PASS GEORGIA
REAL ESTATE EXAM PREP

GEORGIA REAL ESTATE EXAM GLOSSARY

Earnest money

Earnest money is a deposit a buyer provides under a purchase agreement to show seriousness and support the transaction.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Real Estate Practice in Georgia	**Georgia trust funds**	**Define, distinguish, apply, retrieve**

SOURCE STANDARD

Official exam outline plus authoritative Georgia or federal references where the topic has a controlling rule. Independent educational resource, not affiliated with GREC or PSI.

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01 / COMPLETE LESSON

Build the complete exam definition

Learn the rule, separate it from the nearest distractor, then apply it to a Georgia fact pattern.

CORE DEFINITION

What does Earnest money mean?

Earnest money is a deposit a buyer provides under a purchase agreement to show seriousness and support the transaction. Its holder, deposit timing, disposition, and remedies are controlled by the contract and applicable trust-fund rules.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

Earnest money is not the down payment and does not by itself create the contract. It is a contract deposit that is usually credited at closing if the transaction proceeds.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

When a Georgia broker receives earnest money, the broker must handle it under the contract, license law, and Commission trust-account rules. The contract controls whether it is refundable in a particular termination.

WORKED EXAMPLE

A buyer delivers $5,000 after acceptance. The contract directs the named holder to keep it in trust and credit it toward the buyer's closing funds if the sale closes.

EXAM TRAP

Do not assume the seller automatically receives the money after every buyer default or that the buyer automatically recovers it after every termination.

Memory cue: Do not assume the seller automatically receives the money after every buyer default or that the buyer automatically recovers it after every termination.

02 / PRACTICE AND MASTERY

Retrieve the rule under exam conditions

Answer before reading the explanation. Then explain why every distractor belongs to a different term.

ORIGINAL PRACTICE CHECK

Which statement correctly explains Earnest money?

- **A** Earnest money is a deposit a buyer provides under a purchase agreement to show seriousness and support the transaction.
- **B** Trust funds are money or property a Georgia broker receives on behalf of another person in a real estate matter, including earnest money, rents, security deposits, and other client or customer funds when held by the broker.
- **C** A trust account is a separate, federally insured account in which a Georgia broker holds money belonging to others in connection with real estate activity, including earnest money when the broker receives it.
- **D** Liquidated damages are an amount or measure the parties agree in advance will be recoverable after a specified breach, when the clause is enforceable rather than an unlawful penalty.

CORRECT ANSWER: A

Earnest money is correct. Earnest money is a deposit a buyer provides under a purchase agreement to show seriousness and support the transaction. Its holder, deposit timing, disposition, and remedies are controlled by the contract and applicable trust-fund rules. Earnest money is not the down payment and does not by itself create the contract. It is a contract deposit that is usually credited at closing if the transaction proceeds. When a Georgia broker receives earnest money, the broker must handle it under the contract, license law, and Commission trust-account rules. The contract controls whether it is refundable in a particular termination.

MASTERY TRACKER

Mark each box only when you can perform the skill without looking.

- [ ] I can define the term in one precise sentence.
- [ ] I can separate it from the closest look-alike.
- [ ] I can explain the Georgia rule or confirm that the national rule applies.
- [ ] I can answer the practice check and explain every option.

03 / CONNECTIONS AND AUTHORITY

Connect the term to the wider exam

Use these relationships to move from isolated recall to a connected exam model.

RELATED TERM

Trust funds

Trust funds are money or property a Georgia broker receives on behalf of another person in a real estate matter, including earnest money, rents, security deposits, and other client or customer funds when held by the broker.

https://www.passgeorgiarealestate.com/glossary/trust-funds

RELATED TERM

Trust account

A trust account is a separate, federally insured account in which a Georgia broker holds money belonging to others in connection with real estate activity, including earnest money when the broker receives it.

https://www.passgeorgiarealestate.com/glossary/escrow-trust-account

RELATED TERM

Liquidated damages

Liquidated damages are an amount or measure the parties agree in advance will be recoverable after a specified breach, when the clause is enforceable rather than an unlawful penalty.

https://www.passgeorgiarealestate.com/glossary/liquidated-damages

RELATED TERM

Due-diligence period

A due-diligence period is a negotiated contract window during which a buyer may investigate the property and exercise the termination rights stated in the agreement, often for any reason when the contract grants that broad right.

https://www.passgeorgiarealestate.com/glossary/due-diligence-period

RECOMMENDED NEXT COMPLETE LESSON

Real Estate Practice in Georgia complete lesson

https://www.passgeorgiarealestate.com/study-guide/georgia-practice/earnest-money

EXAM SOURCES AND AUTHORITY NOTES

1. PSI Georgia Candidate Information Bulletin, 7/1/2026

Official exam administration and content-outline source.

https://test-takers.psiexams.com/api/content/bulletin/4672

2. Georgia Real Estate License Law, O.C.G.A. Title 43, Chapter 40

GREC's official portal to Title 43, Chapter 40 and related real estate laws.

https://grec.state.ga.us/information-research/license-law/

3. Georgia Real Estate Commission Rules, Chapter 520-1

Official Georgia Secretary of State publication of Commission rules governing licensure and brokerage.

https://rules.sos.ga.gov/gac/520-1