




EXECUTIVE PROGRAMS
REAL ESTATE SCHOOL



Real Estate Glossary


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 **ABANDONMENT.** The act of voluntarily relinquishing or surrendering possession of real property, without the transfer of title to someone else.

ABANDONMENT OF EASEMENT. The obvious and intentional surrender of an easement.


ABANDONMENT OF HOMESTEAD. A legal document that proves a homestead was abandoned. In order to obtain a homestead on a new property, the owner must file an abandonment of homestead on the old property.

 **ABATEMENT.** A decrease or reduction in worth or amount (usually applies to taxes or rent).

ABATEMENT OF NUISANCE. Extinction or termination of a nuisance.


 **ABLE.** Refers to financial ability; as in ready, willing, and able buyer.

ABOVE GRADE IMPROVEMENTS. Improvements built above the ground level.

 **ABROGATION.** The rescission, revocation, or annulling of a contract by mutual consent of the parties to the contract, or for cause by either party to the contract.

ABSENTEE OWNER. A property owner who does not live on the property, and who may rely on a property manager to manage or oversee its maintenance.

ABSOLUTE NET LEASE. Lease requiring the tenant to pay for all the expenses of operating and maintaining the property, including capital expenditures and major repairs.

 **ABSOLUTE OWNERSHIP.** The greatest interest that one can have in real property. An estate that is unqualified, of indefinite duration, freely transferable and inheritable. Also known as *Fee Simple Estate*.


ABSORPTION ANALYSIS. A study of the number of units of residential or non-residential property that can be sold or leased over a given period of time in a defined location.

ABSORPTION BED. A shallow trench containing a pipe that carries treated sewage or other liquid waste away from the septic tank into an open area, where it is absorbed into the soil.

ABSORPTION PERIOD. The estimated time period required to sell, place in use, lease, or trade the subject property in its marketing area at prevailing rental rates or prices.

ABSORPTION RATE. The rate at which a type of property is either bought or leased; absorbed by the market.


 **ABSTRACT OF JUDGMENT.** The summary of a court judgment that creates a lien against a property when filed with the county recorder.

 **ABSTRACT OF TITLE.** A summary or digest of all transfers, conveyances, legal proceedings and any other facts relied on as evidence of title, showing continuity of ownership, together with any other elements of record which may impair title.

ABSTRACTION. A method of valuing land. The indicated value of the improvement is deducted from the sale price.


ABTRACTOR. A person who searches historical records affecting the title to real property and summarizes the results in a report called an *Abstract of Title*.


ABUTTER'S RIGHTS. The reasonable right to light, air and visibility that a property enjoys from another.

 **ABUTTING PROPERTY.** Property that touches or is contiguous to another property; as opposed to being near to another property.

ACCELERATED COST RECOVERY SYSTEM (ACRS). The system for figuring depreciation (cost recovery) for depreciable real property acquired and placed into service after January 1, 1981.


ACCELERATED DEPRECIATION. A method of cost write-off in which depreciation allowances are greater in the first few years of ownership than in subsequent years. This permits an earlier recovery of capital and a faster tax write-off of an asset.

 **ACCELERATION CLAUSE.** A condition in a real estate financing instrument giving the lender the power to declare all sums owing lender immediately due and payable upon the happening of an event, such as sale of the property, or a delinquency in the repayment of the note.

 **ACCEPTANCE.** The act of agreeing or consenting to the terms of an offer thereby establishing the "meeting of the minds" that is an essential element of a contract.

 **ACCESS.** Any means by which a person can enter property.

ACCESSIBILITY. The degree to which a building or site allows access to people with disabilities.

 **ACCESSION.** An addition to property through the efforts of man or by natural forces.

ACCESSORY BUILDINGS. Structures on a property that are secondary to the main building, such as sheds and garages.

ACCESS RIGHT. The right of an owner to have ingress and egress to and from owner's property over adjoining property.

ACCESS TO PROPERTY. A seller must provide reasonable access to the property to the buyer, inspectors representing the buyer, and representatives of the lending institutions for appraisal purposes, or for any other purpose relating to the sale.

ACCIDENT AND HEALTH PREMIUM. Additional insurance to insure mortgage payments in the event of the Borrower's disability.

ACCOMMODATION RECORDING. The recordation of an instrument without consideration and without assumption of responsibility for correctness or validity.


ACCORD AND SATISFACTION. The discharge of an existing obligation by acceptance of a substitute agreement in which the creditor accepts less than the full amount owed as satisfaction of the debt.


ACCOUNTING. The process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information.

ACCOUNTING METHOD. A set of rules used to determine when and how income and expenses are reported (*GAAP-Generally Accepted Accounting Practices*).

ACCREDITED MANAGEMENT ORGANIZATION (AMO). A property management designation offered by the *Institute of Real Estate Management (IREM)* to property management companies that meet prescribed high standards.

ACCREDITED RESIDENTIAL MANAGER (ARM). A property management designation offered by the *Institute of Real Estate Management (IREM)* to individuals. Requirements for designation include management experience, additional training, and adherence to a code of ethics.

 **ACCRETION.** Accession by natural forces, e.g., alluvium.


 **ACCRUAL METHOD.** An accounting method that reports revenue when earned and expenses when incurred.

ACCRUE. To accumulate, grow, or mature over a period of time; as in accrued interest on a loan.


ACCRUED DEPRECIATION. The difference between the cost of replacement new as of the date of the appraisal and the present appraised value.

ACCRUED ITEMS OF EXPENSE. Those incurred expenses which are not yet payable. The seller's accrued expenses are credited to the purchaser in a closing statement.

ACID RAIN. Precipitation containing harmful amounts of nitric and sulfuric acids formed primarily by sulfur dioxide and nitrogen oxides released into the atmosphere when fossil fuels are burned.


 **ACKNOWLEDGMENT.** A formal declaration made before an authorized person, e.g., a notary public, by a person who has executed an instrument stating that the execution was his or her free act. In this state an acknowledgment is the statement by an officer such as a notary that the signatory to the instrument is the person represented to be.


ACOUSTICAL TILE. Blocks of fiber, mineral or metal, with small holes or rough-textured surface to absorb sound, used as covering for interior walls and ceilings.

 **ACQUISITION.** The act or process by which a person procures property.

ACQUISITION APPRAISAL. An appraisal that estimates the market value of a property facing condemnation under the government's powers of eminent domain. The appraisal is performed to determine the amount of just compensation due to the owner.


ACQUISITION COST. The total cost of acquiring property. In addition to the purchase price, other costs include escrow fees, title insurance, lenders fees, etc.

 **ACRE.** A measure of land equaling 160 square rods, or 4,840 square yards, or 43,560 square feet, or a tract about 208.71 feet square.

 **ACRE FOOT.** The volume of material needed to cover an acre of land one foot deep.

ACREAGE. A large piece of property that is usually unimproved. Acreage may be used for agricultural, industrial, residential or commercial uses.

ACREAGE ZONING. Zoning that reduces residential density by requiring large building lots.

 **ACTION.** A lawsuit brought to court.

ACTION IN REM. An action in which judgment is sought against property to determine its status.

ACTIVE SOLAR SYSTEM. A system that utilizes electric pumps or fans to transfer solar energy for storage or direct use.

ACT OF GOD. An act attributable to nature without human interference; include tidal wave, flood, hurricane, volcanic eruption, earthquake, and fire.


 **ACTUAL AGE.** The number of years a structure has been standing.


ACTUAL AUTHORITY. Authority expressly given by the principal or given by the law and not denied by the principal.


ACTUAL CASH VALUE. The monetary worth of an improvement. The cost of replacing the improvement, less any depreciation.

ACTUAL DAMAGES. Damages a court of law recognizes, as the result of a wrong.

ACTUAL DEPRECIATION. Depreciation occurring as a result of physical, functional, or economic forces, causing loss in value to a structure.

 **ACTUAL FRAUD.** An act intended to deceive another, e.g., making a false statement, making a promise without intending to perform it, suppressing the truth.

 **ACTUAL NOTICE.** Notice in fact or in reality to or by a party directly and personally based on things actually seen, heard, read, or observed.

 **ADAM E. LEE.** The eight ways to terminate an easement: Abandonment, Destruction, Adverse possession, Merger, Express agreement, Lawsuit, Estoppel, and Excessive use.

 **ADDENDUM.** An addition or change to a contract.


ADDITIONAL DEPOSIT. Additional earnest money given with a purchase agreement.

ADDITIONAL PRINCIPAL PAYMENT. Extra money included in the monthly payment to help reduce the principal and shorten the term of the loan.


ADD-ON INTEREST. The interest a borrower pays on the principal for the duration of the loan.


ADD-ONS. Additional amounts to be added to the existing fees, rates, or margins to accommodate file abnormalities.


ADEQUATE CONSIDERATION. A sufficient amount of deposit to cover losses in the event of a contract cancellation or default.


 **ADEQUATE DESCRIPTION.** The legal description is not necessary, but the description used must be adequate to positively identify the subject property.

ADJOINING OWNER. Persons owning lands that share common boundaries and therefore have mutual rights, duties, and liabilities.

 **ADJUSTABLE-RATE LOAN.** A type of loan whose interest rate is tied to a movable economic index. The amount and timing of interest rate adjustments are agreed upon in the note.

 **ADJUSTABLE-RATE MORTGAGE (ARM).** A mortgage loan which bears interest at a rate subject to change during the term of the loan, predetermined or otherwise.

 **ADJUSTED COST BASIS.** The cost of any improvements the seller makes to the property. Deducting the cost from the original sales price provides the profit or loss of a home when it is sold.

 **ADJUSTED SALES PRICE.** (a) The estimated sales price of a comparable property after adjustments have been made to compensate for differences between the subject property and the comparable. (b) The price the comparable property would sell for if it possessed all the characteristics of the subject property.

ADJUSTMENT. In appraising, a means by which characteristics of a residential property are regulated by dollar amount or percentage to conform to similar characteristics of another residential property.

ADJUSTMENT GRID. Lists important items affecting value, such as site area, location, design and appeal, quality, condition, gross building area, basement area, room count, view, age, amenities, etc. Also referred to as a matrix.

ADJUSTMENT GUIDELINES. Appraisal guidelines established and regulated by the Federal National Mortgage Association, and applied when a comparable property ceases to be an appropriate comparable; i.e., one has to make too many adjustments to the comparable.

ADJUSTMENT PERIOD. The amount of time between interest rate adjustments in an adjustable-rate mortgage.


ADMINISTRATION EXPENSE. The cost of direct management and services related to the management of property.

 **ADMINISTRATOR/ADMINISTRATRIX.** A male/female person appointed by the probate court to administer the estate of a deceased person who died intestate.

ADMINISTRATOR'S DEED. A legal document that an administrator of an estate uses to transfer property.


ADOBE. A kind of natural clay that is sticky when wet, but dries hard.


ADOBE BRICKS. Bricks made from a mixture of clay and straw, which were dried in the sun rather than in a kiln.

 **AD VALOREM.** A Latin phrase meaning “according to value”. Usually used in connection with real estate taxation.

ADVANCE. Transfer of funds from a lender to a borrower in advance on a loan.

ADVANCE COMMITMENT. The institutional investor's prior agreement to provide long-term financing upon completion of construction; also known as a “take-out” loan commitment.

 **ADVANCE FEES.** A fee paid in advance of any services rendered. Sometimes unlawfully charged in connection with that illegal practice of obtaining a fee in advance for the advertising of property or businesses for sale, with no intent to obtain a buyer, by persons representing themselves as real estate licensees, or representatives of licensed real estate firms.

 **ADVERSE POSSESSION.** A method of acquiring title to real property through possession of the property for a statutory period under certain conditions by a person other than the owner of record.

ADVERSE USE. The access and use of property without the owner's consent.

ADVERTISING. An impersonal form of mass communication promoting a product or company that is paid for by the company.


ADVERTISING CAMPAIGN. A plan with a common theme describing the mode and frequency through which someone communicates a marketing concept.

ADVERTISING MEDIA. The different channels available to convey a message to a target market.


ADVISORY OPINIONS. The Appraisal Standards Board (ASB) issues Advisory Opinions to illustrate the applicability of USPAP in specific situations and offers advice for the resolution of appraisal issues and problems.


AEOLIAN SOIL. Soil that is composed of materials deposited by the wind.

AERATOR. A device installed on faucets to get air into a water stream.

 **AESTHETIC VALUE.** Relating to beauty, rather than to functional considerations.

AESTHETIC ZONING. Regulates the appearance of buildings in the area.

 **AFFIANT.** One who makes an affidavit or gives evidence.


 **AFFIDAVIT.** A statement or declaration reduced to writing sworn to or affirmed before some officer who has authority to administer an oath or affirmation.


AFFIDAVIT OF SERVICE. Details the method and date of delivery of the eviction notice, is signed by the person who delivered it, and is notarized if required by statute.

AFFIDAVIT OF TITLE. A statement, in writing, made under oath by seller or grantor, acknowledged before a Notary Public in which the affiant identifies himself or herself and affiant's marital status certifying that since the examination of title on the contract date there are no judgments, bankruptcies or divorces, no unrecorded deeds, contracts, unpaid repairs or improvements or defects of title known to affiant and that affiant is in possession of the property.

AFFILIATED BUSINESS ARRANGEMENT DISCLOSURE. An affiliated business arrangement disclosure is required whenever a settlement service refers a buyer to a firm with any kind of business connection to the service, such as common ownership.

 **AFFIRM.** To confirm, to aver, to ratify, to verify. To make a declaration.


 **AFFIRMATION.** A substitution for an oath granted to people based on religious reasons.


 **AFFIRMATIVE EASEMENT.** One that requires the owner of the servient estate to do something to benefit the dominant estate.

 **AFFORDABLE HOUSING.** Housing for individuals or families considered low-income by HUD (U.S. Department of Housing and Urban Development).


AFFORESTATION. The establishment of a forest, stand, or tree crop on an area not previously forested, or on land from which forest cover has been absent for a long time.


A-FRAME DESIGN. An interior style that features a steeply peaked roofline and a ceiling that is open to the top rafters.


 **AFTER-ACQUIRED TITLE.** Title accepted by a grantor after his or her previous conveyance.


 **AFTER-TAX CASH FLOW (ATCF).** The cash flow remaining from the net operating income after paying income taxes, debt service, and loan repayments .

AFTER-THE-FACT-REFERRAL FEE (ATF). Fee requested after a real estate agent has established a relationship with a buyer or seller.


 **AGE.** The chronological lifespan of a person or object. A consideration when determining legal capacity to enter into contracts, also a feature of anti-discrimination housing laws.


 **AGE-LIFE DEPRECIATION.** An appraisal method of computing accrued depreciation. It assumes a building depreciates at a fixed rate over the course of its life. The depreciation is calculated by dividing the total economic life by its current effective age. Also called the straight-line method.

 **AGE-LIFE METHOD.** A method of computing accrued depreciation. The cost of a building is depreciated at a fixed annual percentage rate. This is the method most frequently used by residential appraisers; also known as the straight-line method.

 **AGENCY.** The relationship between principal and the principal's agent which arises out of a contract, either expressed or implied, written or oral, wherein the agent is employed by the principal to do certain acts dealing with a third party.

AGENCY AGREEMENT. The Contract that creates an Agency or is used as a part of the transaction that is a result of an Agency.


 **AGENCY BY ESTOPPEL.** An agency relationship between a broker and a principal created when a principal causes a third party to believe the agency exists by words or actions. If the third party then deals with the supposed agent, the principal is estopped, or prevented, from denying the agency relationship, because of his or her earlier words or deeds.

 **AGENCY BY RATIFICATION.** An agency relationship created then the agent acts as if an agency relationship exists, before an official agreement or contract is expressed. The principal agrees to the relationship after the act is performed, thereby ratifying the act and the agency relationship.

AGENCY CLOSING. The process by which a lender uses a title company or other firm as an agent to complete a loan.

AGENCY DISCLOSURE STATEMENT OR DISCLOSURE REGARDING REAL ESTATE AGENCY AGREEMENT. A form that is required by the CalBRE to be completed and given to all parties to a Real Estate transaction involving One-to-four unit residential dwellings by the Real Estate Agents. The purpose of the form is to disclose the facts about Agency and declare the type of Agency in the current transaction.

AGENCY RELATIONSHIP DISCLOSURE. A disclosure statement confirming the agency relationship exists in a particular transaction.

 **AGENT.** One who acts for and with authority from another called the principal; a person licensed by the state to conduct real estate transactions.


AGE-RESTRICTED HOUSING. Housing that generally restricts residency and ownership to active seniors 55 years and over.

AGGREGATE. (a) Sum of all individual variates. (b) A surfacing material or ballast for a roof system. Aggregate can be rock, stone, crushed stone or slag, water-worn gravel, crushed lava rock, or marble chips.

AGGREGATE DEDUCTIBLE. The deductible in some property insurance contracts assessed on an annual aggregate, or cumulative, basis rather than on a per claim basis. In this arrangement, the insured pays a fixed amount, and the insurance provider pays the rest, once the aggregate deductible amount is exceeded.

 **AGRARIAN.** Relating to land.

AGREED BOUNDARY. A compromise boundary to which property owners agree in order to resolve a dispute.

 **AGREEMENT.** An exchange of promises, a mutual understanding or arrangement; a contract.

AGREEMENT OF SALE. A written agreement or contract between seller and purchaser in which they reach a “meeting of the minds” on the terms and conditions of the sale. The parties concur; are in harmonious opinion.

AGRICULTURAL PROPERTY. Property zoned for use in farming, including the raising of crops and livestock.

AGRICULTURAL WASTE. Waste from farming and livestock operations, including animal manure and harvest residues. Such wastes are sources of pollutions but also potential energy sources.

AIDA FORMULA. In marketing, a formula for writing an ad designed to get maximum results: Mnemonic: **A**ttention, **I**nterest, **D**esire, **A**ction.

AIR BARRIER. A layer of material resistant to airflow usually in the form of polyolefin. A material which is applied in conjunction with a building component (such as a wall, ceiling or sill plate) to prevent the movement of air through that component.

AIR CHANGES PER HOUR (ACH). The number of times in one hour that the air in a building is completely replaced with outside air.

AIR CLEANER. A device using filters or electrostatic precipitators to remove indoor-air pollutants such as tobacco smoke, dust, and pollen.

AIR COLLECTOR. A medium-temperature collector used predominantly in space heating, utilizing pumped air as the heat-transfer medium.

AIR CONDITIONER. A device that changes the humidity levels, temperature, or quality of air.

AIR CONDITIONING. Cooling and dehumidifying the air in an enclosed space by use of a refrigeration unit powered by electricity or natural gas.

AIR FLOW VOLUME. The amount of air circulated in a space, measured in cubic feet per minute (cfm).

AIR POLLUTION. Contamination of the atmosphere by substances that are damaging to health and the environment.


AIR-POLLUTION ABATEMENT EQUIPMENT. Equipment used to reduce or eliminate airborne pollutants, including particulate matter (dust, smoke, fly, ash, dirt, etc.), sulfur oxides, nitrogen oxides (NO), carbon monoxide, hydrocarbons, odors, and other pollutants.


AIRPORT HOTELS. Serves as a destination point for business meetings and conferences.

AIRPORT MALL. Has specialty retail, restaurants, and other services concentrated in airports.

AIRPORT ZONING. Zoning regulations in and around airports, restricting building height and natural growth, in order to minimize potential hazards to aircraft.

AIR QUALITY STANDARDS. Regulatory limits set by the U.S. Environmental Protection Agency for the maximum safe levels of pollutants or contaminants in the atmosphere.

 **AIR RIGHTS.** The rights in real property to the reasonable use of the air space above the surface of the land.


 **AIRSPACE.** (1) Above the earth's surface for an indefinite distance as allowed by government controls and is also included in the definition of Real Estate. (2) The interior space in an apartment, office, or condominium.


ALARM SYSTEMS. Warning devices, installed or free-standing, including but not limited to: carbon monoxide detectors, flue gas and other spillage detectors, security equipment, ejector pumps, and smoke alarms.

ALCOVE. A recessed section of a room, such as a breakfast nook.

ALGAE DISCOLORATION. A type of roof discoloration caused by algae; a fungus growth.


ALIEN. A person not born in the United States, and who has not been naturalized and is not a citizen. In most states, aliens may acquire and hold an interest in land, with some limitations.

 **ALIENATION.** The transferring of property to another; the transfer of property and possession of lands, or other things, from one person to another.

 **ALIENATION CLAUSE.** A clause in a contract giving the lender certain rights in the event of a sale or other transfer of mortgaged property; a provision that requires the borrower to pay the balance of the loan in a lump sum after the property is sold or transferred.

ALKALI. Mineral salt found in soil.


ALKALINE SOIL. Soil that contains a higher concentration of mineral salt than natural acid.

 **ALL-INCLUSIVE TRUST DEED (AITD).** A deed of trust securing payment of an obligation owing under a prior deed of trust. *See* Wrap-Around Mortgage.

ALLEY. A lane behind a row of buildings or between two rows of buildings.

ALLIGATORING. A term used to describe the cracking of surfacing bitumen on a built-up roof. These cracks result from the limited tolerance of asphalt to thermal expansion or contraction, and produce a pattern resembling an alligator's hide.


ALLOCATE. To assign or set apart for a specific purpose.


 **ALLOCATION METHOD.** The allocation of the appraised total value between land and improvements. Allocation made by using a ratio comparing building value to the total price (or value).


ALLODIAL TENURE. A real property ownership system where ownership may be complete except for those rights held by government. Allodial is in contrast to feudal tenure.

ALLOWANCE FOR VACANCY AND COLLECTION LOSSES. The percentage of potential gross income that will be lost due to vacant units, collection losses, or both.

ALLOWANCES. Budgets offered by builders of new homes for the purchase of carpeting and fixtures.

 **ALLUVIUM.** The gradual increase of the earth on a shore of an ocean or bank of a stream resulting from the action of the water.

 **ALTA OWNER'S POLICY.** An owner's extended coverage policy that provides buyers and owners the same protection the ALTA policy gives to lenders.

 **ALTA (AMERICAN LAND TITLE ASSOCIATION) TITLE POLICY.** A type of title insurance policy issued by title insurance companies which expands the risks normally insured against under the standard type policy to include unrecorded mechanic's liens; unrecorded physical easements; facts a physical survey would show; water and mineral rights; and rights of parties in possession, such as tenants and buyers under unrecorded instruments.

ALTERATIONS. Changes made to the interior or exterior of a building that do not change its exterior dimensions.


ALTERNATIVE DISPUTE RESOLUTION. A procedure to settle a dispute using mediation or arbitration rather than litigation.


ALTERNATIVE DOCUMENTATION/ALT DOC. Documentation other than the usual documentation used to verify information such as using 24-months bank statements to add deposits to verify income for that period.

ALTERNATIVE MORTGAGE. Any home loan that does not conform to a standard fixed-rate mortgage.

ALUMINUM-CLAD WINDOWS. Wooden windows with aluminum covering the exterior.

ALUMINUM SIDING. A metal covering that provides an alternative to paint for owners of wood homes.

 **AMENDMENT.** A change to a contract that is not a part of the original contract. An Amendment occurs after the fact.


 **AMENITIES.** Satisfaction of enjoyable living to be derived from a home; conditions of agreeable living or a beneficial influence from the location of improvements, not measured in monetary considerations but rather as tangible and intangible benefits attributable to the property, often causing greater pride in ownership; parks, swimming pools, health-club facilities, party rooms, bike paths, community centers and other enticements offered by builders of planned developments.


AMENITY VALUE. That value, difficult to measure in monetary terms, that is attributable to a property because of pleasant surroundings, such as a pretty view, quiet area, or ideal climate.

AMERICAN FOURSQUARE STYLE. This practical housing style is a sub-style of the Prairie. They are simple, space-efficient, and box-shaped, with a wide porch across the entire front of the house.


AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS (AIREA). A professional organization promoting professional practice and ethics in the real estate appraisal industry.

AMERICAN LAND DEVELOPMENT ASSOCIATION (ALDA). A national trade association of the real estate development industry. Membership includes professionals primarily involved with recreational and second homes.


 **AMERICAN LAND TITLE ASSOCIATION (ALTA).** An association of land title companies that promotes the safe and efficient transfer of ownership and interest in real property and provides information to consumers, while maintaining professional standards and ethics.

 **AMERICAN SOCIETY OF APPRAISERS (ASA).** The oldest professional organization of appraisers. It promotes professional excellence through education, accreditation, publication, and other services. Members include personal property appraisers, business appraisers, and machine and jewelry appraisers in addition to real property appraisers.


AMERICAN SOCIETY OF HOME INSPECTORS. The American Society of Home Inspectors is a professional association of independent home inspectors. Phone: (800) 743-2744.

 **AMERICANS WITH DISABILITIES ACT.** A law passed in 1990 that outlaws discrimination against a person with a disability in housing, public accommodations, employment, government services, transportation and telecommunications.

AMERICANS WITH DISABILITIES ACT ACCESSIBILITY GUIDELINES (ADAAG). A document providing standards to be observed in the design, construction, and alteration of buildings falling under the jurisdiction of the ADA.

 **AMORTIZATION.** The liquidation of a financial obligation on an installment basis; also, recovery over a period of cost or value.


