

# Georgia Real Estate Pre-Licensing Practice Test (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. What landmark law passed in 1890 prohibits trusts and monopolies in the marketplace?**
  - A. Securities Exchange Act**
  - B. Clayton Antitrust Act**
  - C. Sherman Antitrust Act**
  - D. Federal Trade Commission Act**
- 2. What is the main focus of a sublease agreement between a tenant and another party?**
  - A. To terminate the original lease**
  - B. To change the property owner**
  - C. To transfer part of possession rights**
  - D. To negotiate rental price**
- 3. Which term refers to a provision in a deed that restricts the use of land?**
  - A. Leasehold**
  - B. Easement**
  - C. Deed restriction**
  - D. Covenant**
- 4. What is the term for a lien that has another senior lien superseding it in priority?**
  - A. Senior lien**
  - B. Junior lien**
  - C. Subordinate lien**
  - D. Priority lien**
- 5. What is the role of the Department of Housing and Urban Development (HUD)?**
  - A. To oversee the real estate licensing process**
  - B. To enforce federal fair housing laws**
  - C. To regulate property taxes**
  - D. To approve mortgage insurance**

- 6. What effect does high demand for housing typically have on property prices?**
- A. It decreases property values**
  - B. It stabilizes property prices**
  - C. It increases property values**
  - D. It has no effect on property prices**
- 7. Which of the following best describes the concept of encroachment?**
- A. It refers to boundary disputes between neighbors.**
  - B. It is the right of a landowner to extend their property line.**
  - C. It is a form of property interest transfer.**
  - D. It involves physical property extending over another's boundary.**
- 8. What describes a legally enforceable agreement where a promise is exchanged for consideration?**
- A. Contract**
  - B. Agreement**
  - C. Commitment**
  - D. Understanding**
- 9. What is the term for a tenant's transfer of part of their right of possession in a leased property to another person for part of the lease term?**
- A. Assignment**
  - B. Sublet**
  - C. Sublease**
  - D. Tenant transfer**
- 10. What doctrine grants states control over all water resources within their borders?**
- A. Doctrine of riparian rights**
  - B. Doctrine of public trust**
  - C. Doctrine of prior appropriation**
  - D. Doctrine of eminent domain**

## **Answers**

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

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## **Explanations**

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**1. What landmark law passed in 1890 prohibits trusts and monopolies in the marketplace?**

- A. Securities Exchange Act**
- B. Clayton Antitrust Act**
- C. Sherman Antitrust Act**
- D. Federal Trade Commission Act**

The Sherman Antitrust Act, enacted in 1890, is considered a foundational piece of legislation aimed at maintaining competition in the marketplace by prohibiting trusts and monopolies. This act was established to combat anti-competitive practices that hindered fair trade and harmed consumers. By making it illegal to restrain trade or commerce through unfair competition, it laid the groundwork for future antitrust laws. This law is particularly notable because it marked the federal government's first significant effort to regulate and control anti-competitive behaviors affecting the economy. The Sherman Antitrust Act provided the framework for subsequent legislation, influencing how businesses operate and how regulators can intervene to promote market fairness. The other options refer to different legislation: the Securities Exchange Act regulates securities transactions to protect investors; the Clayton Antitrust Act expands on the Sherman Act by addressing specific practices such as price discrimination and exclusive dealing; and the Federal Trade Commission Act created the Federal Trade Commission to enforce antitrust laws. While all these laws contribute to competition policy, it is the Sherman Antitrust Act that specifically addresses the prohibition of trusts and monopolies established in the late 19th century.

**2. What is the main focus of a sublease agreement between a tenant and another party?**

- A. To terminate the original lease**
- B. To change the property owner**
- C. To transfer part of possession rights**
- D. To negotiate rental price**

The main focus of a sublease agreement is to transfer part of possession rights from the original tenant to another party. In a sublease, the original tenant (the sublessor) is allowing a third party (the sublessee) to occupy the property or a portion of it, while the original lease with the landlord remains in effect. This means that the original tenant still holds the primary lease agreement and has responsibilities to the landlord, but is allocating some of those rights to another person for a specified period of time. This arrangement allows the tenant to legally rent out the property they are leasing, often while maintaining their own status as a tenant under the original lease. The new party does not become a tenant to the landlord; rather, they have a temporary agreement with the original tenant. As such, the focus is on shifting part of the rights of possession, rather than changing ownership of the property, terminating the original lease, or negotiating a different rental price for the entire property.

