

Georgia Real Estate Pre-Licensing Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What is the definition of "credits" in a financial context?**
 - A. Expenses incurred**
 - B. Assets gained**
 - C. Sum of money received**
 - D. Liabilities recorded**
- 2. What type of laws are designed to prevent anti-competitive practices in real estate?**
 - A. Property laws**
 - B. Consumer protection laws**
 - C. Antitrust laws**
 - D. Trade laws**
- 3. Why are cash reserves important in real estate management?**
 - A. To fund immediate property improvements**
 - B. To cover unexpected expenses**
 - C. To reduce the cost of long-term loans**
 - D. To pay annual property taxes**
- 4. What is the process called for passing an estate to heirs when the owner dies without a will?**
 - A. Estate planning**
 - B. Probate process**
 - C. Laws of descent and distribution**
 - D. Asset allocation**
- 5. What type of note is transferable and assignable?**
 - A. Option Note**
 - B. Negotiable Instrument**
 - C. Convertible Note**
 - D. Subordinated Note**

- 6. What term refers to the process of dividing property in a joint tenancy upon the death of a tenant?**
- A. Partition**
 - B. Survivorship**
 - C. Devise**
 - D. Inheritance**
- 7. What type of insurance protects a lender if a borrower defaults on a conventional loan?**
- A. Homeowners insurance**
 - B. Private mortgage insurance (PMI)**
 - C. Title insurance**
 - D. Hazard insurance**
- 8. What is a home equity loan?**
- A. A loan requiring property insurance as collateral**
 - B. A loan where the homeowner's equity is used as collateral**
 - C. A loan secured by personal savings**
 - D. A loan for home renovations only**
- 9. What is meant by the 'bundle of rights' in property ownership?**
- A. Rights limited to only selling the property**
 - B. All legal rights pertaining to property ownership**
 - C. Rights exclusive to renting a property**
 - D. Rights shared with the government**
- 10. What is the purpose of a protection period in an agency agreement?**
- A. To guarantee commission for the agent indefinitely**
 - B. To outline property maintenance responsibilities**
 - C. To ensure compensation for the agent under specific conditions**
 - D. To define the timeframe for property sales**

Answers

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

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Explanations

1. What is the definition of "credits" in a financial context?

- A. Expenses incurred**
- B. Assets gained**
- C. Sum of money received**
- D. Liabilities recorded**

In a financial context, "credits" typically refer to a sum of money received. This encompasses any financial transaction that results in an inflow of funds, such as payments, reimbursements, or income from sales. When a business or individual receives money, it is recorded as a credit in their financial statement, reflecting an increase in cash or assets. This concept is fundamental in accounting and personal finance as it relates to transaction entries; for every credit recorded, there is generally a corresponding debit entry that reflects the source or nature of the transaction. Understanding this principle is essential for maintaining accurate financial records, managing cash flow, and preparing financial statements. In contrast, the other options represent different aspects of financial transactions. Expenses incurred relate to costs a business must pay, assets gained pertain to the accumulation of resources owned by an entity, and liabilities recorded are obligations that represent amounts owed. These terms describe outflows or obligations rather than the income or inflows that the term "credits" specifically refers to.

2. What type of laws are designed to prevent anti-competitive practices in real estate?

- A. Property laws**
- B. Consumer protection laws**
- C. Antitrust laws**
- D. Trade laws**

Antitrust laws are specifically crafted to prevent anti-competitive practices in various industries, including real estate. These laws aim to promote fair competition and protect consumers from businesses engaging in monopolistic behavior or collusive practices that could harm the market. In the context of real estate, antitrust laws ensure that real estate professionals operate fairly, preventing price-fixing, market allocation, and other practices that would restrict competition and limit options for consumers. These laws are critical in maintaining a healthy market environment, enabling consumers to receive fair prices and services. While property laws pertain primarily to ownership and interests in real estate, and consumer protection laws focus on safeguarding consumer rights, these do not specifically address anti-competitive practices. Trade laws, on the other hand, generally deal with international commerce and are not limited to the scope of real estate or anti-competitive conduct within that industry. Hence, antitrust laws are the most relevant and targeted legal framework designed to maintain competition in the real estate market.