AMORTIZATION TABLES. Mathematical tables that lenders use to calculate a borrower's monthly payment.

 **AMORTIZED LOAN.** A loan to be repaid, interest and principal, by a series of regular payments that are equal or nearly equal, without any special balloon payment prior to maturity. Also called a Level Payments Loan.

AMPERAGE. The strength of an electrical current.

AMPERE. (a) A measure of electrical current. (b) The steady current produced by one volt applied across a resistance of one ohm.

ANALYSIS OF ALTERNATIVES. Analysis to determine whether a property needs a change in operations or a physical change that will justify a rent increase or elevate the occupancy levels.


 **ANCHOR BOLT.** A large steel bolt anchored in concrete and attached to a building to prevent the structure from moving.

ANCHOR TENANT. A major department or chain store located in a shopping center. The anchor tenant draws large numbers of consumers, generating maximum sales volume for the entire shopping center.

ANCILLARY. An addition to.


ANGLE. The measurement in degrees between two intersecting lines.

ANNEX. To add or attach.


 **ANNEXATION.** Addition to property or to territory.


ANNUAL. Any kind of plant that must be planted every year.

ANNUAL BUDGET. Annual report that proposes planned income and expenses. It is an important tool used for planning growth and for anticipating borrowing needs.


 **ANNUAL DEBT SERVICE.** The total amount of all mortgage payments required in one year on a loan.

ANNUAL MORTGAGOR STATEMENT. A yearly statement to borrowers that details the remaining principal and amounts paid for taxes and interest.

 **ANNUAL NET INCOME.** The amount of income left from an income-producing property after all expenses have been deducted; also called *net operating income*.

 **ANNUAL PERCENTAGE RATE (APR).** The relative cost of credit as determined in accordance with Regulation Z of the Board of Governors of the Federal Reserve System for implementing the Federal Truth in Lending Act.

ANNUALIZED FUEL UTILIZATION EFFICIENCY (AFUE). The ratio of the total useful heat a gas furnace delivers to a building to the heat value of the fuel it consumes.

 **ANNUITY.** A sum of money received at fixed intervals, such as a series of assured equal or nearly equal payments to be made over a period of time, or it may be a lump sum payment to be made in the future. The installment payment due to the landlord under a lease is an annuity. So are the installment payments due to a lender.

ANNUITY CAPITALIZATION. An income capitalization method, providing for annuity recapture of invested capital. Discounts the future income to an estimate of present value. Also referred to as yield capitalization.

ANNUITY METHOD. A method of capitalization that treats income from real property as a fixed, regular return on an investment. The annuity method can be applied, if the lessee is reliable and the lease is long-term.

ANSWER. In law, a written pleading filed by a defendant to respond to a complaint in a lawsuit filed and served upon that defendant.

ANTHRACITE. The highest rank of coal; used primarily for residential and commercial space heating. It is a hard, brittle, and black lustrous coal, often referred to as hard coal, containing a high percentage of fixed carbon and a low percentage of volatile matter.

ANTICIPATION, PRINCIPLE OF. Affirms that value is created by anticipated benefits to be derived in the future.

ANTICIPATORY BREACH. A communication that informs a party that the obligations of the original contract will not be fulfilled.

ANTITRUST LAWS. The laws created to protect and preserve business competition.

"A" PAPER LOAN. A loan given to a borrower with excellent credit, who receives the benefit of the lowest interest rate and lowest cost loan, with the best terms available to finance a home purchase or refinance a home loan. Also known as a prime loan.

APPARENT AUTHORITY. Carries no obligation by the party that the Agent is claiming to be representing. This is similar to an Implied Agency in as much as the Agent implies that they have the authority to perform an act as a Real Estate Agent even though they do not.

APPEAL. The act of requesting a higher court of law to reconsider a decision made by a lower court, especially in order to reduce or prevent a punishment.

APPEARANCE. Presence of a party litigant before the court.

APPELLANT. A party appealing a court decision or ruling.


 **APPLIANCE.** Non-industrial equipment such as dishwasher, electric range, air-conditioning, etc.


APPLICATION. A document that details a potential borrower's income, debt and other obligations to determine credit worthiness.

APPLICATION FEE. The fee that a lender charges to process a loan application.

APPOINTMENT OF A RECEIVER. Lease clause that outlines what is to take place if one of the parties involved in the agreement files for bankruptcy.

APPOINTMENTS. Equipment or furnishings used in the interior of a building, especially a home, which tend to increase comfort, appeal or utility.

 **APPRAISAL.** An estimate of the value of property resulting from an analysis of facts about the property; an opinion of value.

 **APPRAISAL APPROACHES TO VALUE.** Any of the following three methods used to estimate the value of real estate: sales comparison approach, cost approach, and income capitalization approach.

APPRAISAL CONSULTING. The act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.


APPRAISAL FEE. The fee that an appraiser charges to estimate the market value of the property.


APPRAISAL PROCESS. An orderly systematic method to arrive at an estimate of value.

APPRAISAL REPORT. A detailed written report on the value of a property based on recent sales of comparable sites in the area.

APPRAISAL REVIEW. The review of an appraiser's analysis, research, and conclusions by another appraiser.


APPRAISAL STANDARDS BOARD (ASB). An organization created by The Appraisal Foundation. The ASB establishes the rules for developing an appraisal and reporting its results. It is also responsible for the enforcement of USPAP (Uniform Standards of Professional Appraisal Practice).

 **APPRAISED VALUE.** An opinion of the current market value of a property.


 **APPRAISER.** One qualified by education, training and experience who is hired to estimate the value of real and personal property based on experience, judgment, facts, and use of formal appraisal processes.


APPRAISER QUALIFICATIONS BOARD (AQB). An organization created by The Appraisal Foundation. The AQB establishes licensing and certifying Standards and examination requirements for appraisers.


APPRAISER TRAINEE LICENSE. In some states, this is the lowest level of appraisal license. The education, experience, and exam requirements to obtain a trainee license vary widely by state.

 **APPRECIATION.** An increase in the value of a home or other property.


APPROPRIATION OF WATER. The taking, impounding or diversion of water flowing on the public domain from its natural course and the application of the water to some beneficial use personal and exclusive to the appropriator.


 **APPURTENANCE.** That which belongs to something, but not immemorially; all those rights, privileges, and improvements which belong to and pass with the transfer of the property, but which are not necessarily a part of the actual property. Appurtenances to real property pass with the real property to which they are appurtenant, unless a contrary intention is manifested. Typical appurtenances are rights-of-way, easements, water rights, and any property improvements.

 **APPURTENANT.** Belonging to; adjunct; appended or annexed to. For example, the garage is appurtenant to the house, and the common interest in the common elements of a condominium is appurtenant to each apartment. Appurtenant items pass with the land when the property is transferred.

 **APR (ANNUAL PERCENTAGE RATE).** The relative cost of credit as determined in accordance with Regulation Z of the Board of Governors of the Federal Reserve System for implementing the Federal Truth in Lending Act.

AQUASTAT. A device that senses and controls water temperature in a boiler. In hydronic heating, the aquastat controls boiler water temperature and the thermostat controls room air temperature.

 **AQUIFER.** A subsurface layer or layers of rock or other geological strata of sufficient porosity and permeability to allow either a significant flow of groundwater or the abstraction of significant quantities of groundwater.

 **ARBITRATION.** A method of resolving a dispute in which a third party renders a decision.

ARBITRATOR. A neutral person hired to listen to both sides of a dispute. The arbitrator may award a binding decision on the parties to the dispute.

ARBOR. An area shaded by trees, shrubs or vines on a latticework structure.

ARCH. A curved structure that supports weight over an area, such as a doorway.

ARCH RIB ROOF. A roof usually used in industrial buildings, having the shape of an arch or crescent. It is supported by a bowstring truss that spreads the roof load evenly.


ARCHITECT. A licensed professional who designs homes, buildings and other structures.

ARCHITECTURAL FEES. The fee an architect charges for services. In general, architects charge for their services by the hour, by the square foot, or by a percentage of the project budget.


ARCHITECTURAL STYLE. Generally the appearance and character of a building's design and construction.

 **AREA.** The space or size of a surface defined by a set of boundaries.

ARID. Regions where precipitation is insufficient in quantity for most crops and where agriculture is impractical without irrigation.


 **ARM (ADJUSTABLE RATE MORTGAGE).** A mortgage loan which bears interest at a rate subject to change during the term of the loan, predetermined or otherwise.

ARMORED CABLE. Two or more insulated wires enclosed in a metal sheathing.


 **ARM'S-LENGTH TRANSACTION.** A transaction, such as a sale of property, in which all parties involved are acting in their own self-interest and are under no undue influence or pressure from other parties.

ARPENT. A French measurement of land equal to 84,625 acres.

ARRANGER OF CREDIT. A person who is not party to the real estate transaction, but is compensated for arranging the credit, negotiating the credit terms, completing the credit documents, and facilitating the transaction.

 **ARREARS.** (a) A payment made at the end of a time period. (b) A delinquent payment of a debt.

ART DECO STYLE. A housing style popular in the early 1900s, in which glass blocks, metals, and plastics are used extensively. Angular and boxy housing style, with a flat roof and simple, clean lines.

 **ARTESIAN WELL.** A well in which the water rises under hydrostatic pressure above the level of the aquifer in which it has been confined by overlying impervious strata.

ARTICLES OF INCORPORATION. An instrument setting forth the basic rules and purposes under which a private corporation is formed.

ARTIFICIAL INTELLIGENCE (AI). The intelligence of machines and the branch of computer science, which aims to create it.

ART MODERNE STYLE. A simple housing style with a horizontal, cube-like shape and a flat roof and rounded corners. The exterior walls are smooth stucco with rounded corners.

ASBESTOS. A fire-resistant mineral used for insulation and home products that has been found to pose a health hazard.

ASBESTOS ABATEMENT. Procedures to control fiber release from asbestos-containing materials in a building or to remove them entirely, including removal, encapsulation, repair, enclosure, encasement, and operations and maintenance programs.


ASBESTOS CONTAINING MATERIAL (ACM). Asbestos combined with other materials. The resulting substance can be more dangerous than asbestos alone, since it can easily flake or crumble and be ingested or inhaled.

ASBESTOS HAZARD EMERGENCY RESPONSE ACT (AHERA). A law passed by Congress in 1986 amending the Toxic Substances Control Act (TSCA) requiring all public schools to be inspected for the presence of asbestos and to remedy problems considered hazardous to people's health.


ASEPTIC SYSTEM. The clean water system.


ASH. Impurities consisting of silica, iron, alumina, and other noncombustible matter that are contained in coal.


 **AS-IS CONDITION.** The purchase or sale of a property in its existing condition.

 **ASKING PRICE.** A seller's initial price for a property.

ASPHALT. Smooth, hard, tar-like, brittle black or brownish-black resinous mineral made of a variety of bitumen.

 **ASSEMBLAGE.** The process of putting several smaller less valuable lots together under one ownership to increase total value.

 **ASSESS.** The act of determining a property's value for tax purposes.

 **ASSESSED VALUATION.** A valuation placed upon a piece of property by a public authority as a basis for levying taxes on the property.


ASSESSMENT. The valuation of property for the purpose of levying a tax or the amount of the tax levied. Also, payments made to a common interest subdivision homeowners-association for maintenance and reserves.

ASSESSMENT BASE. The total value of all the assessed properties in a tax district or assessment district.

ASSESSMENT RATIO. The assessed value of a property in comparison to its market value, expressed as a fraction.


ASSESSMENT ROLLS. A list of taxable property compiled by the assessor.


 **ASSESSOR.** The official who has the responsibility of determining assessed values.

 **ASSESSOR'S PARCEL NUMBER (APN).** An identifying number assigned to each parcel by the County Tax Assessor's Office.

ASSET MANAGER. In property management, an executive who works either for a large corporation or a professional property management firm, who oversees the company's real estate assets, and sets goals and strategies on behalf of the owners.

 **ASSETS.** Items of value which include cash, real estate, securities and investments.

 **ASSIGNS, ASSIGNEES.** Those to whom property or interests therein shall have been transferred.

 **ASSIGNMENT.** A transfer to another of any property in possession or in action, or of any estate or right therein. A transfer by a person of that person's rights under a contract.

ASSIGNMENT CONDITIONS. In appraisal, the conditions that the assignment results are based upon such as extraordinary assumptions, hypothetical conditions, limiting conditions, jurisdictional exceptions, and supplemental standards.

ASSIGNMENT ELEMENTS. Crucial sub-steps in appraisal problem identification.


ASSIGNMENT OF RENTS. A provision in a deed of trust (or mortgage) under which the beneficiary may, upon default by the trust or, take possession of the property, collect income from the property and apply it to the loan balance and the costs incurred by the beneficiary.


 **ASSIGNOR.** One who assigns or transfers property.

ASSISTED LIVING FACILITY. Offers medical and limited nursing care.

ASSOCIATE LICENSEE. Another term used for a licensed real estate salesperson employed by a licensed real estate broker.

ASSOCIATION. A group of people who come together for business purposes . The group may be treated and taxed as a corporation by the IRS.

 **ASSUMABLE MORTGAGE.** A mortgage that can be transferred to another borrower.


 **ASSUME.** A term used in real estate transactions where the buyer may take over, or assume, responsibility for a pre-existing mortgage.

ASSUMPTION AGREEMENT. An undertaking or adoption of a debt or obligation primarily resting upon another person.


ASSUMPTION FEE. A lender's charge for changing over and processing new records for a new owner who is assuming an existing loan.


ASSUMPTION OF MORTGAGE. The taking of a title to property by a grantee wherein grantee assumes liability for payment of an existing note secured by a mortgage or deed of trust against the property, becoming a co-guarantor for the payment of a mortgage or deed of trust note.

ATMOSPHERE. The layer of gases surrounding the Earth and composed of considerable amounts of nitrogen, hydrogen, and oxygen.


 **ATTACHMENT.** The process by which real or personal property of a party to a lawsuit is seized and retained in the custody of the court for the purpose of acquiring jurisdiction over the property, to compel an appearance before the court, or to furnish security for a debt or costs arising out of the litigation.

ATTIC. The open area above the ceiling and under the roof deck of a steep-sloped roof.

 **ATTEST.** To affirm to be true or genuine; an official act establishing authenticity.

 **ATTORNEY IN FACT.** One who is authorized by another to perform certain acts for another under a power of attorney; power of attorney may be limited to a specific act or acts or be general.

ATTORNMENT. A tenant's acceptance of a new owner or landlord on the same property.

 **ATTRACTIVE NUISANCE.** Any inherently dangerous object or condition that is likely to attract and harm children. A property owner is liable for injuries to a child due to such a hazard. For example, an unfenced swimming pool is an attractive nuisance.


AUCTION. Usually, a public sale of goods or property, where people make successively higher offers of money for each item, until it is sold to the person who will pay the highest price.

AUTHORIZATION TO SELL. A contract signed by a seller of property, authorizing an agent to obtain a potential buyer for the property. However, it does not authorize the agent to enter into a binding sales contract.


AUTOMATED VALUATION MODELS. In appraisal, computer software programs that analyze data using automated systems.

AUTOMATIC DAMPER. A device that cuts off the flow of hot or cold air to or from a room as controlled by a thermostat.

AVERAGE DEVIATION. In statistics, the measure of how far the average variate differs from the mean of all variates.

 **AVERAGE PRICE.** The price of a home determined by totaling the sales prices of all houses sold in an area and dividing that number by the number of homes.


AVIGATION EASEMENT. An easement over private property near an airport that limits the height of structures and trees.

 **AVULSION.** A sudden and perceptible loss of land by the action of water as by a sudden change in the course of a river.

AWARD LETTER. A letter stating the amount of money that a recipient will receive and the terms by which they will be received. Social Security sends an Award Letter annually to recipients stating the monthly benefit.

AWNING WINDOWS. Single-sash windows that tilt outward and up.

BABY-BOOMERS. The name given to the large number of people who were born in the years following World War II, from 1946 to 1964.

 **BACK-END RATIO.** The ratio of all fixed debt, including housing expenses, to gross income.

 **BACK FILL.** The replacement of excavated earth into a hole or against a structure.


BACK SURFACING. Fine mineral matter applied to the back side of shingles to keep them from sticking.

BACK TITLE LETTER. A letter that a title insurance company gives to an attorney who then examines the title for insurance purposes.


BACK-TO-BACK ESCROW. Arrangements that an owner makes to oversee the sale of one property and the purchase of another at the same time.

BACK-TO-BACK LEASE. An agreement by a lessor to take over a prospective lessee's existing lease in another property, in return for the lessee's commitment to lease space in the lessor's commercial property.

BACKUP GENERATOR. A generator that is used in the event of an emergency, such as a shortage of power needed to meet customer load requirements.


 **BACKUP OFFER.** A secondary bid for a property that the seller will accept if the first offer fails.


BACKWATER VALVE. A valve in a sewer line that prevents sewage from flowing back into a house.

 **BALANCE SHEET.** A statement of the financial condition of a business at a certain time showing assets, liabilities, and capital; a statement that shows the assets, liabilities and net worth of an individual.

BALCONY. An open air platform extending outward from a building and enclosed by a railing.

BALLOON-FRAME CONSTRUCTION. A type of framing used in two-story homes in which studs extend from the ground to the ceiling of the second floor.


 **BALLOON LOAN.** A mortgage in which monthly installments are not large enough to repay the loan by the end of the term. As a result, the final payment due is the lump sum of the remaining principal.


 **BALLOON PAYMENT.** An installment payment on a promissory note - usually the final one for discharging the debt - which is significantly larger than the other installment payments provided under the terms of the promissory note.


BALLUSTRADE. Railing held up by a set of posts on a porch or stairway.


BALTIMORE METHOD. An early appraisal method used to determine the value of a corner lot.

BAMBOO. Bamboo is a fast growing grass-up to 24 inches in a day. Along with other construction uses, bamboo may be cut and laminated into sheets and planks for flooring.-


 **BAND OF INVESTMENT APPROACH.** Method of estimating interest and capitalization rates, based on a weighted average of the mortgage interest rate (or other cost of borrowed funds) and the rate of return on equity required.


 **BANKER'S RULE.** A calendar standard by which proration is calculated. When closing a real estate transaction, most escrow agents use a 360-day year (30 days in each month) to calculate proration.


 **BANKRUPTCY.** A proceeding in which an insolvent debtor can obtain relief from payment of certain obligations. Bankruptcies remain on a credit record for seven years and can severely limit a person's ability to borrow.

 **BARE TITLE.** Title conveyed using a deed of trust, in which the trustee holds title to property without the usual rights of ownership.

BARGAIN AND SALE DEED. Any deed that recites a consideration and purports to convey the real estate; a bargain and sale deed with a covenant against the grantor's act is one in which the grantor warrants that grantor has done nothing to harm or cloud the title.

 **BARGAIN SALE.** The sale of a piece of property for less than market value.

 **BASE AND MERIDIAN.** Imaginary lines used by surveyors to find and describe the location of private or public lands. In government surveys, a base line runs due east and west, meridians run due north and south, and are used to establish township boundaries.


 **BASEBOARD.** Any board or molding found at the bottom of an interior wall.

BASEBOARD ELECTRIC HEAT. Heating units installed in the floor that can be controlled by a central thermostat.


BASE LASHING. The upturned edges of a watertight membrane on a roof.

 **BASELINE.** In the Public Land Survey System, the imaginary east-west lines that intersect meridians to form a starting point for measurement of land.

BASEMENT. The area of a home below ground level.

 **BASE RENT.** The minimum rent due in a percentage lease agreement. See minimum rent.

BASIC INDUSTRY. In economic base analysis, an industry that attracts income from outside the community.


 **BASIS.** (1) *Cost Basis.* The dollar amount assigned to property at the time of acquisition under provisions of the Internal Revenue Code for the purpose of determining gain, loss and depreciation in calculating the income tax to be paid upon the sale or exchange of the property. (2) *Adjusted Cost Basis.* The cost basis after the application of certain additions for improvements, etc., and deductions for depreciation, etc.


BASIS POINT. A basis point is one one-hundredth of one percentage point. For example, the difference between a loan at 8.25 percent and a mortgage at 8.37 percent is 12 basis points.

BATTEN. Narrow strips of board, wood, or metal used to hide or cover joints between panels on the interior or exterior of a building. Also used for decorative effect. In roofing, strips of wood used as the base for slate, clay tiles, or wood shingles.

BAY. The opening between two columns or walls that forms a space.


BAY WINDOW. A window that projects outward in a curve.


 **BEAM.** A long thick piece of wood, metal or concrete, used to support weight in a building or other structure.


 **BEARING WALL.** A wall or partition which supports a part of a building, usually a roof or floor above.

BEDROCK. Solid rock usually found a few feet beneath the topsoil. Bedrock is a good foundation support for structures.


BEFORE-AND-AFTER METHOD. An appraisal technique used to determine the amount of compensation due to the owners of land that has been partially taken through condemnation. The value of the land before and after condemnation is calculated. The value of the remaining property is the difference between before and after condemnation.


 **BEFORE-TAX CASH FLOW (BTCF).** The portion of net operating income after debt service is paid, but before income tax is deducted. Also called equity dividend or pre-tax cash flow.


 **BEFORE-TAX INCOME.** Total income before taxes is deducted.

 **BELLY-UP.** A slang term used to describe a failed business or real estate project, as in the sentence, "The clothing store went belly-up."


BELOW GRADE IMPROVEMENTS. Improvements below ground level.

 **BENCH MARK.** A monument used to establish the elevation of the point, usually relative to Mean Sea Level, but often to some local datum.

 **BENEFICIARY.** (1) One entitled to the benefit of a trust; (2) One who receives profit from an estate, the title of which is vested in a trustee; (3) The lender on the security of a note and deed of trust; (4) The lender who makes a loan, also called a mortgagee. The person borrowing money is the mortgagor.


 **BENEFICIARY STATEMENT.** Statement of a beneficiary under a deed of trust as to principal balance due on a promissory note and other information concerning the loan.


BENEFIT. The good or helpful effect of an improvement made to a previously private property, which was acquired under eminent domain.


 **BEQUEATH.** To give or hand down by will; to leave by will.

 **BEQUEST.** Personal property given by the terms of a will.

BETTERMENT. An improvement upon property which increases the property value and is considered as a capital asset as distinguished from repairs or replacements where the original character or cost is unchanged.


 **BID.** An offer to purchase property for a certain amount, or the act of submitting an offer to purchase something.


 **BIDDING WAR.** Offers from multiple buyers for a piece of property. Agents also sometimes compete to list a house for sale.

 **BILATERAL CONTRACT.** A contract in which the parties involved give mutual promises. Also called “reciprocal” contracts.

BILATERAL INSTRUCTIONS. One set of escrow instructions signed by both the seller and buyer.

BILLBOARD. Large outdoor sign (15 square feet or larger) used for advertising purposes.

 **BILL OF SALE.** A written instrument given to pass title of personal property from vendor to the vendee.

 **BINDER.** An agreement to consider a down payment for the purchase of real estate as evidence of good faith on the part of the purchaser. Also, a notation of coverage on an insurance policy, issued by an agent, and given to the insured prior to issuing of the policy.

BIODEGRADABLE. The ability of a substance to be broken down over time by sun, wind, water and microorganisms.

BIODIVERSITY. The variety of animals, plants, fungi and micro-organisms that inhabit a place is its biodiversity.

BIOFUEL. Liquid fuels and blending components produced from biomass feed stocks, used primarily for transportation.

BIOMASS. Organic non-fossil material of biological origin constituting a renewable energy source.

BIOMASS ENERGY. Energy produced by combusting renewable biomass materials such as wood.

BIOMASS WASTE. Organic non-fossil material of biological origin that is a byproduct or a discarded product., such as municipal solid waste from biogenic sources, landfill gas, sludge waste, agricultural crop byproducts, straw, and energy crops grown specifically for energy production.


BIOREMEDIATION. The use of living organisms such as bacteria to remove pollutants from water or land.

BIRD DOGGING. Obtaining the initial lead regarding property, buyers, investors, potential home improvement customers, etc. The lead is then handed over to, and followed up by someone else, whose goal is to close the deal.

BIRD STOP. In addition to preventing birds from nesting in the hollows of the roof tiles, this length of formed metal or foam elevates the starter course/layer of roof title so it is positioned at the same angle as subsequent courses/layers.


BITUMEN. Mineral pitch or any material obtained as a type of asphalt residue in the distillation of coal tar, wood tar, petroleum, etc., or occurring as natural asphalt.


BITUMINOUS COAL. A dense coal, usually black, sometimes dark brown, often with well-defined bands of bright and dull material, used primarily as fuel in steam-electric power generation, with substantial quantities also used for heat and power applications in manufacturing and to make coke. Bituminous coal is the most abundant coal in active U.S. mining regions.

 **BIWEEKLY MORTGAGE.** A mortgage that requires payments every two weeks and helps repay the loan over a shorter term.


BLACKLETTER LAW. Well-established legal principles. The term derives from the practice of printing law books in a bold, black Gothic type.

BLACK LIQUOR. A byproduct of the paper production process, alkaline spent liquor, which can be used as a source of energy.

 **BLACKTOP.** Asphalt paving used in streets and driveways.


 **BLACKWATER.** Water from toilets, kitchen sink, or other dirty sources (e.g. washing machines used for diapers), which may be contaminated with microorganisms or harmful bacteria.