**3. Which term refers to a provision in a deed that restricts the use of land?**

- A. Leasehold**
- B. Easement**
- C. Deed restriction**
- D. Covenant**

The term that refers to a provision in a deed that restricts the use of land is a deed restriction. A deed restriction is a legal clause found in a property deed that limits what the property owner can do with the property, often to maintain a certain standard for the neighborhood or to protect property values. These restrictions are typically established by the property developer or previous owners to ensure uniformity and adherence to certain standards within a community. Covenants are similar but are broader in scope and can dictate a range of obligations and prohibitions, not just those related to the use of the land. An easement, on the other hand, grants a right to use a portion of someone else's property for a specific purpose, such as accessing a road or utility lines, rather than directly restricting the property owner's use of their land. Leasehold refers to the right to hold or use property for a specified period under a lease arrangement, which does not inherently restrict land use like a deed restriction does. Thus, "deed restriction" is the most accurate term for a provision that limits how a property owner can use their land.

**4. What is the term for a lien that has another senior lien superseding it in priority?**

- A. Senior lien**
- B. Junior lien**
- C. Subordinate lien**
- D. Priority lien**

A junior lien is a lien that has a lower priority compared to another senior lien. In the context of real estate, liens are classified based on their priority; the order of priority determines the sequence in which creditors are paid in the event of a property foreclosure. When a senior lien exists, it takes precedence over other liens, meaning that if the property needs to be sold to satisfy debts, the senior lien will be paid first. Any subsequent liens, such as the junior lien, are only paid after the senior lien has been settled. This classification is essential because it affects the risk associated with lending and borrowing. For example, lenders who place junior liens are often aware that their recovery in case of foreclosure is at risk, as they stand to receive payment only after the senior lien is fully satisfied. This distinction is crucial in real estate transactions and financing.

**5. What is the role of the Department of Housing and Urban Development (HUD)?**

- A. To oversee the real estate licensing process**
- B. To enforce federal fair housing laws**
- C. To regulate property taxes**
- D. To approve mortgage insurance**

The Department of Housing and Urban Development (HUD) has a critical role in enforcing federal fair housing laws, which aim to eliminate discrimination in housing-related transactions. This includes ensuring that individuals are not denied housing based on race, color, national origin, religion, sex, familial status, or disability. HUD investigates complaints of housing discrimination and works to promote fair housing practices, making it essential to the protection of civil rights in the housing market. In contrast, while HUD does have other functions like overseeing aspects of housing finance and providing support for housing programs, the enforcement of fair housing laws is a core responsibility. Licensing real estate professionals falls under the state's jurisdiction, property taxes are managed by state and local governments, and mortgage insurance is mainly administered through programs like FHA loans, which are also overseen by HUD but do not represent the primary role of the department. Thus, by focusing on fair housing enforcement, HUD plays a vital part in promoting equal access to housing for all citizens.

**6. What effect does high demand for housing typically have on property prices?**

- A. It decreases property values**
- B. It stabilizes property prices**
- C. It increases property values**
- D. It has no effect on property prices**

High demand for housing typically leads to an increase in property values. When more buyers are actively seeking homes in a particular area, they compete for the available properties, which can drive prices upward. This phenomenon is often influenced by factors such as population growth, economic development, and interest rates, making the housing market more competitive. As demand rises and the supply of homes remains limited, sellers can often set higher prices, leading to an overall increase in property values. In contrast, decreased demand would not contribute to price increases, while stabilization in prices generally occurs in a balanced market with equal supply and demand. The notion that demand has no effect on prices does not accurately reflect market dynamics, as consumer interest is a key driver of real estate value.

