performance?

ANSWER

A legal remedy requiring a breaching party to fulfill their contractual obligations (commonly used to force a seller to convey property) rather than just paying damages.

CON-228 What is rescission?

ANSWER

Canceling a contract and returning both parties to their original position before the agreement was made.

CON-229 What is a breach of contract?

ANSWER

Failure by a party to perform any duty or obligation specified in the contract without legal excuse.

CON-230 What is an earnest money deposit?

ANSWER

A good-faith deposit made by a buyer to demonstrate serious intent to purchase, held in escrow and applied toward the purchase price at closing.

CON-231 What is a contingency clause?

ANSWER

A condition in a contract that must be satisfied for the agreement to become binding, such as financing, appraisal, or inspection contingencies.

CON-232 What is a listing agreement?

ANSWER

A contract between a property owner and a broker authorizing the broker to market and sell (or lease) the property.

CON-233 What is an open listing?

ANSWER

A non-exclusive listing in which the seller may hire multiple brokers and owes commission only to the one who procures a buyer; the seller may also sell it themselves without owing a commission.

CON-234 What is an exclusive agency listing?

ANSWER

A listing in which one broker is the sole listing agent, but the seller retains the right to sell the property themselves without paying a commission.

CON-235 What is an exclusive right to sell listing?

ANSWER

A listing in which the broker earns a commission regardless of who sells the property during the listing term, including the seller themselves; most common and most protective for the broker.

CON-236 What is a net listing?

ANSWER

A listing in which the seller sets a minimum amount they must receive, and the broker keeps any amount above that as commission; discouraged/restricted in many states due to conflict of interest.

CON-237 What is a purchase and sale agreement?

ANSWER

A binding contract between buyer and seller outlining the terms and conditions of a real estate transaction.

CON-238 What is assignment of a contract?

ANSWER

Transferring one's rights and/or obligations under a contract to a third party, unless the contract prohibits assignment.

CON-239 What is novation?

ANSWER

Replacing an existing contract or party with a new one, releasing the original party from further obligation.

CON-240 What is time is of the essence?

ANSWER

A contract clause indicating that stated deadlines are strict and material; missing them can constitute a breach.

CON-241 What is an option contract?

ANSWER

A contract giving one party the exclusive right, for consideration, to buy or lease property at agreed terms within a specific time frame.

CON-242 What is a right of rescission (federal Truth in Lending context)?

ANSWER

A borrower's right to cancel certain refinance/home equity loans within three business days of closing.

CON-243 What is novation vs. assignment?

ANSWER

Novation substitutes a new party and releases the old one from liability; assignment transfers rights/duties but the original party may remain liable unless released.

CON-244 What is a lease as a contract?

ANSWER

A contract creating a landlord-tenant relationship that conveys a possessory interest in real property for a specified time in exchange for rent.

CON-245 What must a real estate sales contract contain to satisfy the Statute of Frauds?

ANSWER

A written document, adequate description of the property, price, signatures of the parties to be bound, and the essential terms of the agreement.

CON-246 What is a contract addendum vs. amendment?

ANSWER

An addendum adds new terms to the original contract at signing; an amendment changes existing terms after the contract is already in effect.

CON-247 What is procuring cause in a listing dispute?

ANSWER

The determination of which broker's efforts were the direct, uninterrupted cause of the sale, used to resolve commission disputes.

CON-248 What is caveat emptor?

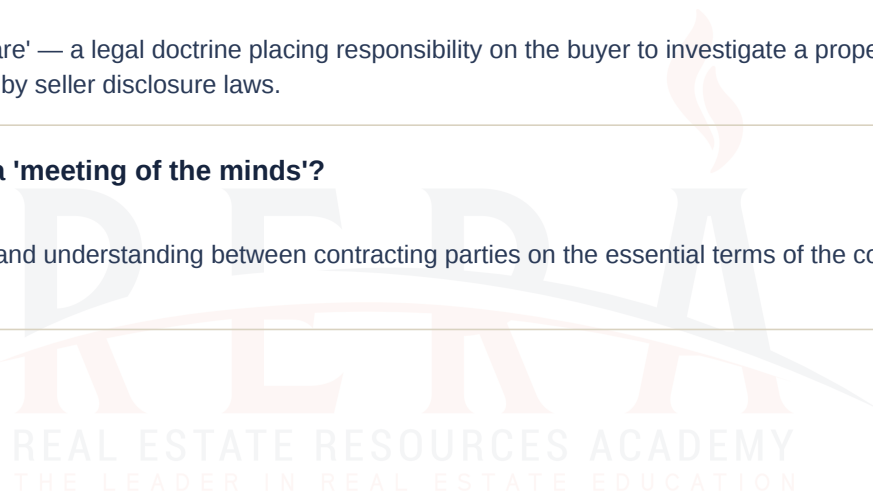
ANSWER

'Let the buyer beware' — a legal doctrine placing responsibility on the buyer to investigate a property, now significantly limited by seller disclosure laws.

CON-499 What is a 'meeting of the minds'?

ANSWER

Mutual agreement and understanding between contracting parties on the essential terms of the contract; also called mutual assent.



Georgia License Law (GREC)

66 flashcards · GEO series

GE0-249 What state agency regulates real estate licensees in Georgia?

ANSWER

The Georgia Real Estate Commission (GREC).

GE0-250 How many members serve on the Georgia Real Estate Commission?

ANSWER

Seven commissioners, appointed by the Governor.

GE0-251 Where is GREC's rules found?

ANSWER

Georgia Rules and Regulations, Chapter 520-1, promulgated under the Georgia Real Estate License Act.

GE0-252 What is the minimum age to obtain a Georgia real estate salesperson license?

ANSWER

18 years old.

GE0-253 How many hours of prelicense education are required for a Georgia salesperson license?

ANSWER

75 hours of approved prelicense coursework (Real Estate Principles).

GE0-254 How many questions are on the Georgia salesperson licensing exam and what's the passing score?