BLANKET INSURANCE POLICY. A policy that covers more than one person or piece of property.


 **BLANKET MORTGAGE.** A single mortgage which covers more than one piece of real property.

BLENDED RATE. The interest rate of a newly refinanced loan. The interest rate is greater than the rate on the old loan, but is still less than the current market rate.


BLIGHTED AREA. A district affected by detrimental influences of such extent or quantity that real property values have seriously declined as a result of adverse land use and/or destructive economic forces; characterized by rapidly depreciating buildings, retrogression and no recognizable prospects for improvement. However, renewal programs and changes in use may lead to resurgence of such areas.

 **BLIND ADVERTISING.** Advertising that fails to disclose that the party is a licensee acting as an agent.

BLIND NAILING. Nails driven into a wall and concealed with putty.

 **BLIND POOL.** A type of syndication where money is raised for unspecified properties meeting specific investment criteria.

BLISTERS. Bubbles that appear on the surface of asphalt roofing after installation.

 **BLOCKBUSTING.** The practice on the part of unscrupulous speculators or real estate agents of inducing panic selling of homes at prices below market value, especially by exploiting the prejudices of property owners in neighborhoods in which the racial make-up is changing or appears to be on the verge of changing.


BLOWER DOOR. A variable speed fan, mounted in a doorframe, used to pressurize and depressurize a house to measure air leakage.

BLUEPRINT. A plan of a building in such detail as to enable workmen to construct it from the print. The name comes from the photographic process which produces the plan in white on a blue background.

BLUE-RIBBON CONDITION. A house maintained close to its original condition. Also called “mint condition.”


 **BLUE SKY LAWS.** Regulations on the sale of securities to prevent consumers from investing in fraudulent or high-risk companies without being informed of the risks.

BOARD-AND-BATTEN SIDING. Siding is composed of 8 to 12 inch wide wooden boards nailed vertically to create a barn-like exterior.


 **BOARD FOOT.** Measurement of lumber that is the equivalent of 144 cubic inches.


BOARD OF DIRECTORS. Central governing body of an association elected into office by the association members.

BOARD OF EQUALIZATION. A state board charged with ensuring that local property taxes are assessed in a uniform manner.

 **BOARD OF GOVERNORS (BOG).** Created by the Federal Reserve Board, the BOG regulates the banking system and supervises certain types of financial institutions, overseeing a network of 12 Federal Reserve Banks and 25 branches that make up the Federal Reserve System.


BOILER. A sealed tank in which water is turned into steam for heating or power.

 **BOILERPLATE.** Form language used in deeds, mortgages, and other documents. Details can be added by individual parties.

 **BONA FIDE.** In good faith; without fraud or deceit; authentic; a legal term that refers to actions or persons that are honest and in good faith.


BONA FIDE PURCHASER. A purchaser in good faith, for fair value and without notice of any adverse claim or right of third parties.


BONA FIDE SALE. The sale of property in a competitive market, at the current market price, where good faith between the buyer and seller is present in the transaction.


 **BOND.** Written evidence of an obligation given by a corporation or government entity; a surety instrument; an agreement that insures one party against loss by acts or defaults of another party.

BOND RATING. An assessment by financial reporting organizations of the relative financial risk of a bond issue.

BONUS INCOME. Income that is paid on an irregular basis such as annually and usually based on the employer's production or the company's income.

 **BOOK DEPRECIATION.** An accounting concept which refers to an allowance taken to provide for recovery of invested capital.

 **BOOK VALUE.** The current value for accounting purposes of an asset expressed as original cost plus capital additions minus accumulated depreciation.


 **BOOT.** Money or other property used to equalize the trade in a 1031 tax deferred exchange transaction, if the value of one property is greater than the other.

BORING TEST. An analysis of soil in which holes are bored into the ground and samples are removed.


BOROUGH. A section of a city that has authority over local matters.


BORROW. Sand, gravel or other material used for grading.

BORROW PIT. The hole at a site that has been excavated.

 **BORROWER.** A debtor or one who borrows money in the form of a loan, and who is obligated to repay the debt in full, with interest.

BOULEVARD. A street lined with trees or constructed with a landscaped median.

 **BOUNDARY.** The dividing line between two adjacent properties.

 **BOUNDS.** A directional reference, as in metes-and-bounds. Metes measure the length, and bounds limit the lengths to a certain area designated by monuments or landmarks.

BOYCOTTING. The deliberate exclusion of a particular business or group from the benefits of competition and inclusion.

BPI BUILDING ANALYST. Contractor and home energy rater or auditor certified by the Building Performance Institute (BPI).


BRACING. Diagonal board or framing lumber nailed across wall framing in order to prevent sway and provide rigidity.


BRACED FRAMING. A construction method in two-story homes in which the frame is reinforced with posts and braces.

BRACKETING. When using the sales comparison approach in an appraisal, the idea that the sales prices of the comparable chosen for the appraisal will not all be higher than the value of the subject property, nor will they be lower. The market data is selected so that the subject property is contained within the mid-range of comparable properties, with one or two sales that are higher and one or two sales that are lower.

BRAND. A distinctive name, logo, image, service, or style.


BRANDING. Making yourself known to a specific area, group of people, or segment of the market.


 **BREACH.** The breaking of a law, or failure of duty, either by omission or commission.

 **BREACH OF CONTRACT.** The failure to perform provisions of a contract without a legal excuse.

BREACH OF COVENANT. The failure to obey a legal agreement.

BREACH OF WARRANTY. A seller's inability to pass clear title to a buyer.

 **BREAKDOWN METHOD.** A method of calculating accrued depreciation by analyzing and measuring each cause of depreciation separately. The different types of depreciation are then added together to find the total depreciation. Also known as observed condition method.


 **BREAK-EVEN POINT.** The point in which the owner's rental income matches expenses and debt.


BREAST HEIGHT. The height at which the diameter of a tree is measured: four feet, six inches above the ground.

BREEZEWAY. A roofed passageway with open sides.


BRICK. Building material made from clay molded into oblong blocks and fired in a kiln.


BRICKS AND CLICKS OFFICE. An office that is a combination of a bricks and mortar business and virtual office.


 **BRICKS AND MORTAR OFFICE.** An office with a physical presence. Also called a traditional office.

 **BRIDGE LOAN.** A short-term loan for borrowers who need more time to find permanent financing.

BRIDGING. The addition of small pieces of wood or metal, which are nailed in a diagonal position between floor joists, at mid- span, to prevent the joists from twisting.

 **BRITISH THERMAL UNIT (BTU).** The quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit.

 **BROKER.** A person employed for a fee by another to carry on any of the activities listed in the license law definition of a broker.

 **BROKERAGE.** The act of bringing together two or more parties in exchange for a fee or commission.

BROKER ASSOCIATE. A licensed broker who acts as an agent under the sponsorship of a broker-owner.


BROKER OWNER. The broker on record with the state as the owner of a real estate brokerage firm who creates and establishes all policies for the firm.


BROKER-SALESPERSON RELATIONSHIP AGREEMENT. A written agreement required by the regulations of the Real Estate Commissioner setting forth the material aspects of the relationship between a real estate broker and each salesperson and broker performing licensed activities in the name of the supervising broker.

BROOM CLEAN. The ideal condition of a building when it is turned over to an owner or tenant.

BROWNFIELD. An abandoned commercial or industrial site or under-utilized neighborhood, where redevelopment is complicated by actual or perceived contamination.

BROWNSTONE. A vintage row house constructed of red sandstone.

 **BTU (BRITISH THERMAL UNIT).** The quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit.


 **BUDGET.** A balance sheet that identifies estimated or future receipts and expenditures.

BUDGET LOAN. A type of standard loan in which the monthly payments are applied to property taxes and insurance, as well as principal and interest. As a result, the borrower begins to build equity with the first monthly payment.


BUFFER STRIP. A parcel of land that separates two or more properties.

BUFFER ZONE. Section of land separating one land use area from another, especially when the two zones may be incompatible, such as industrial and residential areas.

BUILDER UPGRADES. Extra house features or better finishing materials that a builder offers.

 **BUILDING AND LOAN ASSOCIATION.** An organization that raises money to help its members purchase real estate or construct a building.

 **BUILDING CAPITALIZATION RATE.** The sum of the discount and capital recapture rates for a building.

 **BUILDING CODE.** A systematic regulation of construction of buildings within a municipality established by ordinance or law.

BUILDING ECOLOGY. Physical environment and systems found inside the building.


BUILDING EMPLOYMENT DENSITY. Refers to the ratio of employees to floor space.

BUILDING ENGINEER. Inspects the structural parts of a building. He or she also inspects the permanent systems.

BUILDING ENVELOPE. An area or barrier that separates conditioned space from unconditioned space or the outdoors.

BUILDING INSPECTOR. A city or county employee who enforces the building code and ensures that work is correctly performed.

BUILDING INSURANCE. Covers buildings or structures and any completed additions listed on the declarations page of a policy.

 **BUILDING LINE.** A line set by law a certain distance from a street line in front of which an owner cannot build on owner's lot. A setback line.


BUILDING MANAGER. A person employed by a property manager or directly by an owner, and usually manages a single large building or office complex.

BUILDING, MARKET VALUE OF. The sum of money which the presence of that structure adds to or subtracts from the value of the land it occupies. Land valued on the basis of highest and best use.


BUILDING MORATORIUM. A halt on home construction to slow the rate of development.

BUILDING PAPER. A thick, water-resistant paper that serves as insulation.

BUILDING PERFORMANCE INSTITUTE (BPI). National standards and contractor credentialing organization for residential energy efficiency and weatherization retrofit work.

 **BUILDING PERMIT.** A permit issued by a local government agency that allows the construction of home or renovation of a house.


BUILDING-RELATED ILLNESS (BRI). Clinically verifiable diseases that are attributed to a specific source or pollutant within a building and are more serious than sick building syndrome (SBS) condition. The symptoms of the disease persist after the occupant leaves the building, unlike SBS in which the occupant experiences relief shortly after leaving the building.

 **BUILDING RESIDUAL TECHNIQUE.** An appraisal method used to determine the total property value. The income from the land is subtracted from the net operating income. The remainder is divided by the building capitalization rate and the result is the building value. The building value is then added to the land value to arrive at the total property value.

BUILDING RESTRICTIONS. Zoning, regulatory requirements or provisions in a deed limiting the type, size and use of a building.


BUILD-OUT ALLOWANCE (BO). Tenant improvement allowance that gives credit or reimbursement to a tenant in order to cover the cost of improvements that the tenant makes to a property.


BUILD-TO-SUIT. A type of lease arrangement in which the lessor builds or modifies the property to meet the tenant's specifications. The cost of the construction is figured into the rental amount, which is usually for a long term.

 **BUILT-INS.** Appliances or other items that are framed into a home or permanently attached.

 **BUILT-UP RATE.** A method of calculating a capitalization rate. It takes into consideration the yield amount each investor requires. Also called weighted rate.


BUILT-UP ROOF. An outer covering of a comparatively flat roof, consisting of several layers of saturated felt. As laid, each layer is mopped with hot tar or asphalt. The top layer is finished with a mineral or rock covering and a special coating.


 **BULK GOODS.** The personal property that is included in the sale of the business; such as, articles of clothing in sale of a clothing store.

 **BULK TRANSFERS.** A transfer in bulk of a major part of the materials, inventory, or supplies of a business. The uniform commercial code regulates bulk sales transfers. Refer to Article 6 of the Uniform Commercial Code (UCC).

BULK ZONING. Controls density and prevents overcrowding. Bulk zoning regulates setbacks, building height, and percentage of open area.

BULKHEAD. A retaining wall designed to hold back water from the ocean or another body of water.

 **BULLET LOAN.** A short-term, interest-only loan without periodic payments, with the entire loan due upon maturity. Generally, prepayment is not allowed, or not without large penalties.


 **BUNDLE OF RIGHTS.** All of the legal rights incident to ownership of property including rights of use, possession, encumbering, and disposition.

BUNGALOW. A small one-story house or cottage.


BUREAU OF LAND MANAGEMENT. A federal bureau within the Department of the Interior which manages and controls certain lands owned by the United States.

BUS BAR. A heavy, rigid conductor which serves as a common connection between the electrical power source and the load circuits inside a service panel.

BUSINESS APPRAISAL. The appraisal of business entities, including the intangible assets of a business, like goodwill, a logo, or copyright.

 **BUSINESS CYCLE.** The constant fluctuation of levels of income, employment, and the amount of goods and services produced in one year. Stages of the cycle include prosperity, recession, depression, and recovery.


BUSINESS INSURANCE. The insurance purchased to protect a business by minimizing financial risks associated with unexpected events, such as a death of a partner, an injured employee, a lawsuit, or a natural disaster.

 **BUSINESS OPPORTUNITY.** The assets for an existing business enterprise including its goodwill. As used in the Real Estate Law, the term includes the sale or lease of the business and goodwill of an existing business enterprise or opportunity.

BUSINESS PARK DEVELOPMENT. A cluster of commercial properties. The properties may include warehouse space, research and development facilities, or production space.

BUSINESS PLAN. A written statement of business goals, objectives, and plans for reaching a company's goals.

BUSINESS PROPERTY INSURANCE. An insurance policy that covers loss or damage to the building that houses your business, as well as everything related to the loss or damage of company property.


 **BUSINESS RISK.** The uncertainty of future income of a business. In real estate, business risk includes variability in rents, vacancies, and operating expenses.


BUSINESS RISK MANAGEMENT. The process of analyzing exposure to risk (harm or loss) and determining how to minimize the physical and/or financial impact.

BUSINESS TAXES. Includes sales tax, use tax, and miscellaneous local taxes, which include environmental fees, excise taxes, and fuel taxes. Sometimes a business must pay business property tax.

BUSINESS VALUATION. The estimated worth of complete or partial ownership rights in a business.


BUTTERFLY ROOF. A roof formed by two gables that dip in the middle to resemble a butterfly's wings.


 **BUTTRESS.** A support for a wall. If the buttress projects from the wall and supports it by lateral pressure, it is called a flying buttress.

 **BUYDOWN.** A loan with an initially discounted interest rate, gradually increasing to an agreed-upon fixed rate, usually within one to three years. An initial lump sum is paid to the lender for the buydown of the rate. This allows a buyer to qualify for more property with the same income.


BUYER BROKER. A real estate broker who exclusively represents the buyer's interests in a transaction and whose commission is paid by the buyer rather than the seller.

BUYER REPRESENTATION AGREEMENT. Employment contract between a buyer and a broker.

 **BUYER'S AGENT.** A broker or agent of a broker who represents only the buyer and has a fiduciary duty to find the best house for the least money at the terms most favorable to his or her principal (the buyer).


 **BUYER'S MARKET.** The condition which exists when a buyer is in a more commanding position as to price and terms because real property offered for sale is in plentiful supply in relation to demand.

BUYER'S PROFILE. A document indicating the buyer's motivation and how much he or she can afford to spend on a home.


 **BUYER'S REMORSE.** An emotion felt by first-time homebuyers after signing a sales contract or closing the purchase of a house.


BUYER'S STATEMENT. A record of costs and credits incurred for the purchase of the property.


BUYING SIGNS. Certain clues indicating when a buyer is seriously considering buying a property.

 **BYLAWS.** Rules for the conduct of the internal affairs of corporations and other organizations.


CALENDAR YEAR. Starts on January 1 and continues through December 31 of the same year.

 **CALIFORNIA ASSOCIATION OF REALTORS® (CAR).** The California Association of Realtors® is a trade association representing more than 185,000 REALTORS® statewide. As members of organized real estate, REALTORS® subscribe to a strict code of ethics and have access to numerous services and programs to enhance their professionalism. Preventative legal programs provide members with the latest in legal information to give them the competitive edge. CAR's extensive legislative advocacy program means members are well-represented on local, state, and federal issues. Educational programs and year-round seminars help members gain new skills and professional designations like the prestigious Graduate REALTOR® Institute.

 **CALIFORNIA CIVIL CODE 54-55.1.** The handicapped and physically disabled persons may not be discriminated against for housing accommodations. Property owners must be in compliance with this law.

 **CALIFORNIA BUREAU OF REAL ESTATE (CalBRE).** A division of the Department of Consumer Affairs, it is responsible for the licensing and regulation of persons engaged in the real estate business. The person heading the bureau is usually called the Real Estate Commissioner.

CALIFORNIA BUREAU OF REAL ESTATE COMMISSIONER'S REGULATIONS 2780-2782. Discriminatory conduct is in violation of the Commissioner's Regulations and is cause for disciplinary action. The Broker is responsible for the adherence to fair housing laws within the brokerage firm.


 **CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS (CDVA).** Its mission is to provide California veterans and their families with aid and assistance in presenting their claims for veterans' benefits under the laws of the United States; to provide them with beneficial opportunities through direct low-cost loans to acquire farms and homes; and to provide the state's aged or disabled veterans with rehabilitative, residential, and medical care and services in a home-like environment at the California Veterans Homes.


CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA). A California law which sets forth a process for public agencies to make informed decisions on discretionary project approvals. The process aids decision makers to determine whether any environmental impacts are associated with a proposed project. It requires environmental impacts associated with a proposed project to be eliminated or reduced, and that air quality mitigation measures have been implemented.

 **CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT (RUMFORD ACT).**


California Government Code 12900 et seq: Prohibits discrimination based on age, sex, race, color, religion, ancestry, or national origin in the areas of employment and housing. With respect to housing, the law prohibits discrimination in the sale, rental, lease, or financing of virtually all types of housing. Individuals may file a complaint with the Department of Fair Employment and Housing.


CALIFORNIA HOLDEN ACT. See Housing Financial Discrimination Act of 1977.

 **CALIFORNIA LAND TITLE ASSOCIATION (CLTA).** A statewide association of title insurers and underwritten title companies. The association adopts standard title policy forms.


 **CALL.** In a metes and bounds description, the angle and distance of a given line or arc. Each call is preceded by the word then or thence. For example, N 220 E 100' (1st call), thence N 800 E 100' (2nd call).

CALL OPTION. A clause in a loan agreement that allows a lender to ask for the balance at any time.

 **CAL-VET LOAN.** Home or farm loan procured through the California Veterans Farm and Home Purchase Program.

 **CAL-VET PROGRAM.** A program administered by the State Department of Veterans Affairs for the direct financing of farm and home purchases by eligible California veterans of the armed forces.

CAMPANILE. A freestanding bell tower.


 **CANCELLATION CLAUSE.** A clause that details the conditions under which each party may terminate the agreement.

CAN LIGHTS. Cylindrical chambers with bulbs recessed into the ceiling.

CAN SPAM LAWS. Federal and state law regulating commercial e-mail messages.

CANTILEVER. A projecting structure supported on one end, such as a balcony.


 **CAP.** A limit on the amount the interest rate or monthly payment can increase in an adjustable-rate mortgage.


 **CAPACITY.** One of the legal essentials of a valid contract. Legitimate legal status to enter into a contract (mentally competent and of legal age).


CAPE COD STYLE. A wood-frame or shingled house with a steep roof and several windows projecting from the second floor.


CAP FLASHING. A sheet metal strip which covers the top edge of base flashing to prevent water from entering. Also known as counter-flashing.


CAPITAL. Money used to create income, such as funds invested in rental property.


 **CAPITAL ASSETS.** Assets of a permanent nature used in the production of an income, such as land, buildings, machinery and equipment, etc. Under income tax law, it is usually distinguishable from inventory, which comprises assets held for sale to customers in ordinary course of the taxpayer's trade or business.

 **CAPITAL EXPENDITURE.** The cost of making improvements on a property.

 **CAPITAL GAIN.** At resale of a capital item, the amount by which the net sale proceeds exceeds the adjusted cost basis (book value). Used for income tax computations; gains are called short or long term based upon length of holding period after acquisition; usually taxed at lower rates than ordinary income.


 **CAPITAL GAINS TAX.** A tax placed on the profits from the sale of real estate or investments.

 **CAPITAL IMPROVEMENT.** Any improvement that extends the life or increases the value of a piece of property.

 **CAPITAL LOSS.** The decrease in value between the times an asset is bought and when it is sold.

CAPITAL RECAPTURE. The return of an investment.

CAPITALISM. An economic system in which most of the economy's resources are privately owned.

 **CAPITALIZATION.** In appraising, determining value of property by considering net income and percentage of reasonable return on the investment. The value of an income property is determined by dividing annual net income by the Capitalization Rate.

CAPITALIZATION LOSS. A financial loss as a result of the sale of a capital asset.

CAPITALIZATION RATE. The rate of interest which is considered a reasonable return on the investment, and used in the process of determining value based upon net income. It may also be described as the yield rate that is necessary to attract the money of the average investor to a particular kind of investment. In the case of land improvements which depreciate, to this yield rate is added a factor to take into consideration the annual amortization factor necessary to recapture the initial investment in improvements. This amortization factor can be determined in various ways. (1) straight-line depreciation method, (2) Inwood Tables and (3) Hoskold Tables. (To explore this subject in greater depth, the student should refer to current real estate appraisal texts.)

CAP RATE (LIFE OF LOAN CAP). With regard to an adjustable rate mortgage, a ceiling the note rate cannot exceed over the life of the loan.

CAPTURE RATE. The estimated percentage of a total real estate market currently saturated by existing construction or is projected to be saturated by planned construction.

CAR® (CALIFORNIA ASSOCIATION OF REALTORS®). The California Association of Realtors® is a trade association representing more than 185,000 REALTORS® statewide. As members of organized real estate, REALTORS® subscribe to a strict code of ethics and have access to numerous services and programs to enhance their professionalism. Preventative legal programs provide members with the latest in legal information to give them the competitive edge. CAR's extensive legislative advocacy program means members are well-represented on local, state, and federal issues. Educational programs and year-round seminars help members gain new skills and professional designations like the prestigious Graduate REALTOR® Institute.

CARAVAN. A group of real estate agents who tour a house that has been recently listed for sale.

CARBON CYCLE. Cycle by which carbon compounds are exchanged among earth, atmosphere, oceans, plants, and animals.

CARBON DIOXIDE (CO₂). A colorless, odorless, non-poisonous gas that does not support combustion. It is formed in animal respiration and in the decay or combustion of animal and vegetable matter and is considered an atmospheric greenhouse gas.


CARBON FOOTPRINT. The total amount of greenhouse gases produced to directly and indirectly support human activities, usually expressed in equivalent tons of carbon dioxide (CO₂).

CARBON MONOXIDE (CO). A colorless, odorless, poisonous gas, produced by incomplete burning of carbon-based fuels, including gasoline, oil, and wood.

CARBON SEQUESTRATION. A fixation of atmospheric carbon dioxide in a carbon sink through biological or physical processes.

CARBON SINK. A reservoir that absorbs or takes up released carbon from another part of the carbon cycle. The four sinks, which are regions of the Earth within which carbon behaves in a systematic manner, are the atmosphere, terrestrial biosphere, oceans, and sediments (including fossil fuels).

CARPORT. A roof that covers a driveway or other parking area.


 **CARRYBACK FINANCING.** Financing by a seller, who takes back a note for part of the purchase price.


CARRYING CAPACITY. (1) The population a segment of land can support without consuming its natural resources. (2) Refers to the number of animal units or tonnage of crops per acre the land can support.

CARRYING CHARGES. The various costs involved in property ownership including taxes, insurance costs, and maintenance expenses.


CASEMENT WINDOWS. Frames of wood or metal which swing outward.

CASH DIVIDEND. Cash payment to a corporation's stockholders, usually based on profitability.


 **CASH EQUIVALENCY.** The price for which real estate would sell if paid for in cash, without financing.


 **CASH EQUIVALENCY TECHNIQUE.** Method of adjusting a sales price downward to reflect the increase in price due to assumption or procurement by buyers of a loan at an interest rate lower than the prevailing market rate.


CASH EQUIVALENT SALE. A sale where the financing does not affect the price; a sale with typical financing.


 **CASH FLOW.** The net income generated by a property before depreciation and other noncash expenses.

CASH FLOW STATEMENT. A summary of the sources and the uses of cash.

 **CASH METHOD.** An accounting method that reports income when received and expenses when paid.


 **CASHIER'S CHECK.** A check the bank draws on itself rather than on a depositor's account.

 **CASH-OUT REFINANCE.** The refinancing of a mortgage in which the money received from the new loan is greater than the amount due on the old loan. The borrower can use the extra funds in any manner.

 **CASING.** The decorative wood finish trim surrounding doors and windows.


CASUALTY INSURANCE. Insurance coverage primarily for the liability exposure of an individual, business, or organization.


CATEGORY KILLER. Large national chain store specializing in one line of products, such as home improvements or office supplies.

 **CATHEDRAL CEILING.** A high open ceiling formed by finishing exposed roof rafters.

CATWALK. A narrow, elevated walkway along a wall, or over a stage or other area, where a person may need to go to operate or repair equipment.

CAULK. An acrylic or silicon sealant used to fill cracks, crevices and holes in a home.


 **CAVEAT.** A formal notice, that asks a court to suspend action until the party which filed the challenge can be heard.

 **CAVEAT EMPTOR.** A legal principle derived from Latin that means “let the buyer beware.”

The buyer must examine the goods or property and buy at his or her own risk, absent misrepresentation.