7. Which of the following best describes the concept of encroachment?
- A. It refers to boundary disputes between neighbors.
  - B. It is the right of a landowner to extend their property line.
  - C. It is a form of property interest transfer.
  - D. It involves physical property extending over another's boundary.**

The concept of encroachment is most accurately described as involving physical property extending over another's boundary. In real estate, encroachment occurs when a structure, such as a fence, building, or tree, illegally crosses over the property line and intrudes onto a neighbor's land. This can lead to disputes between property owners, as it may affect their use and enjoyment of their property. Understanding encroachment is crucial, especially in the context of property rights and land ownership. Resolving these issues often involves legal action or negotiations to establish the exact boundaries and rights of both parties. Encroachments may arise due to unclear property lines, and property surveys can help identify and resolve these situations. The other options do touch on related topics, but they do not accurately encapsulate the definition of encroachment as clearly as this choice. For instance, boundary disputes may occur as a result of encroachments but do not define what encroachment is. Similarly, the idea of extending a property line or transferring property interest refers to different legal concepts and is not directly related to the physical aspects of encroachment. Thus, the focus on the physical overlap of property over boundaries precisely captures the nature of encroachment.

8. What describes a legally enforceable agreement where a promise is exchanged for consideration?
- A. Contract**
  - B. Agreement
  - C. Commitment
  - D. Understanding

A legally enforceable agreement where a promise is exchanged for consideration is best described as a contract. In legal terms, a contract is defined as an agreement between two or more parties that creates mutual obligations enforceable by law. The critical components of a contract include an offer, acceptance, and consideration, which refers to something of value that is exchanged between the parties. This exchange is what gives the agreement legal significance and enforces the promises made by each party. While an agreement may refer to a mutual understanding between parties, it does not necessarily have the legal enforceability or the requisite elements needed for it to be considered a contract. Commitment and understanding are broader terms and lack the specific legal framework that denotes an enforceable obligation. Therefore, the term "contract" precisely captures the essence of a legally binding agreement where promises are made in return for consideration.

**9. What is the term for a tenant's transfer of part of their right of possession in a leased property to another person for part of the lease term?**

- A. Assignment**
- B. Sublet**
- C. Sublease**
- D. Tenant transfer**

The term for a tenant's transfer of part of their right of possession in a leased property to another person for part of the lease term is accurately referred to as a sublease. In a sublease, the original tenant (the sublessor) retains some interest in the lease and remains responsible to the landlord for the obligations of the lease, while transferring certain rights to another party (the sublessee) for a specified time period. This arrangement allows the original tenant to still maintain a level of control over the property, as they are effectively leasing a portion of the space to someone else, but they remain liable to the landlord. The distinction of a sublease is important, particularly in terms of lease obligations and rights. The sublessee usually does not have a direct relationship with the landlord, which means any issues regarding the lease agreement itself ultimately fall back to the original tenant. Understanding this relationship helps tenants navigate the complexities of lease agreements and emphasizes the need for clear communication and agreement with both the landlord and the person to whom they are subleasing the property. While the other terms like assignment and tenant transfer may involve transferring rights, they have different legal implications and contexts in the realm of property leasing. For instance, an assignment typically involves transferring all

**10. What doctrine grants states control over all water resources within their borders?**

- A. Doctrine of riparian rights**
- B. Doctrine of public trust**
- C. Doctrine of prior appropriation**
- D. Doctrine of eminent domain**

The doctrine that grants states control over all water resources within their borders is known as the Doctrine of Prior Appropriation. This legal principle is based on the idea that state governments have the authority to allocate water resources, often prioritizing the use of water based on a "first in time, first in right" system. This means that those who have historically used a water source have senior rights to it compared to later users. In managing water resources, states can issue permits and regulate usage to ensure that water is allocated fairly and sustainably, particularly in areas where water may be scarce. This doctrine is particularly relevant in arid regions where water availability is critical for agricultural, industrial, and municipal needs. By controlling water rights, states aim to prevent conflicts over water access and to promote responsible use of this essential resource. Understanding Prior Appropriation is crucial for anyone involved in land use and real estate in these regions, as it directly impacts property rights and development possibilities.