ANSWER

The exam includes national and state portions; candidates must achieve the passing score set by the testing vendor (score reports are provided by PSI, GREC's approved provider).

GE0-255 How long after passing the exam must a candidate apply for a license?

ANSWER

Generally within one year of passing the licensing exam, or the exam results expire.

GE0-256 Must a new licensee affiliate with a broker to become active?

ANSWER

Yes; a salesperson license must be sponsored by and affiliated with an actively licensed Georgia broker to become active and practice.

GE0-257 What is the postlicense education requirement for new Georgia salespersons?

ANSWER

25 hours of postlicense education must be completed within the first year of licensure.

GE0-258 What happens if a new licensee does not complete postlicense education within the first year?

ANSWER

Their license becomes inactive/void until the requirement is met, and they cannot legally practice as an active licensee.

GE0-259 How many hours of continuing education (CE) are required each renewal cycle?

ANSWER

36 hours of CE every four years for license renewal.

GE0-260 How often must a Georgia real estate license be renewed?

ANSWER

Every four years.

GE0-261 What are the license types issued by GREC?

ANSWER

Salesperson, Associate Broker, and Broker licenses.

GE0-262 What education is required to become a Georgia broker?

ANSWER

60 hours of broker prelicense coursework, plus at least 3 years of active licensed real estate experience (or equivalent) in the past 5 years, and passing the broker exam.

GE0-263 What is a six-digit license number requirement in Georgia advertising?

ANSWER

Georgia rules require the responsible broker's license number (formatted appropriately) to appear on certain advertisements and signage per GREC rules.

GE0-264 Can a Georgia salesperson operate independently without a broker?

ANSWER

No; salespersons must always work under the supervision of a licensed, actively affiliated broker.

GE0-265 What is the role of the qualifying broker?

ANSWER

The individual broker responsible for supervising a brokerage firm's licensees and ensuring compliance with license law and trust account rules.

GE0-266 What must a licensee do when changing brokers?

ANSWER

Promptly notify GREC of the change and ensure the new broker's affiliation is properly recorded; there should be no gap in active status.

GE0-267 How long can a Georgia license remain inactive before it lapses/expires?

ANSWER

An inactive license can generally be maintained by timely renewal, but if not renewed within the required period after expiration, reinstatement or re-examination may be required (check current GREC rule for exact lapse timelines).

GE0-268 What are grounds for disciplinary action by GREC?

ANSWER

Fraud, misrepresentation, commingling of funds, failure to account for trust funds, unlicensed activity, false advertising, and other violations of the License Act.

GE0-269 What disciplinary actions can GREC impose?

ANSWER

Reprimand, fines, suspension, or revocation of a license.

GE0-270 What is commingling?

ANSWER

Illegally mixing client/trust funds with a broker's personal or business operating funds.

GE0-271 What is conversion (in trust fund context)?

ANSWER

Illegally using client trust funds for a purpose other than that for which they were entrusted; a serious license law violation.

GE0-272 How quickly must earnest money be deposited into a Georgia broker's trust account?

ANSWER

Generally by the next banking day after all parties have signed the contract (per GREC trust account rules).

GE0-273 What records must a Georgia broker maintain regarding trust accounts?

ANSWER

Detailed records of all trust account deposits, disbursements, and reconciliations, retained per GREC recordkeeping requirements.

GE0-274 How long must a Georgia broker retain transaction records?

ANSWER

Generally a minimum of 3 years from the date of closing or termination of the transaction.

GE0-275 Does Georgia require errors and omissions (E&O;) insurance?

ANSWER

Yes, active Georgia licensees are generally required to carry E&O; insurance (often provided through a GREC-approved group policy).

GE0-276 Can a licensee receive compensation directly from a party other than their broker?

ANSWER

No; compensation for real estate activities must be paid through the licensee's broker, not directly from clients or other licensees.

GE0-277 Is dual agency permitted in Georgia?

ANSWER

Georgia law addresses brokerage relationships broadly and permits designated/dual representation with proper written disclosure and consent as outlined in the Brokerage Relationships in Real Estate Transactions Act (BRRETA).

GE0-278 What is BRRETA?

ANSWER

The Brokerage Relationships in Real Estate Transactions Act, Georgia's law defining broker/client relationships, duties, and disclosure requirements.

GE0-279 What duties does BRRETA require of a broker toward a customer (non-client)?

ANSWER

To treat all parties honestly, disclose material adverse facts about the property, and account for funds, without full fiduciary obligations owed to a client.

GE0-280 What must a Georgia licensee do with the security deposit funds they manage?

ANSWER

Handle them in accordance with trust account rules and, for residential leases, applicable Georgia landlord-tenant security deposit law.

GE0-281 What is the Georgia real estate transfer tax rate?

ANSWER

Currently \$1.00 per \$1,000 (or fraction thereof) of the property's value, typically paid by the seller.

GE0-282 Who must supervise/conduct a real estate closing in Georgia?

ANSWER

An attorney licensed in Georgia must supervise the closing, since Georgia is an attorney-closing state.

GE0-283 Can a Georgia real estate licensee also act as an unlicensed assistant supervisor?

ANSWER

A licensee may supervise unlicensed assistants but must ensure assistants do not perform activities requiring a license, such as negotiating terms or discussing contract details with the public.

GE0-284 What activities require a Georgia real estate license?

ANSWER

Listing, selling, leasing, negotiating, or offering to do these on behalf of another for compensation.

GE0-285 What is exempt from Georgia licensing requirements?

ANSWER

Owners selling their own property, attorneys performing legal duties incidental to their practice, and certain court-appointed persons (e.g., trustees, executors).

GE0-286 What is required for a Georgia brokerage firm's trade name?

ANSWER

It must be registered with GREC, and the broker must ensure advertising reflects the firm's licensed/registered name.

GE0-287 How does Georgia define 'active' vs. 'inactive' license status?

ANSWER

An active license allows the holder to practice real estate under a sponsoring broker; an inactive license does not authorize the holder to conduct licensed activities until reactivated.

GE0-288 Can an inactive licensee earn a commission?