CAVEDIUM. A courtyard or atrium.

CAVITY WALL. A wall constructed of brick or stone which is actually two separate walls, joined only at the top and the ends, making it hollow. Also called a hallow wall.

 **CC&Rs (COVENANTS, CONDITIONS, AND RESTRICTIONS).** The basic rules establishing the rights and obligations of owners (and their successors in interest) of real property within a subdivision or other tract of land in relation to other owners within the same subdivision or tract and in relation to an association of owners organized for the purpose of operating and maintaining property commonly owned by the individual owners.

C-CORPORATION. Standard Corporation.

 **CEILING HEIGHT.** The standard height of a ceiling is eight feet.

CELLULOSE INSULATION. Cellulose insulation is made from wastepaper, such as used newspaper and boxes. It is shredded into small particles, and chemicals providing resistance to fire and insects are added.

CENTRAL AIR CONDITIONING. A device that generates cold air through an outside unit that is connected to ductwork inside the house.

CENTRAL BUSINESS DISTRICT. The area of a city where most large businesses are located.


CENTRAL HEATING SYSTEM. A heating system consisting of four different elements: heat producer, exchanger, distributor, and controls. The system is designed to supply heat adequately for an entire structure.

CENTRAL TENDENCY. The numeric value that is suggested as a typical value in a statistical sample.

CEQA. See California Environmental Quality Act.


CERTIFICATE OF DEPOSIT. A document which shows that the bearer has a specified amount of money on deposit with a bank, stock-brokerage firm or other financial institution.

CERTIFICATE OF DEPOSIT INDEX. An index based on the interest rates on six-month CDs. It is used to determine the interest rate for some adjustable-rate mortgages.

 **CERTIFICATE OF ELIGIBILITY.** Issued by Department of Veterans Affairs - evidence of individual's eligibility to obtain VA loan.

CERTIFICATE OF OCCUPANCY. A document which states that a home or other building has met all building codes and is suitable for habitation.

 **CERTIFICATE OF REASONABLE VALUE (CRV).** The Federal VA appraisal commitment of property value.

 **CERTIFICATE OF SALE.** A document issued at a judicial sale, which entitles the buyer to receive a deed after court confirmation of the purchase of the property.


CERTIFICATE OF TAXES DUE. A written statement or guaranty of the condition of the taxes on a certain property made by the County Treasurer of the county wherein the property is located. Any loss resulting to any person from an error in a tax certificate shall be paid by the county which such treasurer represents.

CERTIFICATE OF TITLE. A written opinion by an attorney that ownership of the particular parcel of land is as stated in the certificate.


CERTIFIED APARTMENT MAINTENANCE TECHNICIAN (CAMT). A designation offered by the National Apartment Association (NAA).

CERTIFIED APARTMENT MANAGER (CAM). A designation offered by the National Apartment Association (NAA).

CERTIFIED APARTMENT PROPERTY SUPERVISOR (CAPS). A designation offered by the National Apartment Association (NAA).

 **CERTIFIED CHECK.** A check bearing the issuing bank's guarantee that sufficient money is on deposit to cover the check.

CERTIFIED COMMERCIAL INVESTMENT MEMBER (CCIM). A Certified Commercial Investment Member is a recognized expert in the disciplines of commercial and investment real estate. A CCIM is an invaluable resource to the commercial real estate owner, investor, and user, and is among an elite corps of 7,500 professionals across North America who holds the CCIM designation.

 **CERTIFIED GENERAL APPRAISER.** An individual who has met specific education, experience, and examination requirements. May appraise any property. See appraiser.


CERTIFIED INTERNATIONAL PROPERTY SPECIALIST (CIPS). A property management designation offered by FIABCI-USA (French acronym for International Federation of Property Managers and Real Estate Consultants).

CERTIFIED LEASING SPECIALIST (CLS). A designation offered by the International Council of Shopping Centers (ICSC).

CERTIFIED MANAGER OF COMMUNITY ASSOCIATIONS (CMCA). A designation offered by the Community Associations Institute (CAI).


CERTIFIED MARKETING DIRECTOR (CMD). A designation offered by the International Council of Shopping Centers (ICSC).


 **CERTIFIED PROPERTY MANAGER (CPM).** The most advanced property management designation offered by the Institute of Real Estate Management (IREM).


 **CERTIFIED RESIDENTIAL APPRAISER.** An individual who has met specific education, experience, and examination requirements. May appraise any 1-4 unit residential properties.

CERTIFIED SHOPPING CENTER MANAGER (CSM). A designation offered by the International Council of Shopping Centers (ICSC).

CERTIORARI. A writ from a higher court to a lower court directing the forwarding of a certified record of a proceeding up for review.

 **CESSPOOL.** An excavation in the earth which receives and retains drainage and sewage from a building.

 **CHAIN.** A unit of measurement used by surveyors. A chain consists of 100 links equal to 66 feet.

 **CHAIN OF TITLE.** A history of conveyances and encumbrances affecting the title from the time the original patent was granted, or as far back as records are available, used to determine how title came to be vested in current owner.

CHAIR RAILING. Decorative trim installed on a wall about 32 inches above the floor, which protects against scuffs from furniture.

CHALET. A style of housing design originating in the Swiss Alps . The design features an A-frame with large, overhanging eaves protecting against heavy snowfall.

CHANGE FREQUENCY. The adjustment schedule on an adjustable-rate mortgage.

CHANGE ORDER. A modification of the construction contract to authorize a change in the work, an adjustment in the amount of the contract or a change in the contract time. The owner, architect and contractor must sign the change.


CHANGE OF VENUE. The removal of a cause for trial from one county to another.


CHANGE, PRINCIPLE OF. Holds that it is the future, not the past, which is of prime importance in estimating value. Change is largely result of cause and effect.


CHARACTERISTICS. Distinguishing features of a (residential) property.

CHARGEBACKS. The expenses for services provided by the brokerage that are deducted from the agent's share of the commission split.

CHARTER CITY. Generally, a city organized under a charter.

 **CHATTEL.** Goods or every species of property movable or immovable which are not real property; personal property.

 **CHATTEL MORTGAGE.** A claim on personal property (instead of real property) used to secure or guarantee a promissory note. *See* definition of Security Agreement and Security Interest.

 **CHATTEL REAL.** An estate related to real estate, such as a lease on real property.

CHECK. A printed form, used instead of money, to make disbursements from a bank account.

CHEMICAL ENERGY. The energy stored in the bonds of atoms and molecules.

CHIMNEY. Vertical masonry shaft of reinforced concrete or other non-combustible heat-resistant material that carries smoke and ash through the roof, away from the furnace or fireplace.


CHIMNEY BACK. The back wall or lining of a fireplace or furnace chimney.


CHIMNEY FLUE. The passage inside a chimney that channels smoke and heat to the outside.

CHIMNEY POT. A short pipe at the top of a chimney that increases ventilation to the fireplace and reduces smoke.

CHLOROFLUOROCARBONS (CFCS). Any of various compounds consisting of carbon, hydrogen, chlorine, and fluorine used as refrigerants. CFCs are now thought to be harmful to the Earth's atmosphere.

CHORD. A component of a truss which acts as a rafter (upper chord) or joist (lower chord).

 **CHOOSE IN ACTION.** A personal right to something not presently in the owner's possession, but recoverable by a legal action for possession.

 **CHURNING.** The excessive sale and purchase of properties for financial gain.


CINDER BLOCK. A block made of ash and cement that is used in construction.

CINDER FILL. Cinders used below a basement or around a foundation to promote drainage.

CIRCUIT. A conductor or a system of conductors through which electric current flows.

CIRCUIT BREAKER. (1) An electrical device which automatically interrupts an electric circuit when an overload occurs; may be used instead of a fuse to protect each circuit and can be reset. (2) In property taxation, a method for granting property tax relief to the elderly and disadvantaged qualified taxpayers by rebate, tax credits or cash payments. Usually limited to homeowners and renters.

CISTERN. A tank used to store rainwater.

 **CIVIL LAW.** Body of law imposed by the state or government for its citizens.

 **CIVIL RIGHTS ACTS OF 1966 AND 1977, 1981, 1982.** Laws providing protection to individuals who are denied property.

CLADDING. The external protective skin of the exterior surfaces of a home (surface coatings, siding, doors, windows, trim, shutters, entryways, and flashings).

CLAPBOARD. Narrow boards used as siding for frame houses, and having one edge thicker than the other. The boards run horizontally with the thicker edge overlapping the thinner edge.

CLASS A BUILDING. Excellent location and access, building is in excellent physical condition, meeting or exceeding building codes, and rents are competitive with new construction.

CLASS B BUILDING. Good location, building is in good condition and meets building codes, but suffers some functional obsolescence or physical deterioration, and rents are below new construction.

CLASS C BUILDING. Building is 15-25 years old and may not meet building codes, it suffers physical deterioration and functional obsolescence, has reasonable occupancy rates at lower rents.

CLASS D BUILDING. Have sub-optimal space and are located in less-desirable areas. Generally, the property is over 30 years old, with fewer or no amenities, and needs rehabilitation. Rental rates and occupancy rates are low.

CLASSIFIED AD. A small advertisement designed to give basic information. Reasonably priced ads placed in newspapers and magazines, using only text.

CLASSIFIED PROPERTY TAX. A tax that varies in rate depending on the use of the property.

CLAY. Soil made of finely ground minerals and rocks other than quartz.


CLEAN AIR ACT. Passed in 1970, requires the EPA to establish national standards for clean air.

CLEAN AIR DELIVERY RATE (CADR). The measure of an air purifier's ability to reduce smoke, pollen, and dust particles in the 0.1 to 11 micron size range.

CLEAN WATER ACT. A law passed by Congress in 1972 prohibiting the discharge of pollutants into natural waters.

CLEAR CUTTING. The felling of large forest tracts for agriculture or development, a practice that destroys habitat, kills flora and fauna and can lead to erosion, flooding, and sedimentation of streams and lakes.

CLEAR SPAN. An interior area of a building or house not using columns or posts to support the roof. This creates a large, open area with maximum visibility and use of floor space.

 **CLEAR TITLE.** A property that does not have liens, defects or other legal encumbrances.


 **CLIENT.** The person who employs an agent to perform a service for a fee.

CLIENT SEGMENTATION. Identification of those people most likely to buy the service and targeting those groups.

CLIMATE. The prevailing or average weather conditions of a geographic region. Weather conditions include temperature, rainfall, sunshine, wind, humidity, and cloudiness.


CLIMATE CHANGE. Term used to refer to all forms of climatic inconsistency, but especially to significant change from one prevailing climatic condition to another.


CLOs. *See* Computerized Loan Origination system.

 **CLOSED BID.** A real estate transaction not open for usual negotiations. The bids from potential buyers are sealed until a specified time when they are opened and the seller picks the best offer. The seller benefits from this method, because bidders often overbid to ensure their bid is chosen. Closed bidding is not a common practice.


CLOSED CUT VALLEY. A roof valley where the shingles from one slope overlap the valley, and the shingles from the opposite slope are trimmed back from the valley centerline. The valley flashing is not exposed.

CLOSED-END CREDIT TRANSACTION. The term closed-end credit transaction is defined by exclusion. That is, it includes any credit arrangement (a consumer loan or credit sale) that does not fall within the definition of an open-end credit transaction. Open-end credit includes credit arrangements, such as revolving credit cards, where the borrower (the credit card holder) is not required to pay off the principal amount by any particular point in time.

 **CLOSED-END MORTGAGE.** A mortgage that cannot be used as security for additional loans.


 **CLOSED LISTING.** A contract between a principal and an agent, giving the agent the exclusive right to market the principal's property for a fixed period of time. Also called an exclusive listing.

CLOSED-LOOP RECYCLING. A recycling system in which a product made from one type of material is recycled into a different type of product (e.g. used newspapers into toilet paper).


 **CLOSED MORTGAGE.** A mortgage that cannot be prepaid until a certain time or until maturity.


CLOSED PERIOD. Regarding a mortgage, the period of time during which the loan cannot be prepaid.


CLOSED SHEATHING. (1) Foundation for exterior siding. (2) Boards nailed to studs.


 **CLOSING.** (1) Process by which all the parties to a real estate transaction conclude the details of a sale or mortgage. The process includes the signing and transfer of documents and distribution of funds. (2) Condition in description of real property by courses and distances at the boundary lines where the lines meet to include all the tract of land.


CLOSING AGENT. May be an Escrow Officer or an Attorney. The Agent assures that all documents have been properly executed and recorded, properly signed, and all funds disbursed as agreed.

 **CLOSING COSTS.** The miscellaneous expenses buyers and sellers normally incur in the transfer of ownership of real property over and above the cost of the property.


 **CLOSING STATEMENT.** An accounting of funds made to the buyer and seller separately. Required by law to be made at the completion of every real estate transaction.

 **CLOUD.** Liens or encumbrances against a property which make the Title defective. A claim against the Title that must be paid in full or satisfied in order for the Title or ownership to be transferable.

 **CLOUD ON TITLE.** A claim, encumbrance or condition which impairs the title to real property until disproved or eliminated as for example through a quitclaim deed or a quiet title legal action.

 **CLTA (CALIFORNIA LAND TITLE ASSOCIATION).** A statewide association of title insurers and underwritten title companies. The association adopts standard title policy forms.


CLUSTER DEVELOPMENT. A method of squeezing more homes into less space.


 **CMA (COMPETITIVE MARKET ANALYSIS).** Also *Comparable Market Analysis*; A realistic estimate of a home's current market value based on recent comparable listings and sales. This is not an appraisal, it is an opinion of value.


C.O. See Certificate of Occupancy.

COAL. A readily combustible black or brownish-black rock whose composition, including inherent moisture, consists of more than 50 percent by weight and more than 70 percent by volume of carbonaceous material. It is formed from plant remains that have been compacted, hardened, chemically altered, and metamorphosed by heat and pressure over geologic time.

 **CODE.** A collection of laws.

 **CODE OF ETHICS.** A set of rules and principles expressing a standard of accepted conduct for a professional group and governing the relationship of members to each other and to the organization.

 **CODICIL.** A change to a will that adds or subtracts provisions or clarifies portions of the document.

 **CODIFY.** Compile, arrange, systemize, and write the laws of a given region into a code.

COEFFICIENT OF PERFORMANCE (COP). The ratio of energy input to heating capacity. This is the instantaneous measurement of the heating performance of a heat pump. It is comparable to knowing how many miles per gallon of gasoline a car gets when it is going full speed.


COFI. The term is used as the name for both the index and an adjustable rate mortgage based on the Cost of Funds Index which is based on the amount a bank pays its savings accounts customers for use of their funds.

CO-HOUSING. Individual housing units that are clustered around a common building where residents share cooking and other activities.

COIGN. The cornerstone of a building that differs in shape or color from the rest of the wall.


CO-INSURANCE. Coverage that involves the use of two or more insurers.

COINSURANCE PENALTY. Paid by the insured to the insurance company at the time of loss if the building being covered is not insured to value.

 **COLD CALLING.** The practice of making unsolicited calls to people you do not know in order to get new business.


COLLAR. Pre-formed flange placed over a vent pipe to seal the roof around the vent pipe opening. Also known as a vent sleeve.

COLLAR BEAM. The structural element that connects roof rafters.


 **COLLATERAL.** Marketable real or personal property which a borrower pledges as security for a loan. In mortgage transactions, specific land is the collateral. *See* definition of Security Interest.

COLLATERAL SECURITY. A separate obligation attached to contract to guarantee its performance; the transfer of property or of other contracts, or valuables, to insure the performance of a principal agreement.

COLLATERALIZED MORTGAGE. A mortgage secured by something of value in addition to real estate.

 **COLLECTION.** The series of steps a lender takes to bring a delinquent mortgage up to date.

COLLECTION LOSS. A loss incurred if tenants do not pay their agreed-upon rents.


 **COLLUSION.** An agreement between two or more persons to defraud another of rights by the forms of law, or to obtain an object forbidden by law.

COLONIA. Unincorporated communities along the U.S.-Mexico border.

COLONIAL ARCHITECTURE. Architecture following the style of New England colonial houses with two stories and windows divided into small panes, usually with shutters. The main façade is detailed and symmetrical, generally with a center entrance.


COLONIAL REVIVAL STYLE. Large houses, with two or more stories, featuring dark green or black shutters and wood exteriors with tall wood columns, typically painted bright white.

COLONNADE. A structure composed of a roof or series of arches supported by columns.

 **COLOR OF TITLE.** That which appears to be good title but which is not title in fact.

COLUMN. A slender upright structure that consists of a base, a round or square shaft and a capital.

COLUMN FOOTING. The support base for a load-bearing column. The footing is usually made of reinforced concrete.

 **CO-MAKER.** A person who signs a promissory note with the borrower and assumes responsibility for the loan.


COMBINATION DOOR. An outer door with interchangeable screen and glass panels.


COMBINATION TRUST. A type of real estate trust combining real estate investment trusts and real estate mortgage trusts. Combination trusts are sometimes called balanced trusts.

COMBINATION WINDOW. A window with interchangeable screen and glass panels.

COMBUSTION. The reaction of a material with oxygen gas or other oxidant, producing heat and flame.

COMBUSTION EFFICIENCY. A measure of useful heat extracted from a fuel source by an operating heating appliance. For example, a furnace with a combustion efficiency of 70% converts 70% of the fuels energy content into useful heat. The rest is lost as exhaust gases.


 **COMMERCIAL ACRE.** A term applied to the remainder of an acre of newly subdivided land after the area devoted to streets, sidewalks and curbs, etc., has been deducted from the acre.

 **COMMERCIAL BANK.** A financial institution that provides a broad range of services, from checking and savings accounts to business loans and credit cards.

COMMERCIAL E-MAIL MESSAGE. Any electronic mail message whose primary purpose is the commercial advertisement or promotion of a commercial product or service.

COMMERCIAL LEASEHOLD INSURANCE. Leasehold insurance for commercial and industrial properties provided by the Commercial Leasehold Insurance Corporation (CLIC). The policy guarantees the insurance company will pay the insured, if the tenants do not pay their rent.


COMMERCIAL LEASEHOLD INSURANCE CORPORATION (CLIC). A corporation, owned by MGIC (Mortgage Guaranty Insurance Corporation), which provides leasehold insurance for commercial and industrial properties not having prime-rate tenants.


 **COMMERCIAL LOAN.** A personal loan from a commercial bank, usually unsecured and short term, for other than mortgage purposes.


COMMERCIAL OR INDUSTRIAL CID. Consists of either condos or separate buildings situated in a commercial park or industrial complex.

COMMERCIAL PAPER. Negotiable instruments such as promissory notes, letters of credit and bills of lading. Instruments developed under the law of merchant.


COMMERCIAL PROPERTY. An area that is zoned for businesses.

 **COMMINGLING.** The mixing of money held in trust with other funds.


 **COMMISSION.** An agent's compensation for performing the duties of the agency; in real estate practice, a percentage of the selling price of property, percentage of rentals, etc. A fee for services.


 **COMMISSIONER.** A member of a state real estate commission.

COMMISSION SPLIT. The agreed upon division of money between a broker and his or her associate licensees when the brokerage has been paid a commission from a sale made by the associate licensee.

 **COMMITMENT.** A pledge or a promise or firm agreement to do something in the future, such as a loan company giving a written commitment with specific terms of mortgage loan it will make.


COMMITMENT FEE. The fee a lender charges for promising to make a loan.


 **COMMON AREA.** An entire common interest subdivision except the separate interests therein.


 **COMMON-AREA ASSESSMENTS.** Fees paid by the owners of a condominium project or planned-unit development to maintain, repair, improve or operate common areas.

COMMON AREA MAINTENANCE (CAM). Fee that covers the cost for taking care of the elevators, lobby, restrooms, and other common areas in the building. It is the expense of operations and common area maintenance of the property that is shared by the landlord and the tenants.

COMMON ELEMENTS. The facilities and features that owners and tenants share in a common interest development, such as common walls, roofs, pools, clubhouses, restrooms, and elevators.


 **COMMON INTEREST DEVELOPMENT.** A project composed of individually owned units that share usage and financial responsibility for common areas.

 **COMMON INTEREST SUBDIVISION.** Subdivided lands which include a separate interest in real property combined with an interest in common with other owners. The interest in common may be through membership in an association. Examples are condominiums and stock cooperatives.

 **COMMON LAW.** A body of laws based on custom, usage and rulings by courts in various jurisdictions.

COMMON LAW DEDICATION. When a property owner implies through his or her conduct the intent that the public may use the land.

COMMON STOCK. That class of corporate stock to which there is ordinarily attached no preference with respect to the receipt of dividends or the distribution of assets on corporate dissolution.


 **COMMON WALL.** A wall shared by two or more buildings or by two or more units in the same building.


COMMUNITY APARTMENT PROJECT. One type of common interest development (CID) in which the owner has an undivided interest in the land with the exclusive right to occupy a particular unit.

COMMUNITY ASSOCIATION. Organization composed of people who own condominium units, the right of exclusive occupancy in a community apartment, or ownership interest in a stock cooperative or planned development.

COMMUNITY ASSOCIATION MANAGER. Administers the daily affairs and oversees the maintenance of property and facilities jointly owned and used by the homeowners through the association.

COMMUNITY CENTER. A retail center anchored by a small department store and supported by up to 50 smaller stores. Typically, at least 5,000 households are necessary to support a community center.

 **COMMUNITY PROPERTY.** Property acquired by husband and/or wife during a marriage when not acquired as the separate property of either spouse. Each spouse has equal rights of management, alienation and testamentary disposition of community property.


 **COMMUNITY PROPERTY WITH THE RIGHT OF SURVIVORSHIP.** A type of vesting used in some states by spouses to hold title in property. This type of title combines the benefits of community property and joint tenancy. Upon the death of a spouse, community property with right of survivorship gives the surviving spouse title to the property and excludes the property from probate proceedings.

COMMUNITY REDEVELOPMENT AGENCY (CRA). An agency authorized by state law but formed by a local governing body to provide low- and moderate-income housing and employ low-income persons by rehabilitating existing structures and/or bringing new development.


 **COMMUNITY REINVESTMENT ACT.** A federal law that encourages financial institutions to loan money in the neighborhoods where minority depositors live.


COMMUTE. The distance and time it takes a person to reach the workplace.

COMPACT FLUORESCENT LAMPS (CFCS). A fluorescent light bulb that is compacted to fit into an Edison light socket.


 **COMPACTION.** Whenever extra soil is added to a lot to fill in low places or to raise the level of the lot, the added soil is often too loose and soft to sustain the weight of the buildings. Therefore, it is necessary to compact the added soil so that it will carry the weight of buildings without the danger of their tilting, settling or cracking.


COMPANY DOLLAR. The income remaining from gross commission income (*GCI*) after paying the cost of sales.


 **COMPARABLE SALES.** Sales which have similar characteristics as the subject property and are used for analysis in the appraisal process. Commonly called "comparables," they are recent selling prices of properties similarly situated in a similar market.

 **COMPARATIVE MARKET ANALYSIS (CMA).** A comparison analysis of recent sales used, by real estate brokers when working with a seller, to determine an appropriate listing price for the seller's house.

COMPARATIVE PROPERTY ANALYSIS. In property management, an analysis that looks at the specific attributes of a particular property compared against the competition.

 **COMPARATIVE-UNIT METHOD.** An appraisal method used to determine the value of a building by multiplying the cost per square foot of a recently built comparable building by the number of square feet in the subject building. See square-foot method.


 **COMPARISON.** An appraisal method of determining the capitalization rate of a property by looking at the operational capitalization rate of similar properties in the area.


 **COMPARISON APPROACH.** A real estate comparison method which compares a given property with similar or comparable surrounding properties; also called market comparison.


COMPENSATING BALANCE. When a borrower deposits funds with the bank in order to induce the lender into making a loan.


COMPENSATION PLAN. The written statement describing how associates are paid and listing any charges and expenses that are the associates' responsibility.

COMPENSATORY DAMAGES. Damages designed to compensate the injured party for the injury that was sustained.

 **COMPETENCY RULE.** Per USPAP, the COMPETENCY RULE *"identifies requirements for experience and knowledge, when completing an appraisal and prior to accepting an appraisal assignment."*

 **COMPETENT.** A term for a buyer who is legally fit to enter into a sales contract; legally qualified.


 **COMPETENT PARTY.** A person entering into a contract who is legally capable to enter into a binding contract. Criteria for competency include age of majority and mental capacity.

 **COMPETITION, PRINCIPLE OF.** Holds that profits tend to breed competition and excess profits tend to breed ruinous completion.

COMPETITIVE ADVANTAGE. Something that places the company above the competition.

COMPETITIVE AREA. The geographic area in which competition for a subject property occurs and may affect its revenues, expenses, and value.

COMPETITIVE MARKET ANALYSIS (CMA). Also *Comparable Market Analysis*; A realistic estimate of a home's current market value based on recent comparable listings and sales. This is not an appraisal, it is an opinion of value.


 **COMPLAINT.** The first document (pleading) that starts a civil action summarizing the plaintiff's case against the defendant including a demand for relief.

COMPLETION BOND. A guarantee by an insurance company that a builder will complete a construction project.

COMPLIANCE CLAUSE. A clause in a lease agreement designating the laws with which each party must comply.


