GEORGIA REAL ESTATE EXAM GLOSSARY

Novation

Novation is the substitution of a new party or obligation for an existing one with the agreement of the necessary parties and release of the replaced party or duty.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Contracts	Contract changes and transfer	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 Novation mean?

Novation is the substitution of a new party or obligation for an existing one with the agreement of the necessary parties and release of the replaced party or duty.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

Novation includes consent and release. Assignment transfers rights but does not automatically discharge the assignor's obligations.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

The national contract rule applies in Georgia. Look for clear facts showing the obligee agreed to the substitution and released the original obligor.

WORKED EXAMPLE

A seller agrees that a replacement buyer will assume the purchase duties and expressly releases the original buyer from the contract.

EXAM TRAP

Performance by a substitute is not enough if the original party remains liable.

Memory cue: Performance by a substitute is not enough if the original party remains liable.

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 Novation?

- **A** An assignment transfers a party's contractual rights to another person, the assignee, without necessarily releasing the original party from contractual obligations.
- **B** An amendment is a later agreement that changes, deletes, or replaces terms in an existing contract.
- **C** Novation is the substitution of a new party or obligation for an existing one with the agreement of the necessary parties and release of the replaced party or duty.
- **D** Rescission is the cancellation or unwinding of a contract, with the goal of restoring the parties as closely as possible to their precontract positions.

CORRECT ANSWER: C

Novation is correct. Novation is the substitution of a new party or obligation for an existing one with the agreement of the necessary parties and release of the replaced party or duty. Novation includes consent and release. Assignment transfers rights but does not automatically discharge the assignor's obligations. The national contract rule applies in Georgia. Look for clear facts showing the obligee agreed to the substitution and released the original obligor.

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

Assignment

An assignment transfers a party's contractual rights to another person, the assignee, without necessarily releasing the original party from contractual obligations.

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

RELATED TERM

Amendment

An amendment is a later agreement that changes, deletes, or replaces terms in an existing contract.

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

RELATED TERM

Rescission

Rescission is the cancellation or unwinding of a contract, with the goal of restoring the parties as closely as possible to their precontract positions.

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

RELATED TERM

Alienation clause

An alienation clause, often called a due-on-sale clause, allows a lender to require repayment of the outstanding loan when the borrower transfers the secured property without the lender's permitted assumption or consent.

https://www.passgeorgiarealestate.com/glossary/alienation-clause

RECOMMENDED NEXT COMPLETE LESSON

Contracts complete lesson

https://www.passgeorgiarealestate.com/study-guide/contracts/purchase-agreements

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