GEORGIA REAL ESTATE EXAM GLOSSARY

Private mortgage insurance (PMI)

Private mortgage insurance protects a conventional mortgage lender against part of the loss if a borrower defaults.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Financing	**Mortgage finance**	**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 Private mortgage insurance (PMI) mean?

Private mortgage insurance protects a conventional mortgage lender against part of the loss if a borrower defaults. The borrower commonly pays the premium when the loan-to-value ratio exceeds the lender's threshold.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

PMI protects the lender, not the borrower's equity or ability to make payments. Homeowners insurance protects against covered property losses and liability.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

PMI is a national financing concept and does not change because Georgia uses a security deed. Federal cancellation rules and loan terms govern actual removal.

WORKED EXAMPLE

A buyer makes a 10 percent down payment on a conventional loan, and the monthly housing cost includes a lender-protection premium.

EXAM TRAP

The party paying the premium is not necessarily the party receiving the insurance protection.

Memory cue: The party paying the premium is not necessarily the party receiving the insurance protection.

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 Private mortgage insurance (PMI)?

- A. Loan-to-value ratio, or LTV, expresses the loan amount as a percentage of the lender's value base.
- B. PITI stands for principal, interest, taxes, and insurance, the four common components included when estimating a borrower's total monthly housing payment.
- C. Debt-to-income ratio, or DTI, compares required monthly debt payments with gross monthly income.
- D. Private mortgage insurance protects a conventional mortgage lender against part of the loss if a borrower defaults.

CORRECT ANSWER: D

Private mortgage insurance (PMI) is correct. Private mortgage insurance protects a conventional mortgage lender against part of the loss if a borrower defaults. The borrower commonly pays the premium when the loan-to-value ratio exceeds the lender's threshold. PMI protects the lender, not the borrower's equity or ability to make payments. Homeowners insurance protects against covered property losses and liability. PMI is a national financing concept and does not change because Georgia uses a security deed. Federal cancellation rules and loan terms govern actual removal.

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

PITI

PITI stands for principal, interest, taxes, and insurance, the four common components included when estimating a borrower's total monthly housing payment.

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

RELATED TERM

Debt-to-income ratio

Debt-to-income ratio, or DTI, compares required monthly debt payments with gross monthly income.

https://www.passgeorgiarealestate.com/glossary/debt-to-income-ratio

RELATED TERM

Loan origination fee

A loan origination fee is a charge for the lender's work in making, processing, or underwriting a loan.

https://www.passgeorgiarealestate.com/glossary/loan-origination-fee

RECOMMENDED NEXT COMPLETE LESSON

Financing complete lesson

https://www.passgeorgiarealestate.com/study-guide/financing/underwriting

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. Consumer Financial Protection Bureau, Regulation Z

Official implementing regulation for TILA and integrated mortgage disclosures.

https://www.consumerfinance.gov/rules-policy/regulations/1026/