ANSWER

No; a licensee must be on active status affiliated with a broker to legally earn commission for licensed real estate activities.

GE0-289 What must happen when a licensee is convicted of a crime involving moral turpitude?

ANSWER

It may result in disciplinary action, including license denial, suspension, or revocation by GREC.

GE0-290 What is the Georgia Real Estate Education, Research and Recovery Fund?

ANSWER

A fund that may compensate members of the public who suffer monetary damages from a licensee's violation of the License Act, when a judgment cannot be collected from the licensee.

GE0-291 How is a complaint against a Georgia licensee typically initiated?

ANSWER

A member of the public or another party files a written complaint with GREC, which investigates and may refer it for a hearing.

GE0-292 What is the role of the Georgia Real Estate Appeals Tribunal?

ANSWER

An independent body that hears appeals of GREC disciplinary decisions.

GE0-293 Can a felony conviction bar someone from obtaining a Georgia real estate license?

ANSWER

It can; GREC evaluates criminal history, and certain convictions may result in denial of licensure or require a personal appearance/hearing.

GE0-294 What must appear on all Georgia real estate advertising?

ANSWER

The name of the licensed brokerage firm must be clearly identified; a licensee's name alone without the firm name is generally not sufficient.

GE0-295 Can a Georgia salesperson advertise a listing under their own name/team without the broker's name?

ANSWER

No, the brokerage firm name must be prominently included per GREC advertising rules.

GE0-296 What is 'blind advertising' and is it allowed in Georgia?

ANSWER

Advertising that fails to disclose the brokerage firm's name; it is prohibited under GREC rules.

GE0-297 What continuing education must be completed for license renewal after a license lapses?

ANSWER

Reinstatement requirements vary based on how long the license was inactive/expired and may include additional CE or reactivation steps set by GREC.

GE0-298 What is required to change a license from salesperson to broker status?

ANSWER

Meeting experience requirements, completing 60-hour broker prelicense coursework, and passing the Georgia broker examination.

GE0-299 What does 'in-house' or 'dual' representation require under Georgia law?

ANSWER

Written disclosure to and consent from both parties before proceeding with dual/designated representation.

GE0-300 What is a Georgia real estate license reciprocity agreement?

ANSWER

GREC has agreements with certain other states allowing licensees to obtain a Georgia license without completing full Georgia prelicense education, subject to specific requirements.

GE0-301 What must a broker do with abandoned/unclaimed trust funds?

ANSWER

Follow GREC procedures and, if unresolved, may need to remit funds according to Georgia's unclaimed property laws after diligent efforts to locate the rightful party.

GE0-302 What is the general timeframe to notify GREC of a change of address?

ANSWER

Licensees must notify GREC promptly (per current rule) whenever their address or contact information changes.

GE0-303 Are property management activities regulated under the same license in Georgia?

ANSWER

Yes, managing property for others for compensation (leasing, collecting rent) generally requires a real estate license in Georgia.

GE0-304 What is the penalty for practicing real estate in Georgia without a license?

ANSWER

It is a misdemeanor and can result in fines and/or denial of future licensure, in addition to civil liability.

GE0-305 Who enforces the Georgia Fair Housing law alongside federal law?

ANSWER

The Georgia Commission on Equal Opportunity, alongside HUD at the federal level.

GE0-306 What must a broker do regarding supervision of affiliated licensees?

ANSWER

Provide adequate and reasonable supervision of all licensees affiliated with the firm to ensure compliance with license law.

GE0-307 What happens to a licensee's affiliation if their broker's license lapses?

ANSWER

The affiliated licensees become inactive until they affiliate with another actively licensed broker.

GE0-308 What must a team name in Georgia comply with under GREC rules?

ANSWER

Team names/advertising must not imply the team is a separate brokerage and must include the firm's name as required by GREC advertising rules.

GE0-309 How many continuing education hours must include the mandatory Legal Update course, if required?

ANSWER

GREC may require licensees to complete specific mandatory topics (such as license law updates) as part of the 36-hour CE requirement; check current GREC-approved course listings.

GE0-310 What is 'net listing' status under Georgia practice?

ANSWER

Net listings are legal but discouraged/disfavored in Georgia due to the inherent conflict of interest and potential fiduciary duty concerns.

GE0-311 What must happen before a Georgia salesperson can 'flip' (assign) a contract for profit as an investor?

ANSWER

They must disclose their licensee status in the transaction, as required by GREC rules regarding real estate activity by licensees for their own account.

GEO-312 What is required when a Georgia licensee sells their own property?

ANSWER

The licensee must disclose in writing that they hold an active real estate license.

GEO-496 What must a Georgia licensee do if they discover a material defect in a property they are helping to sell?

ANSWER

Disclose it in writing, since Georgia law requires disclosure of known material defects that are not readily observable.

GEO-497 Can a Georgia broker pay a bonus/referral fee to an unlicensed person for referring a client?

ANSWER

No; only licensed individuals may receive compensation for activities requiring a real estate license.



Brokerage Operations

34 flashcards · BRO series

BRO-313 What is a trust (escrow) account?

ANSWER

A separate bank account maintained by a broker to hold client funds, such as earnest money, apart from the broker's operating funds.

BRO-314 Why must trust funds be kept separate from operating funds?

ANSWER

To prevent commingling and protect client money; mixing the two is a serious violation of license law and fiduciary duty.

BRO-315 What is a broker's operating account used for?

ANSWER

Business expenses such as rent, salaries, and marketing — never client trust funds.

BRO-316 What is broker supervision responsible for?

ANSWER

Ensuring affiliated licensees comply with license law, ethical standards, contracts, and proper handling of transactions and funds.

BRO-317 What is vicarious liability for a broker?

ANSWER

A broker can be held legally responsible for the licensed actions of their affiliated agents performed within the scope of the agency relationship.

BRO-318 What is a commission split?

ANSWER

The agreed division of a commission between the listing broker and cooperating (selling) broker, and typically between the broker and their affiliated licensee.

BRO-319 Who legally earns and receives the commission for a sale?

