PASS GEORGIA
REAL ESTATE EXAM PREP

GEORGIA REAL ESTATE EXAM GLOSSARY

Effective gross income

Effective gross income, or EGI, is potential gross income minus vacancy and collection loss, plus other property income.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Valuation and Market Analysis	Income valuation	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 Effective gross income mean?

Effective gross income, or EGI, is potential gross income minus vacancy and collection loss, plus other property income. It is the income actually expected to be available before operating expenses.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

Potential gross income assumes full occupancy and collection. EGI adjusts for vacancy and adds other income. NOI then subtracts operating expenses from EGI.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

This national income-property formula is unchanged in Georgia. Keep annual and monthly periods consistent and follow the sign of each adjustment.

WORKED EXAMPLE

Potential rent is $180,000, vacancy and collection loss is $9,000, and laundry income is $6,000. EGI is $177,000.

EXAM TRAP

Other income is added after vacancy loss, while operating expenses are not subtracted until the NOI step.

Memory cue: Other income is added after vacancy loss, while operating expenses are not subtracted until the NOI step.

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 Effective gross income?

- **A** Net operating income, or NOI, is annual effective gross income minus operating expenses, before debt service, income taxes, depreciation expense, and owner-specific financing costs.
- **B** Capitalization rate, or cap rate, is the annual net operating income divided by the property's value or price.
- **C** Gross rent multiplier, or GRM, is the relationship between a property's sale price or value and its gross periodic rent.
- **D** Effective gross income, or EGI, is potential gross income minus vacancy and collection loss, plus other property income.

CORRECT ANSWER: D

Effective gross income is correct. Effective gross income, or EGI, is potential gross income minus vacancy and collection loss, plus other property income. It is the income actually expected to be available before operating expenses. Potential gross income assumes full occupancy and collection. EGI adjusts for vacancy and adds other income. NOI then subtracts operating expenses from EGI. This national income-property formula is unchanged in Georgia. Keep annual and monthly periods consistent and follow the sign of each adjustment.

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

Net operating income

Net operating income, or NOI, is annual effective gross income minus operating expenses, before debt service, income taxes, depreciation expense, and owner-specific financing costs.

https://www.passgeorgiarealestate.com/glossary/net-operating-income

RELATED TERM

Capitalization rate

Capitalization rate, or cap rate, is the annual net operating income divided by the property's value or price.

https://www.passgeorgiarealestate.com/glossary/capitalisation-rate

RELATED TERM

Gross rent multiplier

Gross rent multiplier, or GRM, is the relationship between a property's sale price or value and its gross periodic rent.

https://www.passgeorgiarealestate.com/glossary/gross-rent-multiplier

RELATED TERM

Appraisal

An appraisal is an independent, supportable opinion of value developed by a qualified appraiser for a stated property interest, effective date, intended use, and set of assignment conditions.

https://www.passgeorgiarealestate.com/glossary/appraisal

RECOMMENDED NEXT COMPLETE LESSON

Valuation and Market Analysis complete lesson

https://www.passgeorgiarealestate.com/math/net-operating-income

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. The Appraisal Foundation, Appraisal Standards and Qualifications

Congressionally authorized source for USPAP and appraisal standards.

https://appraisalfoundation.org/imis/TAF/Standards/Appraisal_Standards/TAF/Standards/Appraisal_Standards.aspx