COMPONENT. (1) A part of a system. (2) Completed sections of housing parts delivered to a construction site and assembled into one housing unit.

COMPOSITE RATE. A capitalization rate composed of interest and recapture in separately determined amounts.

 **COMPOST.** A mixture of decaying organic matter, such as plants, leaves, and food scraps that is used for fertilizer.

COMPOSTING. The controlled biological decomposition of organic material in the presence of air to form a humus-like material.

COMPOSTING TOILET. A self-contained toilet using little or no water that uses the process of aerobic decomposition (composting) to break down the waste composts into humus and odorless gasses.

 **COMPOUND INTEREST.** Interest paid on original principal and also on the accrued and unpaid interest which has accumulated as the debt matures.

COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT (CERCLA). A law passed by Congress in 1980 establishing two trust funds to help finance the cleanup of properties impacted by the release of hazardous wastes and substances; commonly known as superfund .


COMPRESSOR. The pump that moves the refrigerant from the indoor evaporator to the outdoor condenser and back to the evaporator again.

COMPUTERIZED LOAN ORIGINATION System (CLOs). A CLO is a computer system that is used by or on behalf of a consumer to facilitate a consumer's choice among alternative products or settlement service providers in connection with a particular RESPA-covered real estate transaction. Such a computer system: (1) may provide information concerning products or services; (2) may pre-qualify a prospective borrower; (3) may provide consumers with an opportunity to select ancillary settlement services; (4) may provide prospective borrowers with information regarding the rates and terms of loan products for a particular property in order for the borrower to choose a loan product; (5) may collect and transmit information concerning the borrower, the property, and other information on a mortgage loan application for evaluation by a lender or lenders; (6) may provide loan origination, processing, and underwriting services, including but not limited to, the taking of loan

applications, obtaining verifications and appraisals, and communicating with the borrower and lender; and (7) may make a funding decision.

COMPUTERIZED MAINTENANCE MANAGEMENT SYSTEM (CMMS). In property management, a computer software solution that assists the user in developing and storing the information for a maintenance program.


CONCENTRIC ZONE MODEL. A theory of land development stating that cities grow by adding rings around existing rings of activity. At the center of the rings is the Central Business District. The next ring contains manufacturing, warehousing, and low-end commercial activities. The next ring contains low-income housing. As the rings continue outward, the level of housing increases.


 **CONCESSIONS.** Discounts or enticements given by a landlord or seller to attract prospective tenants or buyers into signing a lease or purchasing property.


CONCLUSION. The final estimate of value, realized from facts, data, experience and judgment, set out in an appraisal. Appraiser's certified conclusion.

CONCRETE. A mixture of cement, sand, aggregate, and water used as a structural material.

CONCRETE TILT-UP. The process of pouring concrete into forms on the ground, allowing the forms to harden and then raising the material to a vertical position to form walls.

 **CONCURRENT OWNERSHIP.** Ownership of a piece of property by two or more persons at the same time. Examples of concurrent ownership include joint tenants, tenants by entirety, tenants in common, and community property owners. Also known as co-ownership.


 **CONCURRENT RECORDING.** When the closing of an escrow is contingent upon the simultaneous closing of another escrow.

 **CONDEMNATION.** The act of taking private property for public use by a political subdivision upon payment to owner of just compensation. Declaration that a structure is unfit for use.


CONDEMNATION GUARANTEE. An evidence of title issued to a governmental agency naming persons to be made defendants in an action in eminent domain.


CONDENSATION. The cooling of a gas or vapors into a liquid state. It appears as a film or water droplets.

CONDENSER. A device that transfers unwanted heat out of a refrigeration system to a medium (either air, water, or a combination of air and water) that absorbs the heat and transfers it to a disposal point. There are three types of condensers: air-cooled condensers, water-cooled condensers, and evaporative condensers. Most residential systems have an air-cooled condenser.


 **CONDITION.** In contracts, a future and uncertain event which must happen to create an obligation or which extinguishes an existent obligation. In conveyances of real property conditions in the conveyance may cause an interest to be vested or defeated.


CONDITION OF SALE. A comparison factor used in the direct sales comparison approach of appraisal. It refers to the motivations of the buyer and seller in the sales transaction. Examples are the relationship between buyer and seller, financial needs, and lack of market exposure.


 **CONDITION PRECEDENT.** A qualification of a contract or transfer of property, providing that unless and until a given event occurs, the full effect of a contract or transfer will not take place.


 **CONDITION SUBSEQUENT.** A condition attached to an already-vested estate or to a contract whereby the estate is defeated or the contract extinguished through the failure or non-performance of the condition.


CONDITIONAL COMMITMENT. A promise by a lender to make a loan if the borrower meets certain conditions.

 **CONDITIONAL ESTATE.** Usually called, in California, "Fee Simple Defeasible." An estate that is granted subject to a condition subsequent. The estate is terminable on happening of the condition.

 **CONDITIONAL SALE CONTRACT.** A contract for the sale of property stating that delivery is to be made to the buyer, title to remain vested in the seller until the conditions of the contract have been fulfilled. *See* definition of Security Interest.

 **CONDITIONAL USE.** A use that does not meet the current use requirements, but may be allowed by obtaining a special permit.

 **CONDITIONAL USE PERMIT.** Allows a land use that may be incompatible with other uses existing in the zone. Also called special use permit.

 **CONDOMINIUM.** An estate in real property wherein there is an undivided interest in common in a portion of real property coupled with a separate interest in space called a unit, the boundaries of which are described on a recorded final map, parcel map or condominium plan. The areas within the boundaries may be filled with air, earth, or water or any combination and need not be attached to land except by easements for access and support.

CONDOMINIUM CONVERSION. The change in title from a single owner of an entire project or building to multiple owners of individual units.

CONDOMINIUM DECLARATION. The document which establishes a condominium and describes the property rights of the unit owners.


CONDUCTION. The transfer of heat through a solid material.


CONDUCTOR. Metal wires, cables, and bus-bar used for carrying electric current. Conductors may be solid or stranded, that is, built up by an assembly of smaller solid conductors.


CONDUIT. A metal pipe that houses electrical wiring.


CONFESSION OF JUDGMENT. An entry of judgment upon the debtor's voluntary admission or confession.

CONFIDENTIALITY. Per USPAP, the Confidentiality section of the ETHICS RULE states, *"the appraiser must protect the confidential nature of the appraiser-client relationship and is obligated to obey all confidentiality and privacy laws."*

 **CONFIRMATION OF SALE.** A court approval of the sale of property by an executor, administrator, guardian or conservator.

 **CONFISCATION.** The seizing of property without compensation.

 **CONFORMING LOANS.** Loans which conform to Fannie Mae guidelines, which sets loan limits to a certain amount.

 **CONFORMITY, PRINCIPLE OF.** Holds that the maximum of value is realized when a reasonable degree of homogeneity of improvements is present. Use conformity is desirable, creating and maintaining higher values; the idea that a house will more likely appreciate in value if its size, age, condition and style are similar to, or conform to, other houses in the neighborhood.

CONGRUOUS. Suitable or appropriate. In appraisal, describes a property suitable to the area.

CONNECTOR. Device used to join an electrical wire to a piece of equipment or another wire.


CONSENT OR MUTUAL AGREEMENT. Also called a Meeting of the Minds. The parties to the contract must be in agreement to all of the terms as specified.

CONSENT JUDGMENT. A binding written agreement between two parties to have a judgment entered and recorded.

CONSEQUENTIAL DAMAGES. Payment made to compensate for a breach of contract. Also, damage to a parcel of land done by a public body or adjacent owner, impairing its value.


CONSERVATION. The process of utilizing resources in such a manner which minimizes their depletion.

CONSERVATOR. A court-appointed guardian.

 **CONSIDERATION.** Anything given or promised by a party to induce another to enter into a contract, e.g., personal services or even love and affection. It may be a benefit conferred upon one party or a detriment suffered by the other.

CONSISTENT USE. An appraisal concept stating that land and improvements must be valued on the same basis. Improvements must contribute to the land value in order to have any value themselves. See principle of consistent use.


CONSTANT. The percentage which, when applied directly to the face value of a debt, develops the annual amount of money necessary to pay a specified net rate of interest on the reducing balance and to liquidate the debt in a specified time period. For example, a 6% loan with a 20 year amortization has a constant of approximately 8.5%. Thus, a \$10,000 loan amortized over 20 years requires an annual payment of approximately \$850.

 **CONSTANT PAYMENT MORTGAGE.** A mortgage with fixed payments of principal and interest for the life of the loan.


CONSTRUCTED WETLAND. Any of a variety of designed systems that approximate natural wetlands, use aquatic plants, and can be used to treat wastewater or runoff.

CONSTRUCTION BUDGET. The funding that an owner arranges for the construction of a project.


CONSTRUCTION CLASSIFICATION. A system that rates the basic frame, walls, and roof of a structure, as to their relative fire resistance (e.g., Class A, B, C, or D construction. Class A is the most fireproof).


 **CONSTRUCTION COST.** The cost of building a structure, including labor, materials, contractor's overhead and profit, taxes, and construction loan interest. Construction cost is different from original costs (the price the owner paid). The original costs may be more or less than the construction cost.


CONSTRUCTION DOCUMENTS. Drawings and specifications from an architect that provide detailed requirements for the construction of a project.

 **CONSTRUCTION LOAN.** A loan made to finance the actual construction or improvement on land. Funds are usually dispersed in increments as the construction progresses.

CONSTRUCTION TO PERMANENT LOAN. The conversion of a construction loan to a longer-term traditional mortgage after construction has been completed.

 **CONSTRUCTIVE EVICTION.** Breach of a covenant of warranty or quiet enjoyment, e.g., the inability of a lessee to obtain possession because of a paramount defect in title or a condition making occupancy hazardous.

 **CONSTRUCTIVE FRAUD.** A breach of duty, as by a person in a fiduciary capacity, without an actual fraudulent intent, which gains an advantage to the person at fault by misleading another to the other's prejudice. Any act of omission declared by law to be fraudulent, without respect to actual fraud.


 **CONSTRUCTIVE NOTICE.** Notice of the condition of title to real property given by the official records of a government entity which does not require actual knowledge of the information.

CONSUMER CONFIDENCE. Measure of the level of optimism consumers have about the performance of the economy.

CONSUMER CREDIT COUNSELING SERVICE (CCCS). A nationwide, nonprofit organization that helps consumers get out of debt and improve their credit profile. National headquarters: 8701 Georgia Avenue, Suite 507, Silver Springs, MD 20910. Phone: (800) 388-2227.

CONSUMER CREDIT PROTECTION ACT. A federal law that includes the Truth-in-Lending Law.

CONSUMER GOODS. Goods sold or purchased primarily for personal, family, or household purposes.

 **CONSUMER PRICE INDEX (CPI).** The CPI or Consumer Price Index is a measure of the cost of goods purchased by average U.S. household. It is calculated by the U.S. government's Bureau of Labor Statistics. It is an inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, gasoline, and transportation. The CPI is also called cost-of-living index and sometimes referred to as "headline inflation."


CONTACT LIST. A record of everyone you know-family members, friends, teachers, former and current business associates, and members of associations to which you belong.


CONTAMINANT. Any physical, chemical, biological, or radiological substance or matter that has an adverse effect on air, water, or soil.

CONTAMINATION. Introduction into water, air and soil of microorganisms, chemicals, toxic substances, wastes, or wastewater in a concentration that makes the medium unfit for its next intended use. Also applies to surfaces or objects and buildings, and various household and agricultural use products.


CONTEMPORARY STYLE. A design that features streamlined shapes, large unadorned windows and industrial materials.

 **CONTIGUOUS.** In close proximity.

 **CONTIGUOUS LOTS.** Pieces of property that are adjoined.

 **CONTINGENCY.** A condition specified in a purchase contract, such as a satisfactory home inspection.

CONTINGENCY LISTING. A property listing with a special condition attached.

 **CONTINGENT.** Dependent upon an uncertain future event.

CONTINGENT BENEFICIARY. A person who may share in an estate or trust depending upon the happening of an event.

CONTINGENT FEE. A fee that must be paid if a certain event occurs.


CONTINGENT INTEREST. An interest which may vest depending upon the happening of an event.

CONTINGENT LIABILITY. Responsibility extending beyond personal actions or deeds.

CONTINGENT VALUATION. A method used to identify how a particular feature affects the value of a property by asking those who are knowledgeable about that market, i.e. other appraisers and agents; used when there is no sales data available.

CONTINGENT VALUATION METHOD. An appraisal method used to identify how a particular feature affects the value of a property by asking those who are knowledgeable about that market (other appraisers and agents) when no sales data is available.

CONTOUR. The surface configuration of land. Shown on maps as a line through points of equal elevation.


 **CONTRACT.** An agreement to do or not to do a certain thing. It must have four essential elements: parties capable of contracting, consent of the parties, a lawful object, and consideration. A contract for sale of real property must also be in writing and signed by the party or parties to be charged with performance.


CONTRACT DATE. The date the contract is created. The contract is created when the final acceptance is communicated back to the offeror.

CONTRACT DOCUMENTS. In real estate, the documents explaining and serving as proof of the agreement entered into by the buyer and seller.

CONTRACT EMPLOYEE. A self-employed person that is working under the auspices of their Broker.


CONTRACT FOR DEED. A contract in which the seller agrees to defer all or part of the purchase price for a specified period of time.

 **CONTRACT OF SALE.** A contract for the sale of real property, where the seller gives up possession, but retains title until the total of the purchase price is paid off. Also called an installment sales contract, a contract for deed, an agreement of sale, a conditional sales contract, or a land sales contract.

 **CONTRACT TO PURCHASE.** A contract the buyer initiates which details the purchase price and conditions of the transaction and is accepted by the seller. Also known as an agreement of sale.

CONTRACTION PHASE. Phase in the real estate cycle in which supply grows faster than demand and activity in the real estate market falls.

CONTRACTOR. The individual who contracts for the construction of a home or project.

 **CONTRACT RATE.** The agreed-upon interest rate of a loan, adjusted for inflation. Also called the nominal rate.

 **CONTRACT RENT.** The rent established by agreement or contract

CONTRACTUAL INTENT. Intent to enter into a contract or an action understood by another party to imply intent to enter into a contract. A clear understanding of intent prevents jokes and jests from becoming valid contracts.

 **CONTRACTUAL LIEN.** A voluntary obligation such as a mortgage or trust deed.


CONTRACTUAL OBLIGATION. The promise that a party to a contract makes when signing a contract.


CONTRA PROFERENTEM. Ambiguous terms in a contract should be interpreted against the party drafting the document.

CONTRIBUTORY VALUE. Value given by appraisers to site improvements after identifying them.

CONTROL. The right to control the use of the property as they choose such as build a house or to use the property for agriculture.


CONTROLLED GROWTH. Any restrictions imposed on the amount or type of new development in an area.


 **CONTRIBUTION, PRINCIPLE OF.** A component part of a property is valued in proportion to its contribution to the value of the whole. Holds that maximum values are achieved when the improvements on a site produce the highest (net) return, commensurate with the investment.

 **CONVECTION.** (1) Gravity-caused heat transmission by the movement of air, due to the density differences between air currents of differing temperatures. (2) The transfer of heat in water, air, or another fluid, as the substance descends when it is cooler, and rises when it is warmer.


CONVENIENCE CENTER. (10,000- 30,000 SF) has half-a-dozen to a dozen small stores designed in a straight line.

CONVENTION HOTELS. Large hotel designed to accommodate thousands of convention attendees.


 **CONVENTIONAL LOAN.** A long-term loan a lender makes for the purchase of a home.


 **CONVENTIONAL MORTGAGE.** A mortgage securing a loan made by investors without governmental underwriting, i.e., which is not FHA insured or VA guaranteed. The type customarily made by a bank or savings and loan association.


CONVERSATION LOG. A written record of all conversations and communications with all involved in a project or, in particular, a mortgage-loan application.


 **CONVERSION.** (1) Change from one legal form or use to another, as converting an apartment building to condominium use. (2) The unlawful appropriation of another's property, as in the conversion of trust funds.

CONVERSION RATIO. In property management, the number of prospects who visit a rental property compared to the number who actually sign a lease.

 **CONVERTIBLE ADJUSTABLE-RATE MORTGAGE.** A mortgage which starts as an adjustable-rate loan, but allows the borrower to convert the loan to a fixed-rate mortgage during a specified period of time.

 **CONVERTIBLE LOAN.** An adjustable-rate loan allowing the borrower to change to a fixed rate at any time during the life of the loan.

 **CONVEY.** To transfer ownership or title to property from one person to another.


 **CONVEYANCE.** An instrument in writing used to transfer (convey) title to property from one person to another, such as a deed or a trust deed.

CONVEYANCE TAX. A tax imposed on the transfer of real property.

COOLING CAPACITY. A measure of the ability of a unit to remove heat from an enclosed space.

COOLING-OFF PERIOD. A period of time after entering into a contract in which either party may legally back out of the contract.

COOPERATING BROKER. A real estate broker who finds a buyer for a property that another broker has listed.

 **COOPERATIVE.** Form of common interest development in which a corporation holds title to all of the real property and owners purchase shares of stock in that corporation. Each resident possesses a proprietary lease.

COOPERATIVE, APARTMENT. An apartment building, owned by a corporation and in which tenancy in an apartment unit is obtained by purchase of shares of the stock of the corporation and where the owner of such shares is entitled to occupy a specific apartment in the building. In California, this type of ownership is called a “stock cooperative.”

COOPERATIVE CORPORATION. A business trust that holds the title to a cooperative residential building and grants occupancy rights to shareholders in the corporation.


COOPERATIVE MORTGAGES. Any loans related to a cooperative residential project.

COOPERATIVE PROJECT. A project in which a corporation holds title and sells shares representing individual units to buyers who then receive a proprietary lease as their title.

CORK OAK. The cork oak is native to the Mediterranean basin. Once the trees are about 25 years old, the outer layer of bark is harvested to make cork products, such as bottle stoppers, bulletin boards, and cork flooring. The tree is not harmed and the layer renews for harvesting every nine years. The trees live for about 200 years.

CORNER BEAD. A reinforcement placed in the corner where two walls intersect.

CORNER INFLUENCE TABLE. A statistical table that may be used to estimate the added value of a corner lot.

 **CORNER LOT.** A lot found at the intersection of two streets. It may be desirable because of its accessibility, but may also be noisy and expensive to maintain because of the increased frontage.

CORNICE. A horizontal molding that projects from the top of a structure or wall.

CORPORATE RELOCATION. An arrangement by which employers pay to transfer and move employees.


CORPORATE RENTAL. Fully furnished apartment with all the comforts of home. The maximum stay is generally one month.

CORPORATION. An entity established and treated by law as an individual or unit with rights and liabilities, or both, distinct and apart from those of the persons composing it. A corporation is a creature of law having certain powers and duties of a natural person. Being created by law it may continue for any length of time the law prescribes.


CORPOREAL RIGHTS. Possessory rights in real property.


CORRECTION LINES. A system for compensating inaccuracies in the Government Rectangular Survey System due to the curvature of the earth. Every fourth township line, 24 mile intervals, is used as a correction line on which the intervals between the north and south range lines are re-measured and corrected to a full 6 miles.

CORRECTIVE WORK. Necessary or desired repairs to remedy problems uncovered by a home or specialized inspection.

 **CORRELATION.** A step in the appraisal process involving the interpretation of data derived from the three approaches to value (cost, market and income) leading to a single determination of value. Also frequently referred to as “reconciliation.”


CORRELATIVE WATER RIGHT. A law exercised in some states restricting riparian owners who share a common water source to taking a reasonable amount of the total water supply.


 **CORROSION.** The gradual wearing away of a metal by rusting or chemical usage.


 **CO-SIGNER.** A second party who signs a promissory note together with the primary borrower.

COSMETIC MAINTENANCE. Refers to maintenance that focuses on retaining or improving the physical attributes of the property to increase its value.

 **COST.** The amount paid (in labor, material, or sacrifices) for goods or services.

 **COST APPROACH.** One of three methods in the appraisal process. An analysis in which a value estimate of a property is derived by estimating the replacement cost of the improvements, deducting therefrom the estimated accrued depreciation, and then adding the market value of the land.


 **COST BASIS.** Original price paid for a property ' (real or personal).

 **COST-BENEFIT RATIO.** The ratio of the benefits of an improvement to the cost of that improvement. In order for the improvement to be considered desirable, the ratio must exceed 1.00.

COST INDEX. Figure representing construction cost at a particular time in relation to construction cost at an earlier time, prepared by a cost reporting or indexing service.

COST-INDEX TRENDING. Converting known historical costs into current cost estimates.

COST MULTIPLIER. Regional or local factor used in adjusting published construction cost figures to estimate local costs.


 **COST-OF-LIVING INDEX.** A government indicator of the fluctuating cost of living for an average person on a monthly basis.


COST-PER-UNIT FEE. Determined by dividing total direct and indirect costs by the number of units within a building or buildings on the property.


COST-PLUS CONTRACT. A construction contract that determines the builder's profit based on a percentage of the cost of labor and materials.

COST RECOVERY. The deduction of value from an income-producing property over a period of time. Similar to depreciation. However, cost recovery is not limited by the useful life of the property. The entire cost of the property may be deducted over a certain period of time.

COST SERVICES. Companies who collect and provide information regarding cost trends.

 **COST-TO-CURE.** The dollar amount necessary to restore a deteriorated item to new or reasonably new condition.

 **COST-TO-CURE METHOD OF DEPRECIATION.** Method of estimating accrued depreciation based on the cost-to-cure or repair observed building defects.

 **CO-TENANCY.** Ownership of an interest in a particular parcel of land by more than one person; e.g., tenancy in common, joint tenancy.


COTTAGE. A small, one-story house.


COUNSELORS OF REAL ESTATE (CRE). Counselor of Real Estate, Member of American Society of Real Estate Counselors; the Counselors of Real Estate is the membership organization established exclusively for real estate advisors who provide intelligent, unbiased, and trusted advice for a client or employer.


COUNTERFLASHING. Flashing used on chimneys at roof-line to cover shingle flashing and prevent moisture entry.

 **COUNTER-OFFER.** A response to an offer.

COURT. (1) A short road or open area, partially or wholly enclosed by buildings. (2) A judicial body that hears legal cases.

 **COURT CONFIRMATION.** The approval by a court of the sale of property by an executor, administrator, guardian, conservator, or commissioner in a foreclosure sale.

 **COVENANT.** An agreement or promise to do or not to do a particular act such as a promise to build a house of a particular architectural style or to use or not use property in a certain way; a legal assurance or promise in a deed or other document, or implied by the law.

 **COVENANTS, CONDITIONS, AND RESTRICTIONS (CC&Rs).** The basic rules establishing the rights and obligations of owners (and their successors in interest) of real property within a subdivision or other tract of land in relation to other owners within the same subdivision or tract and in relation to an association of owners organized for the purpose of operating and maintaining property commonly owned by the individual owners.

CPI. See Consumer Price Index.


CPM®. Certified Property Manager, a designation of the Institute of Real Estate Management.


CRADLE-TO-GRAVE ANALYSIS. Analysis of the impact of a product from the beginning of its source gathering processes, through the end of its useful life, to disposal of all waste products. Cradle-to -cradle is a related term signifying the recycling or reuse of materials at the end of their first useful life.

CRAFTSMAN STYLE. An architectural style that evolved as part of the Arts and Craft movement near the turn of the century.

CRAWL HOLE. Exterior or interior opening permitting access underneath building, as required by building codes.

CRAWL SPACE. The space between the ground and the first floor of a home, usually no higher than four feet.

 **CREATIVE FINANCING.** Innovative home-financing arrangements that help sell a property.

 **CREDIT.** A bookkeeping entry on the right side of an account, recording the reduction or elimination of an asset or an expense, or the creation of or addition to a liability or item of equity or revenue; the money a lender extends to a buyer for a commitment to repay the loan within a certain time frame.

CREDIT AUTHORIZATION. Written consent given by parties to a transaction to another such as Buyer to Mortgage Broker. The Authorization gives all parties involved the approval to provide the information as requested or needed to compile a complete credit package.

CREDIT BUREAU. An agency that collects the credit records of consumers and summarizes the findings in a factual credit report.

CREDIT HISTORY. A record of an individual's current and past debt payments.

CREDIT LOAN. A mortgage that is granted based upon the financial strength of a borrower, not taking into consideration equity or collateral.

CREDIT LIFE INSURANCE. Insurance that pays off a mortgage in the event of the borrower's death.

 **CREDITOR.** An individual or institution to which a debt is owed.

CREDIT RATING. The degree of credit worthiness assigned to a person based on credit history and financial status.

CREDIT REPORT. A credit bureau report that shows a loan applicant's history of payments made on previous debts. Several companies issue credit reports, but the three largest are Trans Union Corp., Equifax and Experian (formerly TRW).


CREDIT REPOSITORY. Large companies that gather financial and credit information from various sources about individuals who have applied for credit.

CREDIT SCORING. Objective, statistical method that assesses the tenant's credit risk.


CREDIT UNION. Nonprofit cooperative organizations that provide banking and financial services, including mortgages, home improvement loans and home equity loans, to their members.