ANSWER

The broker, not the individual salesperson, is legally entitled to the commission; the salesperson's share is paid to them through the broker.

BRO-320 What is a franchise vs. an independent brokerage?

ANSWER

A franchise brokerage operates under a national brand's name/systems for a fee, while an independent brokerage operates under its own distinct name and systems.

BR0-321 What is a multiple listing service (MLS)?

ANSWER

A cooperative database of property listings shared among member brokers, facilitating cooperation and compensation between listing and buyer's agents.

BR0-322 What is procuring cause used for in brokerage?

ANSWER

Resolving commission disputes between brokers by determining whose efforts were the direct cause of the completed transaction.

BR0-323 What is an independent contractor status for real estate agents?

ANSWER

Most salespersons are classified as independent contractors of their broker (not employees) for tax purposes, provided IRS criteria are met, while brokers still exercise licensing supervision.

BR0-324 What IRS criteria commonly qualify a real estate agent as an independent contractor?

ANSWER

Holding a real estate license, having compensation tied to sales output (not hours worked), and a written agreement stating independent contractor status.

BR0-325 What is required for real estate advertising to avoid being 'blind ads'?

ANSWER

The brokerage firm's name must be clearly and prominently disclosed in all advertising.

BR0-326 What is a broker price opinion (BPO)?

ANSWER

An estimate of a property's value prepared by a licensed real estate broker/agent, often for lenders, distinct from a formal appraisal.

BR0-327 Can a salesperson perform a BPO or CMA for a fee separate from a sale?

ANSWER

Rules vary; generally a CMA is a marketing tool, while charging a standalone fee for value opinions may raise appraisal-law concerns and should follow state guidance.

BR0-328 What is a comparative market analysis (CMA)?

ANSWER

An estimate of a property's likely market value based on recent sales of comparable properties, prepared by a real estate licensee (not an appraisal).

BR0-329 What must a broker do when a transaction falls through and there's a dispute over earnest money?

ANSWER

Generally hold the funds in trust and may interplead the funds with a court if the parties cannot agree on disbursement.

BR0-330 What is interpleader?

ANSWER

A legal proceeding in which a broker holding disputed funds asks a court to determine the rightful party, relieving the broker of liability.

BR0-331 What is a designated agent within a brokerage?

ANSWER

A specific licensee appointed by the broker to represent one party in a transaction where another licensee in the same firm represents the other party.

BR0-332 What is a broker's responsibility for a listing after the salesperson who took it leaves the firm?

ANSWER

The listing agreement remains with the brokerage firm, not the individual agent, unless the agreement or firm policy states otherwise.

BR0-333 What is antitrust concern in brokerage regarding commissions?

ANSWER

Brokers must independently set their own commission rates; agreeing with competitors on commission rates is illegal price-fixing.

BR0-334 What is steering?

ANSWER

Illegally influencing a buyer's housing choices based on race or other protected characteristics, a violation of fair housing law.

BR0-335 What is blockbusting?

ANSWER

Illegally inducing owners to sell by suggesting that persons of a particular protected class are moving into the neighborhood.

BR0-336 What is redlining?

ANSWER

The illegal practice of denying services (like loans or insurance) to residents of certain areas based on race or ethnicity.

BR0-337 What is a broker's duty regarding advertising accuracy?

ANSWER

Advertising must be truthful and not misleading; false or deceptive advertising is a license law violation.

BR0-338 What does 'caveat' mean for brokers regarding unlicensed assistant activities?

ANSWER

Brokers must ensure unlicensed staff do not perform activities that require a license, such as negotiating price or explaining contract terms.

BRO-339 What records must a brokerage retain related to trust accounts?

ANSWER

Bank statements, deposit slips, disbursement records, and reconciliations demonstrating funds are properly accounted for.

BRO-340 What is reconciliation of a trust account?

ANSWER

Regularly comparing the trust account's bank balance to the broker's internal ledger to ensure accuracy and detect discrepancies.

BRO-341 What is an office policy manual used for?

ANSWER

Documenting a brokerage's procedures, compliance standards, and supervisory practices for affiliated licensees.

BRO-342 What is errors and omissions (E&O;) insurance for?

ANSWER

Protects licensees and brokers from claims of negligence, mistakes, or omissions in performing professional real estate services.

BRO-343 What must a broker do before opening a branch office?

ANSWER

Register/license the branch office appropriately and designate a broker responsible for its supervision, per state requirements.

BRO-344 What is a cooperating broker?

ANSWER

A broker who works with the listing broker to bring a buyer to a transaction, typically compensated through an MLS offer of cooperation.

BRO-345 What is a referral fee?

ANSWER

Compensation paid to a licensee for referring a client to another licensee or broker, which must be paid broker-to-broker, not directly to an individual agent.

BRO-346 What must occur if a licensee wants to be paid a commission on their own home purchase?

ANSWER

They must disclose their license status, and payment arrangements should go through their broker per license law.

Appraisal & Valuation

39 flashcards · APP series

APP-347 What is an appraisal?

ANSWER

An unbiased, professional opinion of a property's value, prepared by a licensed/certified appraiser as of a specific date.

APP-348 What is market value?

ANSWER

The most probable price a property should bring in a competitive, open market, assuming a willing buyer and seller acting knowledgeably and without undue pressure.

APP-349 What is market price?

ANSWER

The actual price a property sells for, which may or may not equal its market value.

APP-350 What are the four elements/tests of value (DUST)?

ANSWER

Demand, Utility, Scarcity, and Transferability.

APP-351 What is the principle of substitution?

ANSWER

A buyer will not pay more for a property than the cost of acquiring an equally desirable substitute; the foundation of the sales comparison approach.

APP-352 What is the principle of supply and demand?

ANSWER

Value is influenced by the relationship between the availability of properties and the desire/ability of buyers to purchase them.

APP-353 What is the principle of highest and best use?

ANSWER

The legally permissible, physically possible, financially feasible, and maximally productive use of a property that generates the greatest value.

APP-354 What is the principle of conformity?