3. Why are cash reserves important in real estate management?

- A. To fund immediate property improvements**
- B. To cover unexpected expenses**
- C. To reduce the cost of long-term loans**
- D. To pay annual property taxes**

Cash reserves are crucial in real estate management primarily because they provide a financial cushion to cover unexpected expenses. Real estate investments can come with various unforeseen costs, such as emergency repairs, maintenance issues, or sudden vacancies that may lead to lost rental income. Having cash reserves allows property managers or owners to address these situations without needing to scramble for funds, potentially taking on high-interest debt or compromising the quality of the property due to a lack of immediate resources. While funding immediate property improvements, reducing the cost of long-term loans, and covering annual property taxes are all important aspects of financial management in real estate, they don't encapsulate the unpredictable nature of owning and managing properties as effectively as the need for reserves to handle unexpected expenditures. Cash reserves provide a safety net that is essential for maintaining financial stability and operational efficiency in real estate management.

4. What is the process called for passing an estate to heirs when the owner dies without a will?

- A. Estate planning**
- B. Probate process**
- C. Laws of descent and distribution**
- D. Asset allocation**

The process for passing an estate to heirs when the owner dies without a will is called the laws of descent and distribution. This legal framework dictates how an estate is divided among heirs according to statutory guidelines, which differ from state to state. It ensures that the deceased's assets are allocated fairly to relatives, typically prioritizing spouses, children, and other close family members. In contrast, estate planning refers to the arrangements made during a person's lifetime regarding how their estate will be handled upon their death, particularly in creating a will or trust. The probate process involves the legal proceedings that take place to validate a will or settle the estate of someone who has died, which may be necessary regardless of whether there is a will. Asset allocation typically relates to the strategic distribution of investment resources rather than inheritance or estate transfer processes. Understanding the laws of descent and distribution is essential for recognizing how assets are transferred in cases of intestacy, or dying without a will.

5. What type of note is transferable and assignable?

- A. Option Note
- B. Negotiable Instrument**
- C. Convertible Note
- D. Subordinated Note

A negotiable instrument is a type of note that is transferable and assignable. This means that the rights to the payment or obligations under the note can be transferred to another party without needing the consent of the original issuer. This transferability is a key feature of negotiable instruments, making them useful in financial transactions where parties may wish to sell or pass on their rights to receive payment. Other types of notes, such as option notes, convertible notes, or subordinated notes, do not have the same level of transferability inherent in their definitions. For example, convertible notes often come with specific terms regarding conversion into equity, and subordinated notes may have limitations based on their ranking in terms of payment priority. Thus, the characteristics that define a negotiable instrument make it the correct choice as the type of note that can be easily transferred and assigned.

6. What term refers to the process of dividing property in a joint tenancy upon the death of a tenant?

- A. Partition
- B. Survivorship**
- C. Devise
- D. Inheritance

The process referred to in the context of joint tenancy is called survivorship. In a joint tenancy, co-owners have equal shares in the property, and one of the key characteristics of this arrangement is the right of survivorship. When one joint tenant passes away, their interest in the property automatically transfers to the surviving joint tenants, rather than being distributed according to a will or through probate. This unique feature ensures that the property remains intact among the remaining co-owners without the need for legal intervention that would otherwise be required in cases of individual ownership or tenancy in common. This concept is distinct from other terms associated with property rights, such as partition, which is a legal process to divide a property among co-owners, typically when they can no longer agree on its use. Devise refers to the act of leaving property to someone through a will, while inheritance involves the transfer of property rights according to the law, generally when there is no joint tenancy involved. Understanding survivorship is crucial for real estate professionals, as it impacts estate planning and property transactions among co-owners.