CRIME OR FIDELITY INSURANCE. Used to cover losses caused by employee dishonesty.

CRIMINAL LAW. Wrongs against persons or society.


 **CRIPPLE.** Stud above or below a window opening or above a doorway.

CROSS-BRIDGING. The strengthening of a structure by bracing cross members between beams.

 **CROSS-COLLATERALIZATION.** When collateral for one loan also serves as collateral for one more additional loans.


CROSS-CONNECTION. A condition which permits connection between a potable water supply system and a drain or wastewater system. There may be a flow from one system to the other, and the direction of flow depends on the pressure differential between the two systems.

CROSS-DEFAULTING CLAUSE. A clause, usually included in a secondary loan contract, stipulating that a default in the primary loan will also cause a default in the junior loan. .

 **CROWN MOLDING.** A type of large molding with a curved face and beveled edges, used on a cornice or to cover the angle where the wall meets the ceiling around a room.

CRUDE OIL. A mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities.


 **CRV (CERTIFICATE OF REASONABLE VALUE.** The Federal VA appraisal commitment of property value.

 **CUBIC-FOOT METHOD.** Similar to the square-foot method, except it takes height as well as area into consideration.

 **CUL DE SAC.** A street or alley that is closed at one end.

CUMULATIVE ZONING. Zoning laws allowing so-called higher uses (residential) to exist in lower use zones (industrial), but not vice versa.

CUPOLA. A dome-like structure that sits on top of a roof.

 **CURABLE DEFECT.** A deficiency in a property that is easy or inexpensive to fix, such as chipping paint.

CURABLE DEPRECIATION. Items of physical deterioration and functional obsolescence which are customarily repaired or replaced by a prudent property owner.

 **CURB APPEAL.** The first impression of a house as seen from the street.

CURRENT (ELECTRIC). A flow of electrons in an electrical conductor. The strength or rate of movement of the electricity is measured in amperes.

CURRENT INDEX. With regard to an adjustable rate mortgage, the current value of a recognized index as calculated and published nationally or regionally. The current index value changes periodically and is used in calculating the new note rate as of each rate adjustment date.

CURTAIL SCHEDULE. A listing of the amounts by which the principal sum of an obligation is to be reduced by partial payments and of the dates when each payment will become payable.


CURTAIN WALL. An exterior wall that encloses a yard or other area but does not provide any structural support to a home.


CURTESY. The common law interest of a husband in estate of deceased wife.

CURTILAGE. The grounds and additional buildings surrounding a house, commonly used in connection with the everyday use of the house. This area is usually fenced.

CUSTOM BUILDER. A builder who constructs a home or building based on plans created by the owner.

CUSTOM HOME. A structure designed by an architect hired by the owner.


 **CUSTOMER.** A prospective buyer of real estate; not to be confused with a property seller, who is the listing broker's client .

 **CYCLE.** The ups and downs that occur in a period of time.

DAM. A physical barrier constructed across a river or waterway to control the flow of or raise the level of water.

DAMAGE. A deterioration in the quality of the environment not directly attributable to depletion or pollution.

DAMAGE OR DESTRUCTION CLAUSE. A clause in a lease detailing how the partial or total destruction of the property would be handled between the parties to the lease.

 **DAMAGES.** The indemnity recoverable by a person who has sustained an injury, either in his or her person, property, or relative rights, through the act or default of another. Loss sustained or harm done to a person or property.

DAMPER. A movable plate in a fireplace that allows smoke and fumes to travel up the chimney's flue.


DATA. Information pertinent to a specific appraisal assignment. Data may be general (relating to the economic background and the region), local (relating to the city and the neighborhood), or specific (relating to the subject property and comparable properties in the market).


DATA MINING. Data processing using sophisticated data search capabilities and statistical algorithms to discover patterns and correlations in large pre-existing databases.

DATA PLANT. An appraiser's file of information on real estate.

DATA SERVICES. The numerous companies engaged in the business of selling data to real estate appraisers.

DATA SOURCES. Any of a variety of sources used by appraisers when collecting general, local, and specific information.

 **DATE.** The exact date a legal document or contract is signed. Certain documents may have several dates indicating when different aspects of the agreement will take place or take effect.

 **DATE OF ACCEPTANCE.** The date the seller accepts the offer or the buyer accepts the counteroffer.

DATE OF APPRAISAL. The date on which the opinion of value applies. The date of appraisal is not necessarily the same as the date the report is written. Also called the valuation date or date of value.

DATE OF CLOSING. The date the title of a recently sold property is transferred to the buyer.

DATE OF VALUE. See date of appraisal.

DAYLIGHT FACTOR (DF). The ratio of daylight illumination at a given point on a given plane, from an obstructed sky of assumed or known illuminance distribution, to the light received on a horizontal plane from an unobstructed hemisphere of this sky, expressed as a percentage.

DAYLIGHTING. The use of controlled natural lighting methods indoors through skylights, windows, and reflected light.


DAYS ON THE MARKET. The period of time a property is listed for sale until it is sold or taken off the market.


DBA. See Doing Business As.

DEADBOLT LOCK. Locks that require a key to open from the outside and a turn button from the inside.

DEAD MALL. Mall with a high vacancy rate, low consumer traffic level, or is dated or deteriorating in some manner.


DEBENTURE. Bonds issued without security, an obligation not secured by a specific lien on property.

 **DEBIT.** A bookkeeping entry on the left side of an account, recording the creation of or addition to an asset or an expense, or the reduction or elimination of a liability or item of equity or revenue.


 **DEBT.** That which is due from one person or another; obligation, liability.


DEBT FINANCING. Borrowed funds.

 **DEBTOR.** A person who is in debt; the one owing money to another.

 **DEBT RATIO.** The ratio of an individual's debt payments to his or her monthly income.

DEBT SERVICE. The periodic payment specified in the loan contract necessary to repay the total amount of debt.

 **DEBT-TO-EQUITY RATIO.** The ratio of the total debt to the total amount of equity possessed by the owner.

 **DEBT-TO-INCOME RATIOS.** Guidelines used by lenders to determine a consumer's maximum mortgage amount.


 **DECEDENT.** A person who has died.


DECEPTIVE TRADE PRACTICES AND CONSUMER PROTECTION ACT (DTPA). Serves as a valuable protection for consumers engaging in real estate transactions, which include the services rendered by property management.

DECIBEL (dB). Unit of sound level or sound-pressure level. It is ten times the logarithm of the square of the sound pressure divided by the square of reference pressure, 20 micropascals.

DECIDUOUS. Plants and trees that lose their leaves seasonally in the fall.

DECK. A roofless, floored area that adjoins a house.

 **DECLARATION.** A legal document that must be filed by condominium developers in most states. The declaration describes the land to be developed, and the resulting condominiums, the type of lease, and other legal requirements.


 **DECLARATION OF HOMESTEAD.** The recorded notice to protect the equity in a home from forced sale by unsecured creditors.

DECLINING ANNUITY. Evenly spaced, periodic payments that are decreasing in amount. Also called decreasing annuity.


DECLINING BALANCE DEPRECIATION. A method of accelerated depreciation allowed by the IRS in certain circumstances. Double Declining Balance Depreciation is its most common form and is computed by using double the rate used for straight line depreciation.


DECREE OF FORECLOSURE. Decree by a court ordering the sale of mortgaged property and the payment of the debt owing to the lender out of the proceeds.


DEDICATION. The giving of land by its owner to a public use and the acceptance for such use by authorized officials on behalf of the public.

 **DEDUCTIBLE.** The amount the insured must pay when any insurance claim is filed.


 **DEED.** Written instrument which when properly executed and delivered conveys title to real property from one person (grantor) to another (grantee).

 **DEED IN LIEU OF FORECLOSURE.** A deed to real property accepted by a lender from a defaulting borrower to avoid the necessity of foreclosure proceedings by the lender.

 **DEED OF RECONVEYANCE.** A document used to transfer legal title from the trustee back to the borrower (trustor) after a debt secured by a deed of trust has been paid to the lender (beneficiary). Also called a release deed.


 **DEED OF SALE.** Evidence of a purchaser's acquisition of legal title at a judicial sale, subject to redemption rights, if any.

 **DEED OF TRUST.** *See* Trust Deed.

 **DEED RESTRICTIONS.** Limitations in the deed to a property that dictate certain uses that may or may not be made of the property.


DEEP-SEAL FLOOR DRAIN. A drain used to dispose of water from the basement floor to a sewer line.

DE FACTO. In fact.


 **DEFAULT.** Failure to fulfill a duty or promise or to discharge an obligation; omission or failure to perform any act.

DEFAULT CLAUSE. A clause in a lease specifying the lessor's rights, and the possible penalties facing the lessee, in the event of a default.

DEFAULT INTEREST RATE. A higher interest rate charged on a loan if certain terms or conditions are not fulfilled by the borrower, such as a loan default.

 **DEFAULT JUDGMENT.** A judgment entered in favor of the plaintiff when the defendant defaults, or fails to appear in court.

DEFEASANCE CLAUSE. The clause in a mortgage that gives the mortgagor the right to redeem mortgagor's property upon the payment of mortgagor's obligations to the mortgagee.

 **DEFEASIBLE.** Capable of being defeated, annulled, or revoked.


DEFEASIBLE FEE. Sometimes called a base fee or qualified fee; a fee simple absolute interest in land that is capable of being defeated or terminated upon the happening of a specified event.

DEFENDANT. A person against whom legal action is initiated for the purpose of obtaining criminal sanctions (criminal defendant) or damages or other appropriate judicial relief (civil defendant).

DEFERRED MAINTENANCE. Existing but unfulfilled requirements for repairs and rehabilitation. Postponed or delayed maintenance causing decline in a building's physical condition.


DEFERRED PAYMENT OPTIONS. The privilege of deferring income payments to take advantage of statutes affording tax benefits.

 **DEFICIENCY.** A feature of a property considered faulty or insufficient.

 **DEFICIENCY JUDGMENT.** A judgment given by a court when the value of security pledged for a loan is insufficient to pay off the debt of the defaulting borrower.

DEFINED CHANNEL. Any natural watercourse, even if it is dry during a good portion of the year.

DEFINITE AND CERTAIN. Precise acts to be performed are to be clearly stated.

 **DEFLATION.** A state of the economy when price levels decrease and purchasing power increases.


DEFORESTATION. The loss of forest resulting in the loss of habitat for countless animal and plant species and soil erosion.

DEFUNCT. Deceased, dead.

DEGREES OF FREEDOM. Mathematical way of manipulating data to obtain credible results from a data set that is less than statistically significant.


DEHUMIDIFIER. A device that removes humidity or moisture from the air.


DELEGATION OF POWERS. The conferring by an agent upon another of all or certain of the powers that have been conferred upon the agent by the principal.

 **DELINQUENCY.** The failure of a borrower to make payments on time, as specified under a loan agreement.


DELINQUENCY REPORT. List of all occupied units for which rent has not been received by a certain date. The delinquency report shows the tenants who are behind in rent payments and the number of payments missed.

DELINQUENT MORTGAGE. A mortgage that involves a borrower who is behind on payments. If the borrower cannot bring the payments up to date within a specified number of days, the lender may begin foreclosure proceedings.

 **DELIVERY.** The unconditional, irrevocable intent of a grantor immediately to divest (give up) an interest in real estate by a deed or other instrument.

 **DEMAND.** A request for amounts due for a debt payment.


DEMAND, UTILITY, SCARCITY, TRANSFERABILITY (DUST). Four basic elements (that you can remember by the word *DUST*) must be present before any product has a market value. A market exists only when *demand* has been created by a product's *utility*, or usefulness, coupled with its relative *scarcity*. The product must also have the quality of *transferability*; that is, there must be no impediment to its sale. (In the case of real estate, a fifth element also is usually necessary. The buyer must be able to secure suitable financing.)

 **DEMISE.** To rent an estate for years, for life, or at will.

DEMOGRAPHIC PROFILE. The statistical study of human populations, from a variety of sources used to create a broad profile of any community. A profile of a specific area that contains general information, such as employment, education, average age, average salary ranges, gender, occupation, number of children, etc.

DEMOGRAPHICS. The statistical characteristics of human population studies.

DEMOLITION COST. The expense required to demolish a building. It may be used in an appraiser's highest and best use analysis.

 **DEMURRER.** A written response to a complaint, which pleads for dismissal on the point that even if the facts alleged in the complaint were true, there is no legal basis for a lawsuit. Also called notice to dismiss.

DENSITY TEST. An analysis of soil to determine if the surface can support the foundation of a house.

DENSITY ZONING. A type of zoning ordinance restricting the average number of houses per acre (gross density) that may be built within a specific subdivision.


DENTILS. Small rectangular blocks that project from a building, usually under cornices or along rooflines.

DEPARTMENT OF ENERGY. Government department whose missions are to advance energy technology and promote related innovation.


DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD). Created in 1965, administers the federal program dealing with better housing and urban renewal.

DEPARTMENT OF VETERANS AFFAIRS (DVA). The Department of Veteran's Affairs is an agency of the federal government. Among the benefit programs administered by the agency is the VA Home Loan program, designed to encourage mortgage lenders to offer long-term, low-down-payment financing to eligible veterans by partially guaranteeing the lender against loss.

DEPLETED URANIUM. A radioactive waste comprised primarily of U-238.


 **DEPLETION.** A reduction in the value of an asset, due to the removal or exhaustion of a resource or material.


 **DEPONENT.** A witness; an affiant.

 **DEPOSIT.** Money given by the buyer with an offer to purchase property. Also called "earnest money."

 **DEPOSIT FUNDS/EARNEST MONEY.** The money deposited to show that the potential Buyer is earnest in their intention to purchase the subject property.

DEPOSIT INSURANCE FUND (DIF). A fund created by merging the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), effective March 31, 2006.


 **DEPOSIT RECEIPT.** A term used by the real estate industry to describe the written offer to purchase real property upon stated term and conditions, accompanied by a deposit toward the purchase price, which becomes the contract for the sale of the property upon acceptance by the owner.


 **DEPOSITION.** Live, oral testimony under oath that is reduced to writing.


DEPOSITORY INSTITUTION. A financial institution accepting deposits in the form of checking and savings accounts, and making loans using their depositors' monies.

DEPRECIABLE RATE. The rate at which an asset loses a limited resource or material.

DEPRECIABLE REAL PROPERTY. Property that is used as a business or produces income, and is subject to wear and tear.

 **DEPRECIATED COST METHOD.** Method for adjusting comparable sales where adjustments are calculated from an analysis of the depreciated replacement cost for each differentiating feature.

 **DEPRECIATION.** Loss of value of property brought about by age, physical deterioration or functional or economic obsolescence. The term is also used in accounting to identify the amount of the decrease in value of an asset that is allowed in computing the value of the property for tax purposes.


 **DEPRECIATION RATE.** The degree of lessening in value of an object or property, usually applied on an annual scale.

DEPRECIATION RESERVE. An account into which the estimated replacement cost of equipment is accumulated each year over the life of the asset, so it can be replaced when it becomes obsolete and totally depreciated. Commonly used in the accounting of public utilities.

DEPRESSION. A stage in the business cycle following a recession characterized by extremely high unemployment and very little purchasing power.


DEPRESSURIZATION. A condition that occurs when the air pressure inside a structure is lower than the air pressure outdoors. ,

 **DEPTH.** Distance from the frontage of a lot to the rear lot line.

 **DEPTH TABLE.** A statistical table that may be used to estimate the value of the added depth of a lot.

DEREGULATION. A process by which financial institutions, formerly restrained in their lending activities by the law, are allowed to compete freely for profits in the marketplace.


DESCENT. Manner of succession to title to property of an intestate decedent.

 **DESCRIPTION.** A section of a conveyance document that legally defines the property to be transferred. The property is generally described in two ways; first, by general location, such as a street address, and then, more specifically, by the use of public or plat maps or other recorded information.


DESIGN/BUILD. A project in which the owner contracts directly with an individual or company to perform design and construction.

DESIGNER. Unlike architects, designers are limited to drawing blueprints.

DESIST AND REFRAIN ORDER. An order directing a person to stop from committing an act in violation of the Real Estate Law.


 **DETERMINABLE FEE.** An estate which may end on the happening of an event that may or may not occur.


DETERMINISTIC MODEL. Input determines the output or result.


 **DEVELOPMENT.** The process of planning and building on an area of land. During development, property values may be established and/or may increase.

DEVELOPMENT METHOD. Method of vacant land valuation in which development costs and developer's profits are subtracted from estimated gross sales, resulting in a raw land value estimate. Also called the land development method.

DEVELOPMENT RIGHTS. The right to build on or improve a property. The rights may be sold separately from the land.

 **DEVISE.** A gift or disposal of real property by last will and testament.

 **DEVISEE.** One who receives a gift of real property by will.

 **DEVISOR.** One who disposes of real property by will.

DEW POINT. The temperature at which dew starts to form, or vapor to condense and deposit as a liquid.

DIGITAL IMAGES. Images that are incorporated into house listings to give potential buyers a view of the property.

DIMENSION PLANS. Plans which show the layout of a house but are less detailed than full blueprints.

DIMINISHED UTILITY. A loss in the usefulness of a property resulting in a loss in property value.


DIMINUTION. The act or process of decreasing, lessening, or taking away.

DIMINUTION IN VALUE. The difference between the before and after values of properties that have been damaged.

DIRECT CAPITALIZATION METHOD. Income capitalization technique where value is estimated by dividing net operating income by the overall capitalization rate.

DIRECT COSTS. All of the costs directly involved with the construction of a structure, including labor, materials, equipment, design and engineering, and subcontractors' fees.

DIRECT ENDORSEMENT PROGRAM. An FHA special program allowing eligible lenders to consider mortgage applications without first submitting paperwork to HUD for approval. This makes it easier and quicker for low- and moderate-income families to buy homes.

 **DIRECT LENDER.** A lending institution dealing directly with its customers. There are no intermediaries between the borrower and the lender.

DIRECT MARKETING. An activity sending promotional materials to individuals or businesses using mail, telemarketing, or via email.


DIRECT SUNLIGHT. That portion of daylight arriving at a specified location directly from the sun, without diffusion. Also called beam sunlight.


DIRECTIONAL GROWTH. The location or direction toward which the residential sections of a city are destined or determined to grow.

DISABILITY INSURANCE. An insurance policy which covers an individual's ability to produce income.


DISCHARGE OF CONTRACT. The cancellation or termination of a contract.


DISCHARGE OF THE LOAN. Cancellation or termination of a loan contract.


 **DISCLAIMER.** A statement denying legal responsibility for the product sold. It is also a denial or renunciation of one's legal right to property.


 **DISCLOSURE.** A statement to a potential buyer listing information relevant to a piece of property, such as the presence of radon or lead paint.


DISCLOSURE STATEMENT. (1) A required statement listing all the information relevant to a piece of property, such as the presence of radon or lead paint. (2) A written statement of a borrower's rights, under the Truth-in-Lending Law, or a statement of all financing charges in a transaction, which must be disclosed by a lender.

 **DISCOUNT.** To sell a promissory note before maturity at a price less than the outstanding principal balance of the note at the time of sale. Also an amount deducted in advance by the lender from the nominal principal of a loan as part of the cost to the borrower of obtaining the loan.

 **DISCOUNT POINTS.** The amount of money the borrower or seller must pay the lender to get a mortgage at a stated interest rate. This amount is equal to the difference between the principal balance on the note and the lesser amount which a purchaser of the note would pay the original lender for it under market conditions. A point equals one percent of the loan.


 **DISCOUNT RATE.** The interest rate charged by the Federal Reserve Bank to its member banks for loans.


 **DISCOUNTED CASH FLOW.** Estimated future investment returns, mathematically discounted to their present value.

 **DISCOUNTING A NOTE.** Selling a note for less than the face amount or the current balance.


DISCRETIONARY INCOME. The portion of an individual's income available for investment or spending after the necessities (rent or mortgage, food, clothing, etc.) have been paid.

DISCRETIONARY POWERS OF AGENCY. Those powers conferred upon an agent by the principal which empower the agent in certain circumstances to make decisions based on the agent's own judgment.

 **DISCRIMINATION.** The practice of making a selection or choice, such as treating a person fairly or unfairly.

 **DISINTERMEDIATION.** The relatively sudden withdrawal of substantial sums of money savers have deposited with savings and loan associations, commercial banks and mutual savings banks. This term can also be considered to include life insurance policy purchasers borrowing against the value of their policies. The essence of this phenomenon is financial intermediaries losing within a short period of time billions of dollars as owners of funds held by those institutional lenders exercise their prerogative of taking them out of the hands of these financial institutions.

DISPLAY AD. A large, expensive ad that uses text, graphics, and pictures to sell a product or property.


 **DISPOSABLE INCOME.** The after-tax income a household receives to spend on personal consumption.


DISPOSAL. The right to dispose or encumber such as with a mortgage, sell, lease, donate or dedicate, or trade the property at will.

DISPOSSESS. To deprive one of the use of real estate.

DISTRESSED PROPERTY. Property that is in poor physical or financial condition.

DISTRIBUTED SALES FORCE. Sales associates working primarily in the field or working out of their homes and coming into the office for meetings with management or customers.


 **DIVEST.** To sell; to release one's interest in a property.

 **DIVIDEND.** Payment to shareholders of a share of the profits from the company in which they hold stock.


DIVISION FENCE. Fence lying exactly on the boundary line separating two properties.

DO NOT CALL. Federal and state law regulating unsolicited telephone calls. The National Do Not Call law resulted from the passage of the Telephone Consumer Protection Act in 1991. The Act was written to protect the privacy of residential telephone customers.

DOCTRINE OF CORRELATIVE USE. A law exercised in some states, restricting riparian owners who share a common water source to taking a reasonable amount of the total water supply.

 **DOCUMENT.** Legal instruments such as mortgages, contracts, deeds, options, wills, bills of sale, etc.

DOCUMENT NEEDS LIST. A list of documents a lender requires when a potential submits a loan application. The required documents range from paycheck stubs to credit card statements.

 **DOCUMENTARY TRANSFER TAX.** A state enabling act allows a county to adopt a documentary transfer tax to apply on all transfers of real property located in the county. Notice of payment is entered on face of the deed or on a separate paper filed with the deed.


DOING BUSINESS AS (DBA). A DBA, also known as an “assumed name,” is typically completed by making a filing at the county level where the business is located. This filing does not change the official name of the corporation; however, it allows the company to use additional names.

DOMAIN NAME. Unique name that identifies one or more IP addresses on the Internet.

DOMED CEILING. A hemispherical ceiling that projects upward without support.

DOMICILE. A person's primary or permanent home.

 **DOMINANT TENEMENT.** The property that benefits from an easement.

 **DONEE.** A person who receives a gift.


 **DONOR.** A person who makes a gift.

DOOR JAMB. The framework surrounding a door or door opening.

DORMER. A window set upright in a sloping roof.

DOUBLE DECLINING BALANCE DEPRECIATION. *See* Declining Balance Depreciation.

DOUBLE DUMBBELL SHAPE. Cross-shaped shopping center with anchor stores_ at the end of each cross.


 **DOUBLE ESCROW.** Two escrows on the same property, at the same time, having the same party as the buyer and seller of the property. The process is illegal in many states, unless full disclosure is made.

DOUBLE-GLAZED WINDOW. *See* dual-glazed window.

DOUBLE-HUNG WINDOW. A window that consists of two sashes that slide up and down.

DOUBLE NET LEASE. A lease arrangement in which the tenant pays the rent, utilities, property taxes, special assessments, and insurance premiums.

DOVETAIL JOINTS. Joints that lock two pieces of wood together with meshed teeth.

 **DOWN PAYMENT.** The amount of money a buyer agrees to give the seller when a sales agreement is signed. Complete financing is later secured with a lender.

DOWN SPOUTS. A vertical gutter that empties water from the roof to the ground.

DOWNZONING. A change in a zoning standard, reducing the usage allowed for the property. An example of downzoning is reducing a property's zoning from residential use to a conservation site use.

DRAIN. A channel or pipe for drawing off water or sewage in a building drainage system.

DRAIN FIELD. The area into which the liquid from the septic tank drains.


DRAINAGE. A system of gutters and drainpipes that carry water away from the foundation of a house.


DRAW. Usually applies to construction loans when disbursement of a portion of the mortgage is made in advance, as improvements to the property are made.


DRIP IRRIGATION. Above-ground, low-pressure watering system with flexible tubing that releases small, steady amounts of water through emitters placed near individual plants.

DROPPED CEILING. A flat ceiling built lower than the original ceiling.

 **DRY ROT.** A fungal decay that causes wood to become brittle and crumble.

 **DRYWALL.** A construction material composed of gypsum or plasters wrapped in paper and produced in large sheets that can be nailed to wall studs.

 **DUAL AGENCY.** An agency relationship in which the agent acts concurrently for both of the principals in a transaction.


 **DUAL AGENT.** A broker acting as agent for both the seller and the buyer in the same transaction.


DUAL-GLAZED WINDOW. A type of window having two layers (panes or glazing) of glass separated by an air space. Each layer of glass and surrounding air space reradiates and traps some of the heat that passes through thereby increasing the window's resistance to heat loss.

DUCT. Any kind of pipe or channel that carries water, wiring or conditioned air through a house.


DUCT BLOWER. A variable speed fan that is attached to a duct system to measure duct air leakage.