ANSWER

Property value tends to be maximized when it is similar to (conforms with) surrounding properties in use and style.

APP - 355 What is the principle of progression?

ANSWER

A modest home's value is increased by proximity to larger, more valuable homes.

APP - 356 What is the principle of regression?

ANSWER

A larger or higher-value home's value is decreased by proximity to smaller, lower-value homes.

APP - 357 What is the principle of contribution?

ANSWER

The value an individual component adds to the whole property equals what the improvement contributes to overall value, not necessarily its cost.

APP - 358 What is the principle of anticipation?

ANSWER

Value is influenced by the anticipated future benefits of ownership, such as expected income or appreciation.

APP - 359 What is the principle of change?

ANSWER

Property value is constantly influenced by dynamic economic, social, governmental, and environmental forces.

APP - 360 What is the sales comparison approach?

ANSWER

A valuation method that estimates value by comparing a subject property to recently sold comparable properties, adjusting for differences.

APP - 361 What is the cost approach?

ANSWER

A valuation method that estimates value by calculating the cost to replace/reproduce the improvements, less depreciation, plus land value.

APP - 362 What is the income capitalization approach?

ANSWER

A valuation method that estimates value based on the income a property is expected to generate, commonly used for investment/commercial properties.

APP - 363 What is the capitalization rate (cap rate)?

ANSWER

The rate of return used to convert a property's net operating income into an estimate of value: $\text{Value} = \text{NOI} \div \text{Cap Rate}$.

APP - 364 What is net operating income (NOI)?

ANSWER

Gross income from a property minus operating expenses (before debt service and taxes).

APP - 365 What is gross rent multiplier (GRM)?

ANSWER

A simplified valuation tool: $\text{Value} = \text{Gross Monthly (or Annual) Rent} \times \text{GRM}$, derived from comparable sales.

APP - 366 What is depreciation in the cost approach?

ANSWER

A loss in property value from any cause, including physical deterioration, functional obsolescence, and external (economic) obsolescence.

APP - 367 What is physical deterioration?

ANSWER

Loss in value due to wear and tear, damage, or the effects of age on a structure.

APP - 368 What is functional obsolescence?

ANSWER

Loss in value due to outdated design, layout, or features that no longer meet current market standards.

APP - 369 What is external (economic) obsolescence?

ANSWER

Loss in value caused by factors outside the property itself, such as a declining neighborhood or nearby noise/pollution.

APP - 370 What is curable vs. incurable depreciation?

ANSWER

Curable depreciation can be fixed at a cost less than the value it adds; incurable depreciation cannot be economically corrected.

APP - 371 What is replacement cost vs. reproduction cost?

ANSWER

Replacement cost is the cost to build a similar structure using current materials/design; reproduction cost is the cost to build an exact replica using the same materials.

APP - 372 What is an appraisal's 'effective date'?

ANSWER

The specific date to which the value opinion applies, which may differ from the report's completion date.

APP - 373 What is USPAP?

ANSWER

Uniform Standards of Professional Appraisal Practice — the ethical and performance standards appraisers must follow.

APP - 374 Who regulates appraisers in Georgia?

ANSWER

The Georgia Real Estate Appraisers Board, a division within GREC, licenses and regulates appraisers.

APP - 375 What is an appraisal review?

ANSWER

An evaluation of another appraiser's report to check its quality, accuracy, and compliance with standards.

APP - 376 What is a broker price opinion vs. an appraisal?

ANSWER

A BPO is an informal value estimate by a licensed real estate agent/broker; an appraisal is a formal, regulated value opinion by a licensed/certified appraiser.

APP - 377 What are the four agents of production in the income approach context?

ANSWER

Land, labor, capital, and coordination (entrepreneurship), each entitled to a return generated by the property.

APP - 378 What is assemblage?

ANSWER

Combining two or more adjoining lots into one larger parcel.

APP - 379 What is plottage value?

ANSWER

The increase in value that results from assemblage, since a larger combined parcel is often worth more than the sum of the individual lots.

APP - 380 What is an appraisal's approach reconciliation?

ANSWER

The final step where the appraiser weighs the value indications from each approach used to arrive at a single, supported opinion of value.

APP - 381 What is 'as-is' value?

ANSWER

An appraisal opinion reflecting the property's current condition, without assuming repairs or completed construction.

APP - 382 What are comparable sales (comps)?

ANSWER

Recently sold properties similar to the subject property in location, size, condition, and features, used to estimate value in the sales comparison approach.

APP - 383 What adjustment direction applies when a comparable is superior to the subject property?

ANSWER

Subtract value from the comparable's price (since it's better than the subject, its price is adjusted down to be comparable).

APP - 384 What adjustment direction applies when a comparable is inferior to the subject property?

ANSWER

Add value to the comparable's price (since it's worse than the subject, its price is adjusted up to be comparable).

APP - 385 What is an appraisal 'scope of work'?

ANSWER

The type and extent of research and analysis the appraiser will perform to develop credible value opinions for a specific assignment.



Finance

41 flashcards · FIN series

FIN-386 What is a mortgage?

ANSWER

A legal document/instrument that pledges real property as security (collateral) for repayment of a loan, giving the lender a lien.

FIN-387 What is a promissory note?

ANSWER

The borrower's written promise to repay a loan under specified terms; it evidences the debt itself, while the mortgage/security deed secures it.

FIN-388 What is amortization?

ANSWER

The gradual repayment of a loan through regular payments that cover both principal and interest over time.

FIN-389 What is a fully amortized loan?

ANSWER

A loan where equal periodic payments pay off both principal and interest completely by the end of the loan term.

FIN-390 What is a balloon payment?

ANSWER

A large final payment due at the end of a loan term after smaller periodic payments, because the loan was not fully amortized.

FIN-391 What is an adjustable-rate mortgage (ARM)?

ANSWER

A loan with an interest rate that changes periodically based on a financial index, after an initial fixed period.

FIN-392 What is a fixed-rate mortgage?

ANSWER

A loan with an interest rate that remains the same for the entire loan term.

