GEORGIA REAL ESTATE EXAM GLOSSARY

Equity

Equity is the owner's financial interest in property, calculated in a basic exam problem as current property value minus debts and liens against it.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Real Estate Calculations	**Mortgage and ownership calculations**	**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.

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 Equity mean?

Equity is the owner's financial interest in property, calculated in a basic exam problem as current property value minus debts and liens against it.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

Equity is not cash in hand and is not always the same as seller net proceeds, which also subtract transaction costs and uses the actual sale figures.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

Georgia's security-deed title theory does not eliminate the borrower's equitable ownership. Loan paydown and value appreciation can increase equity, while new liens or falling value can reduce it.

WORKED EXAMPLE

A home worth $420,000 has a $265,000 loan balance and a $15,000 lien. Equity is $140,000.

EXAM TRAP

Use current loan balances, not original loan amounts, and include all liens stated in the problem.

Memory cue: Use current loan balances, not original loan amounts, and include all liens stated in the problem.

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 Equity?

- **A** Equity is the owner's financial interest in property, calculated in a basic exam problem as current property value minus debts and liens against it.
- **B** Loan-to-value ratio, or LTV, expresses the loan amount as a percentage of the lender's value base.
- **C** Seller net proceeds are the amount a seller receives after subtracting payoff amounts, brokerage compensation, taxes, closing costs, debits, and other seller obligations from the gross sale proceeds, then adding any seller credits.
- **D** A security deed, also called a deed to secure debt, is Georgia's customary instrument for securing a real estate loan.

CORRECT ANSWER: A

Equity is correct. Equity is the owner's financial interest in property, calculated in a basic exam problem as current property value minus debts and liens against it. Equity is not cash in hand and is not always the same as seller net proceeds, which also subtract transaction costs and uses the actual sale figures. Georgia's security-deed title theory does not eliminate the borrower's equitable ownership. Loan paydown and value appreciation can increase equity, while new liens or falling value can reduce it.

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

Loan-to-value ratio

Loan-to-value ratio, or LTV, expresses the loan amount as a percentage of the lender's value base.

https://www.passgeorgiarealestate.com/glossary/loan-to-value

RELATED TERM

Seller net proceeds

Seller net proceeds are the amount a seller receives after subtracting payoff amounts, brokerage compensation, taxes, closing costs, debits, and other seller obligations from the gross sale proceeds, then adding any seller credits.

https://www.passgeorgiarealestate.com/glossary/seller-net-proceeds

RELATED TERM

Security deed

A security deed, also called a deed to secure debt, is Georgia's customary instrument for securing a real estate loan.

https://www.passgeorgiarealestate.com/glossary/security-deed

RELATED TERM

Lien

A lien is a nonpossessory legal claim or charge against property that secures payment of a debt or performance of an obligation.

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

RECOMMENDED NEXT COMPLETE LESSON

Real Estate Calculations complete lesson

https://www.passgeorgiarealestate.com/math/equity

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. O.C.G.A. Title 44, Chapter 14, Mortgages, Conveyances to Secure Debt, and Liens

Current Georgia security-deed, cancellation, lien, and power-of-sale authority through the state-authorized code portal.

https://www.lexisnexis.com/hottopics/gacode/Default.asp