DUCTWORK. A network of metal, fiberboard, or flexible material flowing throughout a space, which delivers air from an HVAC unit to the respective zones of a home or office.

 **DUE DILIGENCE.** The reasonable effort to secure accurate and complete information about a property.

 **DUE-ON-SALE CLAUSE.** An acceleration clause granting the lender the right to demand full payment of the mortgage upon a sale of the property.

DUPLEX. A structure that consists of two separate family units.

 **DURESS.** Unlawful constraint exercised upon a person whereby he or she is forced to do some act against his or her will.

DUST. *See* Demand, Utility, Scarcity, Transferability.


DUTCH COLONIAL STYLE. A design that features barn-like gambrel roof, a ground-level front porch, and dormers.

DUTCH DOOR. A door divided horizontally into halves. The halves may open and close independent of the other, or they may be latched together to act as one door.

DWELLING. Any structure used for a residence or domicile.

EARLY OCCUPANCY. The condition in which buyers can occupy the property before the sale is completed.

EARLY TERMINATION CLAUSE. A clause that allows tenants to cancel their lease before it expires.


 **EARNEST MONEY/DEPOSIT FUNDS.** Down payment made by a purchaser of real estate as evidence of good faith. A deposit or partial payment.

EARNING POTENTIAL. One's ability to earn income.


EARTH-SHELTERED CONSTRUCTION. Constructing buildings below ground level, in-hill, or with berm using earth against external building walls for external thermal mass to reduce heat loss. An earth-sheltered structure provides a steady interior climate.


EARTH-SHELTERED HOME. A dwelling that is partially or totally underground or that has earth berms around some or all of its exterior walls.

EARTHQUAKE INSURANCE. A policy that provides coverage against damage to a home from an earthquake.

 **EASEMENT.** A right, privilege or interest limited to a specific purpose which one party has in the land of another; or a right given to a third party to use a portion of the property for certain purposes, such as power lines or water mains.

 **EASEMENT APPURTENANT.** An easement connected to a particular property that transfers with the property when conveyed.

 **EASEMENT BY PRESCRIPTION.** Easement created by open, adverse, continuous, and uninterrupted use by a single party, for a number of years, as specified by law.

 **EASEMENT IN GROSS.** An easement that benefits a person, not a particular piece of land.

EASTON VS. STRASSBURGER. A Real Estate lawsuit demonstrating the care that an Agent owes their client as a Fiduciary and set precedence and has been the basis for a number new of laws such as the requirement of a Transfer Disclosure Statement (TDS). The Real Estate Broker is responsible to inspect the property to the best of their ability and disclose all pertinent information regarding a property.


EAVES. The projecting overhang at the lower edge of a roof.

ECO-EFFICIENCY. Combination of environmental and economic performance to create more value with less impact.

ECOLOGICAL ECONOMICS. The idea that one must use the healthy and natural systems, services, and goods available from nature to be economically successful.

ECOLOGICAL FOOTPRINT. A measure of the land area required to support a certain population or human activity. A city with an ecological footprint that is larger than its land area consumes more than its share of resources. The opposite of carrying capacity.


ECOLOGY. The relationship of living things to one another and their environment, or the study of such relationships.


 **ECONOMIC AGE.** Estimated age of a building based on its condition and usefulness.

ECONOMIC BASE. The companies providing jobs for a community or defined geographic area.

ECONOMIC BASE ANALYSIS. The study of economic forces affecting a certain community. The analysis is used to predict population, income, and other variables that may affect real estate or land use.

ECONOMIC FORCES. In appraisal theory, one of several types of forces that affect property values.

 **ECONOMIC LIFE.** The period over which a property will yield a return on the investment over and above the economic or ground rent due to land.

 **ECONOMIC OBSOLESCENCE.** A loss in value due to factors away from the subject property but adversely affecting the value of the subject property.

ECONOMIC RENT. The reasonable rental expectancy if the property were available for renting at the time of its valuation.

ECONOMICALLY FEASIBLE. Financially possible, reasonable, or likely. One of the four criteria for determining highest and best use.


ECONOMICS. As related to real estate, a study of the factors that cause people to prosper and create a viable demand for real property.

ECONOMIC-TREND. Pattern of related changes in some aspect of the economy.

ECOSYSTEM. The interacting system of a biological community and its non-living environmental surroundings.


EDIBLE LANDSCAPING. Landscaping containing vegetation, such as fruit trees or grape arbors; cultivated for its ability to be eaten by humans.

EER. *See* Energy-Efficiency Ratio.

 **EFFECTIVE AGE OF IMPROVEMENT.** The number of years of age that is indicated by the condition of the structure, distinct from chronological age.

EFFECTIVE DATE OF VALUE. The specific day the conclusion of value applies.

EFFECTIVE DEMAND. The demand or desire coupled with purchasing power.

 **EFFECTIVE GROSS INCOME.** Additional income that a lender considers when assessing the loan application of a potential borrower.

EFFECTIVE INTEREST RATE. The percentage of interest that is actually being paid by the borrower for the use of the money, distinct from nominal interest.

EFFECTIVE RATE. The interest rate a borrower actually pays on a loan, as opposed to the nominal rate stated in the loan contract.

EFFECTIVE RENT. Average lease rate over the lease term after deducting all rent concessions.

EFFICACY. In lighting design, a measure of the luminous efficiency of a specified light source, expressed in lumens per watt. For daylighting, this is the quotient of visible light incident on a surface to the total light energy on that surface. For electric sources, this is the quotient of the total luminous flux emitted by the total lamp power input.

EFFLORESCENCE. The white powdery substance that forms on the surface of masonry, by water leaching out certain chemicals.

EFFLUENT. Anything that flows out of a pipe, smokestack (which is emissions from stacks or chimneys), storage tank, channel, sewer, or septic system.

 **EGRESS.** The right to exit from a property using an easement.

EIR. *See* environmental impact report.

EJECTMENT. Legal action for return of right to possession of land and for damages.

ELECTRIC BASEBOARD. An individual space heater with electric resistance coils mounted behind shallow panels along baseboards. Electric baseboards rely on passive convection to distribute heated air to the space.

ELECTRIC SERVICE PANEL. A panel that transfers power from the utility line into a house to be distributed through fuses or circuit breakers.

ELECTRICAL ENERGY. The ability of an electric current to produce work, heat, light, or other forms of energy.

ELECTRICITY. A form of energy characterized by the presence and motion of elementary charged particles generated by friction, induction, or chemical change.

ELECTRICITY DISTRIBUTION SYSTEM. That portion of an electricity supply system used to deliver electricity from points on the transmission system to consumers.

ELECTRIC POWER. The rate at which electric energy is transferred. Electric power is measured by capacity and is commonly expressed in megawatts (MW).


ELECTRIC POWER GRID. A system of synchronized power providers and consumers connected by transmission and distribution lines and operated by one or more control centers. In the continental United States, the electric power grid consists of the Eastern Interconnect, the Western Interconnect, and the Texas Interconnect systems.


ELECTRIC POWER PLANT. A station containing prime movers, electric generators, and auxiliary equipment for converting mechanical, chemical, and/or fission energy into electric energy.

ELECTROMAGNETIC SPECTRUM. A continuum of electric and magnetic radiation encompassing all wavelengths from electricity, radio, and microwaves at the low-frequency end of the spectrum, to infrared, visible light, and ultraviolet light in the midrange, to x-rays and gamma rays at the high-frequency end.

ELECTRONIC UNDERWRITING SYSTEMS. The mortgage industry uses these systems to predict multiple -risk factors in a loan application. Users receive an analysis of the borrower's credit, estimate of the property's value, and an opinion of the risk involved.

ELEMENT OF COMPARISON. Any aspect of a real estate transaction or any characteristic of the property that affects the property's sales price.


 **ELEMENTS OF VALUE.** Four prerequisites that must be present for an object to have value: demand, utility, scarcity, and transferability.


 **ELEVATIONS.** The exterior view of a home design that shows the position of the house relative to the grade of the land.

ELEVATION SHEET. A labeled diagram or cutaway of a home detailing its interior features and building components, as well as front and side exterior views of a building as it will be when finished.

ELIZABETHAN STYLE. This asymmetrical housing style has a very steep cross-gabled roof, a prominent chimney, half-timbered exteriors, rounded doorways, and multi-paned casement windows.


ELL. An extension or wing of a house that is at right angles to the main structure.

 **EMANCIPATED MINOR.** Someone who is under age, yet legally set free from parental control/supervision. Emancipation may be achieved by marriage or by court order.

 **EMBLEMENTS.** Growing crops that are cultivated annually for sale; considered personal property.

EMBODIED ENERGY. The total energy sequestered from a stock within the earth in order to produce a specific good or service including extraction, manufacture, and transportation to market.

EMERGENCY PLAN. The part of a disaster plan dealing with the first and immediate response to the disaster.


 **EMINENT DOMAIN.** The right of the government to acquire property for necessary public or quasi-public use by condition; the owner must be fairly compensated and the right of the private citizen to get paid is spelled out in the 5th Amendment to the United States Constitution.


EMISSION STANDARDS. Regulatory limits set by governments on the pollutants that can be released into the atmosphere from sources like motor vehicles or manufacturing plants.


EMPLOYER-ASSISTED HOUSING. Programs which help employees purchase homes through special plans developed with lenders.

EMPLOYMENT AGREEMENT. In real estate, this agreement is required by state law and must state the important aspects of the employment relationship, including supervision of licensed activities, licensee's duties, and the compensation arrangement.

EMPLOYMENT HUBS. Sources of employment.


 **EMPTY NESTERS.** Potential buyers who have raised their families and want to move into a smaller home.


 **ENCROACHMENT.** An unlawful intrusion onto another's adjacent property by improvements to real property, e.g., a swimming pool built across a property line.

 **ENCUMBRANCE.** Anything which affects or limits the fee simple title to or value of property, e.g., mortgages or easements.

END LOAN. The conversion from a construction loan to permanent financing a condominium buyer secures after all units in a project have been completed.

ENDANGERED SPECIES ACT. Federal legislation passed in 1973 that provides for the identification and protection of species (plants and animals) currently in danger of extinction or threatened by extinction within the foreseeable future.

 **ENDORSEMENT.** (1) The act of signing a name on the back of a check or promissory note to evidence its transfer. (2) A written document attached to an insurance policy expanding or limiting coverage.

 **ENDORSER.** A person who signs over ownership of property to another party.

ENERGY. The capacity for doing work as measured by the capability of doing work (potential energy) or the conversion of this capability to motion (kinetic energy).

ENERGY AUDIT. A survey in which an auditor inspects a home and suggests ways energy can be saved.

ENERGY CONSERVATION. Efficiency of energy use, transmission, or distribution that yields a decrease in energy consumption while providing the same, or higher, levels of service.

ENERGY CROP. A crop grown specifically for its fuel value. Energy crops include food crops, such as corn and sugarcane, and nonfood crops such as poplar trees and switchgrass.

ENERGY EFFICIENCY. Using less energy or water to perform the same tasks.

ENERGY EFFICIENCY RATIO (EER). A number indicating the relative amount of energy consumed by a given appliance. The higher the EER, the more efficient it is.

ENERGY EFFICIENCY RETROFIT. Improvement made to an existing structure that provides an increase in the overall energy efficiency of the building, or home.

ENERGY EFFICIENT MORTGAGE. A home mortgage for which the borrower's qualifying debt-to-income and housing expense-to-income ratios have been increased by 2% because the home meets or exceeds the minimum standards of the Council of American Building Officials 1992 version of the Model Energy Code.


ENERGY FACTOR (EF). The energy factor measures the efficiency of storage water heaters, which is based on an average hot water consumption of 64 gallons/day. The higher the EF, the more efficient the water heater.

ENERGYGUIDE LABEL. Label on all major home appliances indicating the appliance meets the Appliance Standards Program set by the U.S. Department of Energy (DOE). The label estimates how much energy the appliance uses, compares energy use of similar products, and lists approximate annual operating costs.

ENERGY INFORMATION ADMINISTRATION. An independent agency within the U.S. Department of Energy that develops surveys, collects energy data, and analyzes and models energy issues.

ENERGY PAYBACK TIME. The time required for any energy producing system or device to produce as much energy as was required in its manufacture.


ENERGY RECOVERY. Recovery of useful material or energy from hazardous or municipal waste.

 **ENERGY STAR®.** A program initiated in 1992 by the EPA establishing a standard set of guidelines to recognize the energy efficiency of various products.

ENGINEERED LUMBER. Recycled or reconstituted wood materials.

ENGLISH COTTAGE STYLE. This asymmetrical housing style is patterned after the rustic cottages in southwestern England. They have an uneven sloping roof of slate or cedar that mimics the look of thatch.

ENGLISH TUDOR STYLE. An architectural design that features stone or brick exterior walls and exposed beams.

 **ENTITLEMENT.** Eligibility; the degree to which a veteran deserves to receive a DVA loan.

ENTREPRENEUR. A person who attempts to make a profit by starting his or her own company or by operating alone in the business world, and thereby assumes a substantial portion of the risks, profits, and losses.

ENTREPRENEURIAL PROFIT. A market-derived figure representing the compensation the owner or developer expects to gain from developing the property.

ENTRY-LEVEL HOME. A type of home for first-time buyers.

ENVIRONMENT. The sum of all external conditions affecting the life, development, and survival of an organism in a broader context.

ENVIRONMENT SURROUNDINGS. All the external conditions and influences affecting the life and development of an organism, for example, human behavior, society.

ENVIRONMENTAL DEGRADATION. Deterioration of the environment due to depletion of resources; such as air, water, and soil.

ENVIRONMENTAL IMPACT. Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organization's activities, products, or services. An environmental impact addresses an environmental problem.

ENVIRONMENTAL IMPACT REPORT (EIR). Detailed report required by California Environmental Quality Act regarding projects potentially having significant environmental impacts.

ENVIRONMENTAL IMPACT STATEMENT (EIS). A government-mandated evaluation of all aspects and effects a development will have on the environment of a proposed site.


ENVIRONMENTAL PROTECTION AGENCY (EPA). An agency of the U.S. government established to enforce federal pollution abatement laws and to implement various pollution prevention programs. The agency supervises environmental quality and seeks to control the pollution caused by solid wastes, pesticides, toxic substances, noise, and radiation and has established special programs in air and water pollution, hazardous wastes, and toxic chemicals. It also sponsors research in the technologies of pollution control. The EPA influences US and global policies concerning environmental and natural resources, as they pertain to human health, economic growth, energy, transportation, agriculture, industry, and international trade.


ENVIRONMENTALLY FRIENDLY HOME CONSTRUCTION. A method of construction that utilizes recycled materials.


EPA. *See* Environmental Protection Agency.


EQUAL CREDIT OPPORTUNITY ACT (ECOA). A federal law that prohibits a lender or other creditor from refusing to grant credit based on the applicant's sex, marital status, race, religion, national origin or age. The law also prohibits a creditor from refusing to grant credit because the applicant receives public assistance.

EQUIFAX. Equifax Credit Information Services, Inc. is one of the “Big Three” credit-reporting bureaus that operate nationwide. Address: P.O. Box 740249, Atlanta, GA 30374.

 **EQUILIBRIUM.** (1) A status achieved when opposing characteristics of land in a specific market balance each other out. (2) When supply and demand in a market balance each other and prices stabilize.

 **EQUITABLE RIGHTS.** The rights of an individual to occupy, lease, or sell a property.

 **EQUITABLE TITLE.** The right to obtain absolute ownership to property when legal title is held in another's name.

 **EQUITY.** The interest or value which an owner has in real estate over and above the liens against it. Branch of remedial justice by and through which relief is afforded to suitors in courts of equity.


EQUITY BUILD-UP. The increase of owner's equity in property due to mortgage principal reduction and value appreciation.

EQUITY CAPITAL. The amount an owner puts into an investment.

EQUITY CAPITALIZATION RATE. Factor used to estimate the value of the equity in the band of investment method of capitalization and other mortgage and equity techniques.

EQUITY DIVIDEND. The portion of net operating income after debt service is paid, but before income tax is deducted. Also called before-tax cash flow or pre-tax cash flow.

EQUITY INVESTORS. Investors using venture capital to take an unsecured and thus relatively risky part in an investment.


 **EQUITY LOAN.** A loan made using the equity in the borrower's home as security. The equity is based on a percentage of the appraised value of the home.

EQUITY OF REDEMPTION. The right to redeem property during the foreclosure period, such as a mortgagor's right to redeem within either three months or one year as may be permitted after foreclosure sale.


EQUITY PARTICIPATION. A mortgage transaction in which the lender, in addition to receiving a fixed rate of interest on the loan acquires an interest in the borrower's real property, and shares in the profits derived from the real property.


EQUITY RATIO. The percentage of a property unencumbered by debt. Calculated by dividing the equity interest of a property by its total value.


EQUITY TRUST. An investment trust that deals in owning real estate, rather than in financing. One example of an equity trust is the Real Estate Investment Trust (REIT).


 **EROSION.** The wearing away of land by the act of water, wind or glacial ice.

ERRORS AND OMISSIONS INSURANCE. A policy that pays for any mistakes, spoken or omitted, by real estate agents, employing brokers, builders, appraisers and architects.

 **ESCALATION.** The right reserved by the lender to increase the amount of the payments and/or interest upon the happening of a certain event.

 **ESCALATOR CLAUSE.** A clause in a contract providing for the upward or downward adjustment of certain items to cover specified contingencies, usually tied to some index or event. Often used in long term leases to provide for rent adjustments, to cover tax and maintenance increases.

 **ESCHEAT.** The reverting of property to the State when heirs capable of inheriting are lacking.

 **ESCROW.** The deposit of instruments and/or funds with instructions with a third neutral party to carry out the provisions of an agreement or contract. Escrow also refers to a special account that a lender establishes to hold monthly installments from the borrower to cover property taxes and insurance.


ESCROW ACCOUNT. An account that a lender or mortgage servicer establishes to hold funds for the payment of expenses such as homeowners insurance and property taxes. Also known as an impound account.

ESCROW AGENT. The neutral third party holding funds or something of value in trust for another or others; a neutral third party who ensures that all conditions of a real estate transaction are met.

ESCROW ANALYSIS. A lender's periodic examination of an escrow account to determine if the lender is withholding enough funds from a borrower's monthly mortgage payment to pay for expenses such as property taxes and insurance.


ESCROW CLOSING. Escrow closes when all conditions of a real estate transaction are met and the title of the property is transferred to the buyer.


ESCROW COMPANY. Firms that act as neutral third parties to ensure that all conditions that the buyer, seller and lender establish in a real estate transaction are met.


 **ESCROW HOLDER.** A company that acts as a neutral agent of both buyer and seller.


ESCROW OFFICER. Employee of an Escrow Company in charge of the accounting of and the signing of all related documentation.


ESCROW PAYMENT. Funds that a mortgage servicer withdraws from a borrower's escrow account to pay property taxes and insurance.


 **ESTATE.** As applied to real estate, the term signifies the quantity of interest, share, right, equity, of which riches or fortune may consist in real property; the degree, quantity, nature and extent of interest which a person has in real property; the total assets of a person, including real property, at the time of death.


 **ESTATE FOR LIFE.** A possessory, freehold estate in land held by a person only for the duration of his or her life or the life or lives of another.


 **ESTATE FROM PERIOD TO PERIOD.** An interest in land where there is no definite termination date but the rental period is fixed at a certain sum per week, month, or year. Also called a periodic tenancy.


 **ESTATE AT SUFFERANCE.** An estate arising when the tenant wrongfully holds over after the expiration of the term. The landlord has the choice of evicting the tenant as a trespasser or accepting such tenant for a similar term and under the conditions of the tenant's previous holding. Also called a "tenancy at sufferance."


 **ESTATE AT WILL.** The occupation of lands and tenements by a tenant for an indefinite period, terminable by one or both parties.


 **ESTATE FOR LIFE.** A possessory, freehold estate in land held by a person only for the duration of his or her life or the life or lives of another.


 **ESTATE FOR YEARS.** An interest in lands by virtue of a contract for the possession of them for a definite and limited period of time. May be for a year or less. A lease may be said to be an estate for years.

 **ESTATE FROM PERIOD TO PERIOD.** A leasehold estate that is automatically renewed for the same term; a conveyance for an indefinite period of time; does not need to be renegotiated upon each renewal; commonly a month-to-month rental.

 **ESTATE IN REMAINDER.** An estate that has been conveyed to take effect and be enjoyed after the termination of a prior estate. Also known as remainder estate. See future interest.


 **ESTATE IN REVERSION.** An estate that comes back to the original holder, as when an owner conveys a life estate to someone else, With the estate to return to the original owner on termination of the life estate.


 **ESTATE OF INHERITANCE.** An estate which may descend to heirs. All freehold estates are estates of inheritance, except estates for life.


 **ESTATE TAX.** A federal or state tax charged on the transfer of an individual's assets inherited by heirs.


 **ESTIMATE.** A preliminary opinion of value; appraise, set a value.

ESTIMATED REMAINING LIFE. The period of time (years) it takes for the improvements to become valueless.


 **ESTOPPEL.** A legal theory under which a person is barred from asserting or denying a fact because of the person's previous acts or words.

 **ESTUARY.** Area at the mouth of a river where sea water and fresh water mix together creating brackish water.

 **ET AL..** Short for et alia, a Latin phrase meaning and the others.


 **ET CON..** From the Latin et conjunx, meaning "and husband. "Used in deeds and deed records. Also called et vir.

ETHANOL. Renewable colorless alcohol fuel made from the sugars found in plants, such as corn, sorghum, and barley.

 **ETHICS.** That branch of moral science, idealism, justness, and fairness, which treat of the duties which a member of a profession or craft owes to the public, client or partner, and to professional brethren or members. Accepted standards of right and wrong. Moral conduct, behavior or duty.


ETHICS RULE. Per USPAP, the ETHICS RULE "identifies the requirements for integrity, impartiality, objectivity, independent judgment, and ethical conduct."

ET SEQ.. And following.

 **ET UX.** Abbreviation for "et uxor," means "and wife."

EUCALYPTUS. A fast-growing hardwood tree native to Australia that was introduced to many parts of the world. The tree can be harvested within 14-16 years due to the longer growing season of the climates where eucalyptus grows.


EUTROPHICATION. The increasing concentration of plant nutrients and fertilizers in lakes and estuaries, partly by natural drainage and partly by pollution. It leads to excessive growth of algae and aquatic plants, with oxygen depletion of the deep water, causing various undesirable effects.

 **EVALUATION.** An analysis of a property and/or its attributes in which a value estimate is not required.

EVAPORATION. The conversion of a liquid to a vapor (gas), usually by means of heat.

EVAPORATIVE COOLER. Cooling device used in low-humidity areas. Outside air passes over water-saturated pads, causing the water to evaporate into them. The cooler air is directed into the home and pushes warmer air out through windows. Also known as a swamp cooler.

EVENT. In statistics, one or more outcomes of an experiment.

 **EVICTION.** Dispossession by process of law; the act of depriving a person of the possession of lands in pursuance of the judgment of a court; a legal procedure to remove a tenant for reasons including failure to pay rent.

EVICTION NOTICE. Written notice from the landlord to the tenant requesting that he or she move out of the property within the time specified by local or state law, or meet the landlord's requirements.

EVIDENCE OF TITLE. Proof of property ownership.


EXAMINATION OF TITLE. An inspection by a title company of public records and other documents to determine the chain of ownership of a property.

EXCAVATION. The process of clearing trees, removing topsoil and grading land before the foundation is laid.


EXCEPTIONS. Matters affecting title to a particular parcel of real property which are included from coverage of a title insurance policy.


EXCESS LAND. Surplus land beyond the land needed to support the property's highest and best use.


EXCESS RENT. The amount by which the total contract rent exceeds market rent.

 **EXCHANGE.** A means of trading equities in two or more real properties treated as a single transaction through a single escrow.


EXCLUSION. General matters affecting title to real property excluded from coverage of a title insurance policy.


 **EXCLUSIONARY ZONING.** A type of illegal zoning which intentionally or unintentionally excludes racial minorities and low-income residents from an area.


 **EXCLUSIVE AGENCY LISTING.** A listing agreement employing a broker as the sole agent for the seller of real property under the terms of which the broker is entitled to a commission if the property is sold through any other broker, but not if a sale is negotiated by the owner without the services of an agent.

 **EXCLUSIVE RIGHT TO SELL LISTING.** A listing agreement employing a broker to act as agent for the seller of real property under the terms of which the broker is entitled to a commission if the property is sold during the duration of the listing through another broker or by the owner without the services of an agent.

EXCLUSIVITY CLAUSE. Lease clause giving a tenant the exclusive right to sell his or her product (cookies, shoes, cell phone accessories) or service (dry cleaners, travel agency) on the property.


 **EXCULPATORY CLAUSE.** A clause in designed to absolve a party from liability.


 **EXECUTE.** To complete, to make, to perform, to do, to follow out; to execute a deed, to make a deed, including especially signing, sealing and delivery; to execute a contract is to perform the contract, to follow out to the end, to complete.

 **EXECUTED CONTRACT.** A contract in which the obligations have been performed on both sides of the contract, and nothing is left to be completed.

EXECUTION SALE. The forced sale of a property to satisfy a money judgment.