FIN-393 What is PMI (Private Mortgage Insurance)?

ANSWER

Insurance required on conventional loans with less than 20% down payment, protecting the lender if the borrower defaults.

FIN-394 What is an FHA loan?

ANSWER

A loan insured by the Federal Housing Administration, featuring lower down payment requirements and more flexible qualifying standards.

FIN-395 What is a VA loan?

ANSWER

A loan guaranteed by the Department of Veterans Affairs for eligible veterans, often requiring no down payment.

FIN-396 What is a conventional loan?

ANSWER

A loan not insured or guaranteed by a government agency, typically requiring stronger credit and often PMI if under 20% down.

FIN-397 What is a conforming loan?

ANSWER

A conventional loan that meets the size and underwriting guidelines set by Fannie Mae/Freddie Mac.

FIN-398 What is a jumbo loan?

ANSWER

A loan that exceeds the conforming loan limits set by Fannie Mae/Freddie Mac, typically requiring stricter qualification.

FIN-399 What is loan-to-value ratio (LTV)?

ANSWER

The loan amount divided by the property's appraised value or purchase price (whichever is lower), expressed as a percentage.

FIN-400 What is a debt-to-income ratio (DTI)?

ANSWER

A borrower's total monthly debt payments divided by their gross monthly income, used by lenders to assess repayment ability.

FIN-401 What is discount points?

ANSWER

Prepaid interest paid at closing to reduce the loan's interest rate; one point equals 1% of the loan amount.

FIN-402 What is an origination fee?

ANSWER

A fee charged by a lender to process a new loan application, often expressed as a percentage of the loan amount.

FIN-403 What is a prepayment penalty?

ANSWER

A fee some loans charge if the borrower pays off the loan early or ahead of schedule.

FIN-404 What is a due-on-sale clause?

ANSWER

A mortgage provision requiring the loan to be paid in full when the property is sold or title is transferred.

FIN-405 What is loan assumption?

ANSWER

When a buyer takes over the seller's existing mortgage under its original terms, subject to lender approval requirements.

FIN-406 What is seller financing (purchase money mortgage)?

ANSWER

When the seller acts as the lender, allowing the buyer to make payments directly to them instead of through a traditional lender.

FIN-407 What is a wraparound mortgage?

ANSWER

A new loan that 'wraps around' and includes an existing loan; the buyer pays the seller who continues paying the original lender.

FIN-408 What is a home equity line of credit (HELOC)?

ANSWER

A revolving line of credit secured by the borrower's equity in their home, allowing draws up to a set limit.

FIN-409 What is a second mortgage (junior lien)?

ANSWER

A loan secured by property that is already collateral for an existing (first) mortgage, subordinate in priority.

FIN-410 What is the Truth in Lending Act (TILA)?

ANSWER

A federal law requiring lenders to disclose credit terms and costs, including the APR, to consumers.

FIN-411 What is APR (Annual Percentage Rate)?

ANSWER

The total yearly cost of a loan expressed as a percentage, including interest and certain fees, allowing borrowers to compare loan offers.

FIN-412 What is the Equal Credit Opportunity Act (ECOA)?

ANSWER

A federal law prohibiting discrimination in lending based on race, color, religion, national origin, sex, marital status, age, or receipt of public assistance.

FIN-413 What is redlining in a lending context?

ANSWER

Illegally denying loans or services to residents of a specific area based on race or ethnicity rather than creditworthiness.

FIN-414 What is an underwriter's role?

ANSWER

Evaluating a borrower's creditworthiness, income, assets, and the property's value to decide whether to approve a loan.

FIN-415 What is a loan estimate (under TRID)?

ANSWER

A standardized disclosure given to a borrower within three business days of applying for a mortgage, outlining estimated rate, payments, and closing costs.

FIN-416 What is a closing disclosure (under TRID)?

ANSWER

A standardized form given to the borrower at least three business days before closing, detailing final loan terms and closing costs.

FIN-417 What is a straight (term) loan?

ANSWER

A loan in which only interest is paid periodically, with the full principal due in a lump sum at the end of the term.

FIN-418 What is a blanket mortgage?

ANSWER

A single mortgage that covers more than one parcel of real estate, often used by developers, typically including a partial release clause.

FIN-419 What is a partial release clause?

ANSWER

A mortgage provision allowing individual parcels to be released from a blanket mortgage as portions of the debt are paid off.

FIN-420 What is an acceleration clause?

ANSWER

A mortgage provision allowing the lender to declare the entire remaining loan balance due immediately upon default.

FIN-421 What is a subordination clause in finance?

ANSWER

A clause allowing a lien to voluntarily move to a lower priority position relative to another lien.

FIN-422 What is negative amortization?

ANSWER

When loan payments are insufficient to cover the interest due, causing the unpaid interest to be added to the principal balance, increasing total debt owed.

FIN-423 What is a construction loan?

ANSWER

A short-term loan used to finance the building of a structure, typically disbursed in stages (draws) as construction progresses.

FIN-424 What is a bridge (swing) loan?

ANSWER

A short-term loan that helps a buyer cover the gap between purchasing a new home and selling their current one.

FIN-425 What is the difference between a mortgage and a Georgia security deed?

ANSWER

A mortgage creates a lien on the property while title stays with the borrower; a Georgia security deed actually conveys legal title to the lender as security until the debt is repaid.

FIN-426 What is usury?

ANSWER

Charging an interest rate higher than what is legally permitted by state law.

REAL ESTATE RESOURCES ACADEMY
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Math Calculations

69 flashcards · MAT series

MAT-427 How do you calculate a real estate commission?

ANSWER

Sale Price × Commission Rate = Commission Amount. Example: $\$300,000 \times 6\% = \$18,000$.

MAT-428 A house sells for \$250,000 with a 5% commission split 60/40 between listing and selling broker. How much does the listing broker receive?

ANSWER

Total commission = $\$250,000 \times 5\% = \$12,500$. Listing broker's share = $\$12,500 \times 60\% = \$7,500$.