7. What type of insurance protects a lender if a borrower defaults on a conventional loan?

- A. Homeowners insurance**
- B. Private mortgage insurance (PMI)**
- C. Title insurance**
- D. Hazard insurance**

Private mortgage insurance (PMI) is specifically designed to protect lenders in the event that a borrower defaults on a conventional loan. When a borrower is unable to make a down payment of at least 20% of the home's value, lenders often require PMI to mitigate their risk. In the case of default, PMI ensures that the lender can recover some of their losses. This type of insurance provides a level of financial security for lenders, making it easier for borrowers with lower down payments to qualify for loans. Homeowners insurance, while crucial for protecting the property itself against various damages, does not offer any protection to lenders regarding borrower default. Title insurance protects against issues related to the ownership of the property and does not pertain to borrower defaults. Hazard insurance is similar to homeowners insurance and covers specific risks to property but does not help lenders recover losses due to loan defaults. Understanding these distinctions is essential in real estate finance as it ensures clarity regarding the protections available to both lenders and borrowers.

8. What is a home equity loan?

- A. A loan requiring property insurance as collateral**
- B. A loan where the homeowner's equity is used as collateral**
- C. A loan secured by personal savings**
- D. A loan for home renovations only**

A home equity loan refers to a financial product that allows homeowners to borrow money by leveraging the equity they've built up in their property. Equity is the difference between the market value of the home and the remaining balance on any existing mortgage. By using the homeowner's equity as collateral, lenders offer a lump sum loan, which typically has lower interest rates compared to unsecured loans because the loan is backed by an asset. In this context, the other options don't fit the definition of a home equity loan as they describe different scenarios. Property insurance as collateral refers to a situation that protects the lender's investment, personal savings relates to funds that one has available, and loans for home renovations suggest a specific use rather than a general borrowing condition based on equity. Thus, the correct answer accurately captures the essence of a home equity loan.

9. What is meant by the 'bundle of rights' in property ownership?

- A. Rights limited to only selling the property**
- B. All legal rights pertaining to property ownership**
- C. Rights exclusive to renting a property**
- D. Rights shared with the government**

The concept of the 'bundle of rights' in property ownership refers to all legal rights that accompany the ownership of real estate. This bundle includes various rights such as the right to possess the property, the right to use it, the right to exclude others from it, the right to sell it, the right to lease it, and the right to give it away or devise it upon death. These rights empower the property owner to make decisions regarding their property and how it is used. It is essential to understand that ownership is not just the physical aspect of the property itself, but also encompasses these legal entitlements, which can vary depending on local laws and regulations. In contrast, options suggesting limitations to specific rights, such as only selling the property or only renting it, do not capture the full scope of ownership intended by the 'bundle of rights' concept. Additionally, while the notion of shared rights with the government suggests some level of regulation, it does not accurately define the comprehensive nature of the rights held by an owner in the context of property ownership. Thus, recognizing the 'bundle of rights' as encompassing all legal rights related to property ownership is crucial for understanding property law and real estate practices.

10. What is the purpose of a protection period in an agency agreement?

- A. To guarantee commission for the agent indefinitely**
- B. To outline property maintenance responsibilities**
- C. To ensure compensation for the agent under specific conditions**
- D. To define the timeframe for property sales**

The purpose of a protection period in an agency agreement is to ensure compensation for the agent under specific conditions. This period typically follows the termination of the agency agreement, allowing the agent to receive a commission on sales that occur as a direct result of their efforts, even after the agreement has ended. This provision protects the agent's investment of time and resources in marketing and showing the property, providing them with a safeguard to earn their commission if a buyer they introduced during the agreement ultimately purchases the property. The other options, while related to real estate operations, do not accurately describe the purpose of a protection period. For example, guaranteeing commission indefinitely does not align with the standard practices in real estate agency agreements, which often include time limits and specific conditions for compensation. Additionally, outlining property maintenance responsibilities relates more to the operational duties of the parties involved rather than the financial aspects of compensation, and defining the timeframe for property sales refers to the overall duration of the agency relationship rather than the specifics of compensation after the agreement concludes.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

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

<https://garealestateprelicensing.examzify.com>

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