MAT-429 How do you find the sale price if you know the commission amount and rate?

ANSWER

Sale Price = Commission Amount ÷ Commission Rate. Example: $\$15,000 \div 6\% = \$250,000$.

MAT-430 How do you calculate square footage of a rectangular room?

ANSWER

Length × Width = Square Footage. Example: $20 \text{ ft} \times 15 \text{ ft} = 300 \text{ sq ft}$.

MAT-431 How do you calculate the area of a triangle?

ANSWER

Area = $(\text{Base} \times \text{Height}) \div 2$.

MAT-432 How many square feet are in an acre?

ANSWER

43,560 square feet.

MAT-433 How many acres are in a section of land?

ANSWER

640 acres (one square mile).

MAT-434 How do you convert square feet to acres?

ANSWER

Divide the total square feet by 43,560.

MAT-435 A lot is 200 ft × 150 ft. How many acres is it?

ANSWER

$200 \times 150 = 30,000 \text{ sq ft}$. $30,000 \div 43,560 \approx 0.69 \text{ acres}$.

MAT-436 How do you calculate monthly interest on a loan given the annual rate?

ANSWER

Monthly Interest = (Loan Balance × Annual Rate) ÷ 12.

MAT-437 A \$200,000 loan has a 6% annual interest rate. What is the first month's interest?

ANSWER

$\$200,000 \times 6\% = \$12,000$ per year ÷ 12 = \$1,000 for the first month.

MAT-438 How do you calculate loan-to-value ratio (LTV)?

ANSWER

LTV = Loan Amount ÷ Property Value (or purchase price, whichever is lower), expressed as a percentage.

MAT-439 A buyer gets a \$180,000 loan on a \$225,000 home. What is the LTV?

ANSWER

$\$180,000 \div \$225,000 = 0.80 = 80\%$ LTV.

MAT-440 How do you calculate the down payment amount?

ANSWER

Down Payment = Purchase Price – Loan Amount.

MAT-441 How do you calculate property tax owed given assessed value and millage rate?

ANSWER

Tax = Assessed Value × (Millage Rate ÷ 1,000).

MAT-442 A home has an assessed value of \$150,000 and the millage rate is 25 mills. What is the annual property tax?

ANSWER

$\$150,000 \times (25 \div 1,000) = \$3,750$ annual tax.

MAT-443 What is a mill?

ANSWER

One-tenth of one cent, or \$1 of tax per \$1,000 of assessed value (1 mill = 0.001).

MAT-444 How do you calculate assessed value given market value and assessment ratio?

ANSWER

Assessed Value = Market Value × Assessment Ratio.

MAT-445 A home's market value is \$300,000 and the assessment ratio is 40%. What is the assessed value?

ANSWER

$\$300,000 \times 40\% = \$120,000$ assessed value.

MAT-446 How do you prorate annual property taxes at closing?

ANSWER

Divide the annual tax by 365 (or 360) to get a daily rate, then multiply by the number of days owed by each party.

MAT-447 Seller owes property taxes of \$2,190/year, closing on day 100 of the year (365-day method), seller pays taxes for days used. How much does the seller owe?

ANSWER

$\$2,190 \div 365 = \$6/\text{day}$. $\$6 \times 100 \text{ days} = \600 owed by seller (up to but not including closing day, per contract terms).

MAT-448 How do you calculate a property's gross rent multiplier (GRM)?

ANSWER

$\text{GRM} = \text{Sale Price} \div \text{Gross Monthly Rent}$.

MAT-449 A property sold for \$240,000 and rents for \$2,000/month. What is the GRM?

ANSWER

$\$240,000 \div \$2,000 = 120 \text{ GRM}$.

MAT-450 How do you estimate value using GRM?

ANSWER

$\text{Value} = \text{Gross Monthly Rent} \times \text{GRM}$.

MAT-451 How do you calculate net operating income (NOI)?

ANSWER

$\text{NOI} = \text{Gross Income} - \text{Operating Expenses (before debt service)}$.

MAT-452 How do you calculate value using the income capitalization approach?

ANSWER

$\text{Value} = \text{NOI} \div \text{Capitalization Rate}$.

MAT-453 A property has an NOI of \$40,000 and comparable cap rates are 8%. What is the estimated value?

ANSWER

$\$40,000 \div 0.08 = \$500,000$.

MAT-454 How do you calculate the capitalization rate if value and NOI are known?

ANSWER

$\text{Cap Rate} = \text{NOI} \div \text{Value}$.

MAT-455 How do you calculate simple annual interest?

ANSWER

$\text{Interest} = \text{Principal} \times \text{Rate} \times \text{Time (in years)}$.

MAT-456 A \$10,000 loan at 5% simple interest is outstanding for 2 years. What is the total interest?

ANSWER

$\$10,000 \times 0.05 \times 2 = \$1,000.$

MAT-457 How do you calculate seller's net proceeds?

ANSWER

Net Proceeds = Sale Price – Mortgage Payoff – Closing Costs – Commission – Other Liens/Fees.

MAT-458 A seller sells for \$320,000, owes \$180,000 on the mortgage, pays \$6,000 in closing costs, and 6% commission. What are net proceeds?

ANSWER

Commission = $\$320,000 \times 6\% = \$19,200$. Net = $\$320,000 - \$180,000 - \$6,000 - \$19,200 = \$114,800$.

MAT-459 How do you calculate the sale price needed for a seller to net a specific amount after a 6% commission?

ANSWER

Sale Price = Desired Net $\div (1 - \text{Commission Rate})$. Example: $\$200,000 \div 0.94 \approx \$212,766$.

MAT-460 How do you calculate points cost on a loan?

ANSWER

Cost = Loan Amount $\times (\text{Number of Points} \div 100)$. One point = 1% of the loan amount.

MAT-461 A buyer pays 2 points on a \$250,000 loan. How much is that in dollars?

ANSWER

$\$250,000 \times 2\% = \$5,000.$

MAT-462 How do you calculate monthly PITI payment components generally?

ANSWER

PITI = Principal + Interest + Taxes + Insurance, each calculated separately and summed for the total monthly payment.

MAT-463 How do you calculate debt-to-income ratio (DTI)?

ANSWER

DTI = Total Monthly Debt Payments $\div$ Gross Monthly Income.

MAT-464 A borrower has \$1,800 in monthly debt payments and \$6,000 gross monthly income. What is their DTI?

ANSWER

$\$1,800 \div \$6,000 = 0.30 = 30\%$ DTI.

MAT-465 How do you calculate front-end (housing) ratio?

ANSWER

Front-End Ratio = Proposed Monthly Housing Payment $\div$ Gross Monthly Income.

MAT-466 How do you convert an annual income to a monthly qualifying income?

ANSWER

Divide annual gross income by 12.

MAT-467 How do you calculate the number of square yards from square feet?

ANSWER

Divide the total square feet by 9 (since 1 sq yd = 9 sq ft).

MAT-468 A room is 300 sq ft. How many square yards of carpet are needed?

ANSWER

$300 \div 9 \approx 33.3$ square yards.

MAT-469 How do you calculate the perimeter of a rectangular lot?

ANSWER

Perimeter = $2 \times (\text{Length} + \text{Width})$.

MAT-470 A lot measures 100 ft by 60 ft. What is its perimeter?

ANSWER

$2 \times (100 + 60) = 320$ feet.

MAT-471 How do you calculate the volume of a room in cubic feet?

ANSWER

Volume = Length $\times$ Width $\times$ Height.

MAT-472 How do you calculate depreciation using the straight-line method?

ANSWER

Annual Depreciation = $(\text{Cost} - \text{Salvage/Land Value}) \div \text{Useful Life (in years)}$.

MAT-473 A building costs \$200,000 to replace (excluding land) and has a 40-year useful life. What is annual straight-line depreciation?

ANSWER

$\$200,000 \div 40 = \$5,000$ per year.

MAT-474 How do you find accrued depreciation for a building's current age?

ANSWER

Accrued Depreciation = Annual Depreciation $\times$ Building's Effective Age.

MAT-475 A building depreciates \$5,000/year and is 8 years old. What is total accrued depreciation?

ANSWER

$\$5,000 \times 8 = \$40,000$.

MAT-476 How do you calculate the value of improvements using the cost approach?

ANSWER

Value = Land Value + Reproduction/Replacement Cost of Improvements – Accrued Depreciation.

MAT-477 How do you calculate the effective gross income (EGI) for an income property?

ANSWER

EGI = Potential Gross Income – Vacancy and Collection Losses.

MAT-478 A property has potential gross income of \$60,000 and a 5% vacancy/collection loss. What is EGI?

ANSWER

$\$60,000 \times (1 - 0.05) = \$57,000.$

MAT-479 How do you calculate a property's price per square foot?

ANSWER

Price per Sq Ft = Sale Price ÷ Total Square Footage.

MAT-480 A home sells for \$360,000 and has 2,400 sq ft. What is the price per square foot?

ANSWER

$\$360,000 \div 2,400 = \150 per sq ft.

MAT-481 How do you calculate the value of a comparable property's adjustment total?

ANSWER

Add all positive adjustments and subtract all negative adjustments from the comparable's sale price to arrive at an adjusted value.

MAT-482 How do you calculate a buyer's total cash needed at closing?

ANSWER

Cash Needed = Down Payment + Closing Costs – Any Credits (e.g., seller-paid costs or earnest money already deposited).

MAT-483 How do you calculate proration when the seller has already paid the full year's HOA dues in advance?

ANSWER

The buyer owes/reimburses the seller for the unused portion of dues from the closing date through the end of the paid period.

MAT-484 How do you calculate the transfer tax owed on a Georgia deed?

ANSWER

Transfer Tax = \$1.00 per \$1,000 of sale price (or fraction thereof). Example: \$310,000 sale = \$310.00 tax (rounding up fractions of \$1,000).

MAT-485 A property sells for \$310,000. What is the Georgia transfer tax owed?

ANSWER

$\$310,000 \div \$1,000 = 310 \times \$1.00 = \$310.00.$

MAT-486 How do you calculate a lender's origination fee?

ANSWER

Origination Fee = Loan Amount $\times$ Origination Fee Percentage.

MAT-487 A \$300,000 loan has a 1% origination fee. What is the fee amount?

ANSWER

$\$300,000 \times 1\% = \$3,000.$

MAT-488 How do you calculate the remaining loan balance is roughly estimated using an amortization schedule?

ANSWER

Each payment is split between interest (on the current balance) and principal; the principal portion reduces the balance used for the next period's interest calculation.

MAT-489 How do you calculate a rectangular lot's total square footage from its dimensions in feet?

ANSWER

Multiply the front (width) by the depth (length) of the lot.

MAT-490 A commercial tenant pays \$22 per square foot annually for 2,500 sq ft of space. What is the monthly rent?

ANSWER

$\$22 \times 2,500 = \$55,000$ annual rent $\div 12 = \$4,583.33$ monthly rent.

MAT-491 How do you calculate a percentage lease's overage rent?

ANSWER

Overage Rent = (Actual Sales – Breakpoint Sales) $\times$ Percentage Rate specified in the lease.

MAT-492 A retail tenant has \$500,000 in sales, a \$400,000 breakpoint, and pays 6% overage rent. What is the overage rent owed?

ANSWER

$(\$500,000 - \$400,000) \times 6\% = \$6,000$ overage rent.

MAT-493 How do you calculate the amount of earnest money as a percentage of sale price?

ANSWER

Earnest Money = Sale Price $\times$ Agreed Earnest Money Percentage.

MAT-494 A \$280,000 contract requires a 2% earnest money deposit. How much is the deposit?

ANSWER

$\$280,000 \times 2\% = \$5,600.$

MAT-495 How do you calculate a broker's commission on a lease transaction?

ANSWER

Commission = Total Lease Value (rent × term) × Agreed Commission Rate (or per the specific commission structure agreed upon).