EXECUTIVE SUITE. A shared office with services provided by a management firm.

 **EXECUTOR/EXECUTRIX.** A man/woman named in a will to carry out its provisions as to the disposition of the estate of a deceased person.

 **EXECUTORY CONTRACT.** A contract in which something remains to be done by one or both of the parties.

EXFILTRATION. The intentional or unintentional leakage of air out of a building.

EXHAUST FAN. Ventilating devices that remove water vapor, undesired smells or smoke.

EXIT STRATEGY. The method planned by a business owner to sell or close the business.

EXPANSION PHASE. Phase in the business or real estate cycle marked by speculation and expansion of credit, which stimulates the local, regional, and even national economy.

EXPANSIVE SOIL. A type of soil that increases in volume when wet and decreases when dry.

EXPENSE STOP CLAUSE. A clause that limits the lessor's responsibility for the costs of operating the premises.

EXPENSES. Certain items which appear on a closing statement in connection with a real estate sale.


EXPERIAN. Experian, formerly known as TRW Information Systems & Services, is one of the “Big Three” credit-reporting bureaus. Address: 505 City Parkway West, Orange, CA 92868.

EXPERIMENT. In statistics, a situation involving chance or probability that leads to results called outcomes.


EXPERT TESTIMONY. Testimony given in a court trial by a person qualified by the court as an expert on a particular subject, for example, as an expert witness on real estate values.

EXPERT WITNESS. One qualified to give expert testimony in a court of law on a particular subject, such as medicine, engineering, or real estate appraising.

EXPIRED LISTING. A property listing that did not sell during the specified period with the listing broker.


 **EXPOSURE.** (1) The compass direction the front of a structure faces. (2) In marketing, the amount of visibility a property has in the market.


EXPRESS AGREEMENT. A written agreement, usually in the form of a listing contract, authorizing the broker to represent the seller in finding a ready, willing, and able buyer. A contract created when the parties declare the terms and put their intentions in words, either oral or written.


 **EXPROPRIATION.** The seizure of private land for public use or purpose, under the government's right of eminent domain. The property is condemned, and fair market compensation is paid to the owner.

EXTENDED COVERAGE POLICY. An extended title insurance policy that costs more than the standard title policy and broadens the scope of coverage to include off-the-record title related matters, for example, taxes or assessments or other claims, such as easements, encroachments, etc. not shown in public record. An extended coverage policy is required by secondary market lenders.


EXTENSION AGREEMENT. Agreement granting additional time for performance.

 **EXTERNALITIES.** Outside influences that have a positive or negative effect on property value.

 **EXTERNAL OBSOLESCENCE.** Any influence negatively affecting a property's value that falls outside of the specific property site (i.e., a property located under an airport flight pattern). Examples of external obsolescence include zoning changes, proximity to nuisances, and changes in land use or population. See economic obsolescence and locational obsolescence.


 **EXTRACTION METHOD.** A method of determining the land value of a comparable property by deducting the depreciated costs of the improvements on that property from the property's known sale price. The remaining value represents value ***attributable to the land***. This method is a variation on the allocation method and based on the same principles. Also known as abstraction method.

EXTRAORDINARY ASSUMPTION. Per USPAP, "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions."

 **EXTRAPOLATION.** The process of predicting future trends based on current and past patterns and relationships. It assumes that the same economic factors that influenced past trends will affect future trends similarly.

EYE APPEAL. Aesthetic appeal. A property's amenities and features such as landscaping or a pleasant view.

FACADE. The front of a building often used to refer to a false front and as a metaphor.

 **FACE VALUE.** The stated amount of a bond or security, as opposed to its market or real value.

FACILITIES MANAGEMENT ADMINISTRATOR (FMA). A property management designation offered by the Building Owners and Managers Institute (BOMI) with emphasis on the management of a commercial facility.

FACILITY MANAGER. Commercial property specialist who manages properties owned by the government and the military (public), colleges and universities (non-profit), or for-profit corporations (private entities).

FACTORY-BUILT HOUSING. Housing built in a factory instead of on site. Includes manufactured, modular, panelized, and precut homes.


FAHRENHEIT. A temperature scale in which water freezes at 32 degrees and boils at 212 degrees at normal atmospheric pressure.


FAIR CREDIT BILLING ACT. A federal law that governs credit and charge card billing errors. If a credit or charge card company violates any provision, consumers can sue to recover damages.


FAIR CREDIT REPORTING ACT. A federal law passed in 1971 that regulates the activity of credit bureaus. It is designed to prevent inaccurate or obsolete information from staying in a consumer's credit file and requires credit bureaus to have reasonable procedures for gathering, maintaining and disseminating credit information. The act also requires credit bureaus to show a consumer their credit file if the consumer presents proper identification, although the bureau reserves the right to charge a fee for doing so.


FAIR DEBT COLLECTION PRACTICES ACT. A federal law passed in 1977 which outlaws debtor harassment and other types of collection practices. The act regulates collection agencies, original creditors who set up a separate office to collect debts, and lawyers hired by the creditor to help collect overdue bills. An original creditor - the company or individual that originally granted the credit - is not covered by the act, but may be covered by similar measures approved by state governments.


FAIR EMPLOYMENT AND HOUSING ACT (FEHA). The FEHA prohibits employment discrimination, harassment and retaliation based upon race, religious creed, color, national origin, ancestry, physical disability (including AIDS and HIV), mental disability, medical condition, marital status, sex (including pregnancy, childbirth, or related medical conditions), age (40 or older), or sexual orientation (heterosexuality, homosexuality, and bisexuality). The prohibition against employment discrimination also includes a perception that the person has any of these characteristics or that the person is associated with a person who has, or is perceived to have, any of these characteristics. The opportunity to seek, obtain and hold employment without discrimination is also recognized as a civil right.


 **FAIR HOUSING ACT.** Landmark federal law passed in 1965 and amended in 1988 that makes it illegal to deny rent or refuse to sell to anyone based on race, color, religion, sex or national origin. The 1988 amendment expanded the protections to include family status and disability.

 **FAIR LENDING NOTICE.** *Housing Financial Discrimination Act Of 1977 (Holden Act)*, designed primarily to eliminate discrimination in lending practices based upon the character of the neighborhood in which real property is located.

 **FAIR MARKET VALUE.** This is the amount of money that would be paid for a property offered on the open market for a reasonable period of time with both buyer and seller knowing all the uses to which the property could be put and with neither party being under pressure to buy or sell.

 **FALSE PROMISE.** A false statement of fact.

 **FAMILIAL STATUS.** Having at least one member of the family who is less than 18 years of age, or the presence of a pregnant woman.


 **FANNIE MAE (FEDERAL NATIONAL MORTGAGE ASSOCIATION).** This federally chartered agency buys mortgages from lending institutions, pools them with other loans and sells shares to investors; a quasi-public agency converted into a private corporation whose primary function is to buy and sell FHA and VA mortgages in the secondary market.

FARM. A specific geographic location that a real estate agent delivers or mails advertising pieces to once or twice a month, in order to obtain listings.

FARM CREDIT SYSTEM. A separate national banking system that finances the needs of farmers, ranchers, rural homeowners, agricultural cooperatives, rural utility systems, and agribusinesses. Unlike other banks, Farm Credit System banks and associations do not take deposits. Instead, loanable funds are raised through the sale of System-wide bonds and notes in the nation's capital markets.

FARMER'S HOME ADMINISTRATION (FmHA). An agency of the Department of Agriculture. Primary responsibility is to provide financial assistance for farmers and others living in rural areas where financing is not available on reasonable terms from private sources.

FARMING. One of the most effective prospecting tools used to identify and cultivate new leads, with the ultimate goal of gaining new business.

 **FASCIA.** A board that connects the ends of the roof rafters and provides a surface to support gutters.

FASHION MALL. Shopping center featuring stores that offer stylish clothing, upscale merchandise, and quality consumer goods.

FAULT CREEP. Movement along an earthquake fault caused by stress and/or earthquake shaking.

FDIC. *See* Federal Deposit Insurance Corporation.

FEASIBILITY STUDY. An analysis performed on a proposed property to determine potential income and expenses, and most effective use and design.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). Agency of the federal government which insures deposits at commercial banks, savings banks and savings and loans.

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA). A government agency involved with all the different aspects of emergency management from preparation to recovery and prevention.

FEDERAL FAIR HOUSING ACT. Title VIII of the Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988, taken together, constitute the Fair Housing Act. The Act makes it illegal for anyone to refuse to sell or rent a property to a person because of race or any other protected group.

FEDERAL FUNDS RATE. The interest rate the Fed charges to member banks on unsecured loans.

FEDERAL HOME LOAN BANKS (FHLB). Manages and regulates savings and loan associations, as the Federal Reserve System regulates the commercial banking industry.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC), LAW. The Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac. The company buys mortgages from lending institutions, pools them with other loans and then sells shares to investors; an independent stock company which creates a secondary market in conventional residential loans and in FHA and VA loans by purchasing mortgages.

FEDERAL HOUSING ADMINISTRATION (FHA). This government agency operates a variety of home-loan programs. Its most popular is the Section 203(b) program, which provides low-rate mortgages to buyers who make a down payment as small as three percent; an agency of the federal government that insures private mortgage loans for financing of new and existing homes and home repairs.

FEDERAL LAND BANK SYSTEM. Federal government agency making long term loans to farmers.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA). Now officially dubbed Fannie Mae, this federally chartered agency buys mortgages from lending institutions, pools them with other loans and sells shares to investors; a quasi-public agency converted into a private corporation whose primary function is to buy and sell FHA and VA mortgages in the secondary market.

FEDERAL OPEN MARKET COMMITTEE (FOMC) Directs and regulates the Federal Reserve System's open-market operations. Open-market operations consist of the bulk sale and purchase of government securities.

FEDERAL RESERVE BOARD. A group of economists and other experts who set the nation's monetary policy. Its chief tool to control inflation is the power to control interest rates.

FEDERAL RESERVE SYSTEM, the FED. The central bank of the U.S. consisting of 13 district banks and a centralized decision-making body, the Board of Governors. The Federal Reserve: (1) provides currency upon demand to member banks; (2) provides check-clearing services; and (3) regulates the money supply by buying and selling government securities, changing the reserve requirement, and changing the discount rate.

FEDERALLY RELATED TRANSACTION. Any real estate transaction involving federal insurance or assistance.


FEDERAL STYLE. The all-American home architecture style that evolved after the Revolutionary War. Details include bigger windows and a front doorway surrounded by glass and topped with an arched window.


FEDERAL TAX LIEN. A lien placed on a taxpayer's real property, by the federal government, if the owner has not paid his or her taxes or is in violation of federal income tax or payroll tax laws.


FEDERAL TRADE COMMISSION. The government agency responsible for regulating a variety of companies and industries, from credit bureaus and collection agencies to timeshare operators and certain types of creditors. National headquarters: Sixth and Pennsylvania Avenue NW, Washington, D.C. 20580. Phone: (202) 326-2222.

FEE. An estate of inheritance in real property.

FEE APPRAISER. A professional appraiser who is not employed by a particular fiduciary lender; an independent appraiser. Also known as a field appraiser.

 **FEE SIMPLE DEFESIBLE.** An estate in fee subject to the occurrence of a condition subsequent whereby the estate may be terminated.

 **FEE SIMPLE ESTATE.** The greatest interest that one can have in real property. An estate that is unqualified, of indefinite duration, freely transferable and inheritable. Also known as *Absolute Ownership*.


 **FEE SIMPLE SUBJECT TO CONDITION SUBSEQUENT.** Any fee estate containing a condition that if violated, could lead to the termination of the estate and give the grantor a right of entry.

FEEDSTOCKS. The raw material used in manufacturing a product, such as the oil or gas used to make a plastic.


FEHA. See Fair Employment and Housing Act.

FELT. A flexible sheet or fibrous material that is saturated with asphalt and used as an underlayment for roof shingles or flashing for water resistance. Also known as tar paper.


FENESTRATION. The arrangement, plan, and design of windows In a structure.

 **FENG SHUI.** An ancient Chinese belief that the physical characteristics of a house and the positioning of the home will affect the fortunes of the owner.

FEUDAL TENURE. A real property ownership system in which ownership rests with a sovereign who may grant lesser interests in return for service or loyalty. This is in contrast to allodial tenure.

 **FHA (FEDERAL HOUSING ADMINISTRATION).** This government agency operates a variety of home-loan programs. Its most popular is the Section 203(b) program, which provides low-rate mortgages to buyers who make a down payment as small as three percent; an agency of the federal government that insures private mortgage loans for financing of new and existing homes and home repairs.

FHA LOANS. Mortgages that are insured by the Federal Housing Administration. The FHA's 203(b) loan program provides low-rate mortgages to buyers who make a down payment as small as three percent. The agency also operates loan plans for investors and purchasers of rural property.

 **FHLMC (FEDERAL HOME LOAN MORTGAGE CORPORATION).** The Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac. The company buys mortgages from lending institutions, pools them with other loans and then sells shares to investors; an independent stock company which creates a secondary market in conventional residential loans and in FHA and VA loans by purchasing mortgages.


FLBERGLASS INSULATION. The most familiar type of insulation. It is spun from molten glass, and is pure white in its virgin state. Additives and binders often color the fiberglass, with pink and yellow being the most common. Fiberglass comes in rolls, batts, and as loose insulation that is blown into place.


FICO® score. FICO® is a credit score scale used by many mortgage lenders that use a risk-based system to determine the possibility that the borrower may default on financial obligations to the mortgage lender.


FICTITIOUS BUSINESS NAME. A business name that does not use the last name of the person who registered the business. Also known as DBA, doing business as, and assumed name.

FICTITIOUS DEED OF TRUST. A recorded deed of trust containing general terms and provisions, naming no specific parties, describing no property, and used for reference only.

FIDELITY BOND. A security posted for the discharge of an obligation of personal services.

 **FIDUCIARY.** A person in a position of trust and confidence, as between principal and broker; broker as fiduciary owes certain loyalty which cannot be breached under the rules of agency.

 **FIDUCIARY DUTY.** That duty owed by an agent to act in the highest good faith toward the principal and not to obtain any advantage over the latter by the slightest misrepresentation, concealment, duress, or pressure.

 **FIDUCIARY RELATIONSHIP.** A relationship that implies a position of trust or confidence.

 **FIEF.** Rights in the land that become heritable.

FIELD CHANGES. Modifications made on the construction site that do not match blueprints.

 **FILE.** The act of placing an original document on public record.


FILTER. Any porous device that allows the passage of air but traps airborne particles, thus cleaning the air.

FILTERING. The process whereby higher-priced properties become available to lower income buyers.

FILL DIRT. Soil brought in to solidify a finished foundation.

FILLED LAND. An area where the ground has been raised by adding dirt, gravel or other fill material.

FINAL VALUE ESTIMATE. The appraiser's estimate of the defined value of the subject property, arrived at by reconciling the estimates of value, derived from the sales comparison, cost, and income approaches.

 **FINANCE CHARGE.** The dollar amount a lender's extension of credit will cost, composed of any direct or indirect charges, such as interest, points, and fees incurred when borrowing money.

FINANCE FEE. The fee a mortgage brokerage charges to the borrower to cover expenses when creating a mortgage with their institution.

FINANCIAL ANALYSIS. A study of a property's income producing performance and potential.

FINANCIAL INSTITUTION. An intermediary financial organization that collects funds and invests them in financial assets, or lends them back out in order to earn a profit.

FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND ENFORCEMENT ACT (FIRREA). Created in August of 1989, FIRREA abolishes the Federal Home Loan Bank Board and FSLIC, switches Savings & Loan regulation to newly created Office of Thrift Supervision. Deposit insurance function shifted to the FDIC. A new entity, the Resolution Trust Corporation is created to resolve the insolvent S&Ls.

FINANCIAL INTERMEDIARY. Financial institutions such as commercial banks, savings and loan associations, mutual savings banks and life insurance companies which receive relatively small sums of money from the public and invest them in the form of large sums. A considerable portion of these funds are loaned on real estate.

FINANCIAL PLANNING. Forecasting future repair and maintenance costs and includes deciding how much of the association's collected dues should be placed in reserves to accommodate these future needs.

FINANCIAL SERVICE CENTER. A center that provides customers with a variety of financial services, such as insurance, real estate sales, real estate loans, and banking services, in one location.

 **FINANCIAL STATEMENTS.** A written report of the financial condition of a firm. Financial statements include income statement, balance sheet, and statement of cash flow.

FINANCING. The act of loaning and borrowing money in order to buy an item. Also, the various fees and charges incurred when borrowing money.

FINANCING PROCESS. The systematic five-step procedure followed by major institutional lenders in analyzing a proposed loan, which includes filing of application by a borrower; lender's analysis of borrower and property; processing of loan documentation; closing (paying) the loan; and servicing (collection and record keeping).

FINANCING STATEMENT. The instrument which is filed in order to give public notice of the security interest and thereby protect the interest of the secured parties in the collateral. *See* definition of Security Interest and Secured Party.

FINDER'S FEE. A fee in any amount that is paid to someone.


FINISH FLOORING. The final covering on the floor (usually decorative hardwood).


FINISH GRADE. A finish that prepares a lot for landscaping.

FINISHED AREA. The enclosed area in a home suitable for year- round use.

FINISH-OUT. New building shell that has been accommodated for a new commercial tenant.

FIREPLACE. A wood -, gas-, or coal-burning appliance that is primarily used to provide ambiance to a room.

 **FIRE STOP.** A wooden block built between the wall studs or joists of a structure, with covered walls, closing off the passage of air and limiting the spread of fire.


 **FIRE WALL.** A buffer composed of fire-resistant material.

FIRM COMMITMENT. A promise made by a lender when it agrees to loan money for the purchase of property.

FIRPTA. See Foreign Investment in Real Property Tax Act.

FIRREA. See Financial Institutions Reform, Recovery, and Enforcement Act.

FIRST MORTGAGE. A legal document pledging collateral for a loan that has first priority over all other claims against the property except taxes and bonded indebtedness. That mortgage superior to any other.

 **FIRST RIGHT OF REFUSAL.** An Agreement that gives the potential Buyer the right to purchase or choose not the purchase a property prior to the property being offered to another party.

FIRST TRUST DEED. A legal document pledging collateral for a loan that has first priority over all other claims against the property except taxes and bonded indebtedness. That trust deed superior to any other.

FIRSTHAND DATA. Data from personal inspection or review.

FIRST-HOUR RATING. The ability of a water heater to meet peak- hour demands. It measures how much hot water the heater will deliver during a busy hour. The first-hour rating accounts for the effects of tank size, and how quickly cold water is heated.

FISCAL CONTROLS. Federal tax revenue and expenditure policies used to control the level of economic activity.

FISCAL YEAR. A business or accounting year as distinguished from a calendar year.

FIVE-RANKED WINDOWS. Five rectangular windows equally spaced across the second story of Georgian colonial-style houses.


FIXED ASSETS. Assets not easily converted into cash. Fixed assets include land, buildings, furniture and fixtures, equipment, leasehold improvements, and vehicles.

FIXED CAPITAL. Money invested in fixed assets or property.

FIXED COSTS. Expenses occurring regularly, regardless of changes in business activity. Examples are property taxes, rent, insurance, and maintenance.

FIXED EXPENSES. Operating costs that are more or less permanent and vary little from year to year regardless of occupancy.


FIXED INSTALLMENT. The monthly payment on a home loan.

 **FIXED-RATE MORTGAGE.** A home loan with an interest rate that will remain at a specific rate for the term of the loan. About 75 percent of all home mortgages have fixed rates.


FIXED SPLIT PLAN. A commission plan with no incremental increases or chargebacks.


FIXED TIME. The specific weeks in a year an owner of a timeshare arrangement has access to accommodations.

FIXED WINDOW. A window with no moveable parts, such as a picture window.


 **FIXER-UPPER.** A house that needs refurbishment or remodeling; it usually sells at a below-market price.


FIXITY OF LOCATION. The physical characteristic of real estate that subjects it to the influence of its surroundings.

 **FIXTURES.** Appurtenances attached to the land or improvements, which usually cannot be removed without agreement as they become real property. Examples: plumbing fixtures, store fixtures built into the property, etc.

 **FLAG LOT.** A potential building site whose configuration looks like a flag on a pole. It is generally located behind another lot, with an access road or driveway extending through and to one side of the front lot, and reaches the main road. The access road represents the flagpole.

FLAGSTONE. A decorative, flat, slate-like stone, used in walkways and patios, and processed in a variety of colors.


 **FLASHING.** Metal strips placed around chimneys, skylights, vents, windows, doors, beneath shingles and along seams in the roof to prevent water seepage.

 **FLAT FEE.** A set fee charged by a broker instead of a commission.

 **FLAT LEASE.** A lease with equal payments made at set intervals throughout the life of the lease.

FLAT ROOF. A roof with a level surface.

FLEXIBLE PAYMENT MORTGAGE. A loan with graduated payments.

 **FLIPPING.** Buying a property at one price and quickly selling it to another at an inflated price.

FLOAT FLOOR DRAIN. A drain that diverts water from the basement to a collection area. Water is then removed with a sump pump.

FLOATING SLAB. A type of foundation composed of one section for the floor and another for the foundation wall, each poured separately.

FLOATING WALL. Walls built to withstand movement in the basement floor.

FLOOD (100-YEAR). Boundary indicating areas of moderate flood hazards.

FLOOD HAZARD BOUNDARY MAPS. Maps identifying the general flood hazards within a community.

FLOOD HAZARD ZONE. An area prone to flooding. In order to obtain any loan secured by a property in such a zone, the buyer must purchase flood insurance.

FLOOD INSURANCE. Hazard coverage that is required in designated flood areas.

FLOOD PLAIN. Flat, flood-prone areas located along waterways.

FLOODWATER. Water overflowing a defined channel.

FLOOR AREA RATIO. The calculation of the floor area of all homes or buildings in a project. It is used in the planning and development of a site.

FLOOR DUTY (FLOOR TIME). A common practice in real estate offices of assigning agents, on a rotating basis, the responsibility of handling all walk-ins and phone calls from prospective buyers and sellers, who are not clients of a specific agent.

FLOOR PLAN. Drawings showing the placement, layout, and size of rooms in a building.

FLORIDA ROOMS. Enclosed porches built on the side or back of a home.


FLOW HOOD. A device used to measure the amount of air flowing through a register.

FLUE. The opening or passageway in a chimney through which smoke, gases, and ash pass from a building.

FLUORESCENT LIGHTING. The light produced by a fluorescent tube is caused by an electric current conducted through mercury and inert gases.

FLY-IN COMMUNITY. Residential community built around airplane or Jet runways.

FmHA. See Farmers Home Administration.

 **FNMA (FEDERAL NATIONAL MORTGAGE ASSOCIATION “FANNIE MAE”).** Now officially dubbed Fannie Mae, this federally chartered agency buys mortgages from lending institutions, pools them with other loans and sells shares to investors; a quasi-public agency converted into a private corporation whose primary function is to buy and sell FHA and VA mortgages in the secondary market.

FOLK VICTORIAN STYLE. The affordable version of a Queen Anne house. Symmetrical, rectangular, or L-shaped with white wood siding, steep gabled roofs, and a front porch with turned spindles.


 **FOOTINGS.** Concrete foundations that support a structure.


FORBEARANCE. A course of action a lender may pursue to delay foreclosure or legal action against a delinquent borrower.

FORCED-AIR SYSTEM. A type of heating system in which heated air is blown by a fan through air channels or ducts to rooms.


FORCE MAJEURE. A force that cannot be resisted or controlled. Includes acts of God, and acts of man (riots, strikes, arson, etc.). The term is primarily used in insurance and in any type of performance contract, such as construction.


FORCED SALE. The sale of property, due to the debtor's inability or unwillingness to make payments on the loan.

 **FORECLOSURE.** Procedure whereby property pledged as security for a debt is sold to pay the debt in event of default in payments or terms. When the process is completed, the lender may sell the property and keep the proceeds to satisfy its mortgage and any legal costs. Any excess proceeds may be used to satisfy other liens or be returned to the borrower.

 **FORECLOSURE SALE.** The sale of property given as security to secure performance of an obligation.

FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT (FIRPTA). Under this act, every buyer must, unless an exemption applies, deduct and withhold 10% of the gross sales price from seller's proceeds and send it to the Internal Revenue Service, if the seller is a foreign person under that statute.

 **FORFEITURE.** Loss of money or anything of value, due to failure to perform.

 **FORGERY.** The illegal falsification of a signature or document, making an entire contract void.

FORMALDEHYDE. A chemical, organic compound found in building materials, such as adhesives, plastics, preservatives, and fabric treatments. It is listed as a probable human carcinogen.

FORM REPORT. Written appraisal report, presented on a standardized form or checklist.

FOR SALE BY OWNER (FSBO). The owner acts as the agent to avoid paying a sales commission.

FOSSIL FUELS. Non-renewable energy sources formed in the Earth's crust from decayed organic material. The common fossil fuels are petroleum, coal, and natural gas.


 **FOUNDATION.** The support structure of a house.


FOUNDATION PLAN. Drawing showing foundation, sub-floors, footing, and pier placement.


FOYER. The entrance hall to a home or building.

FRAMING. The construction of the skeletal framework of a house.


FRANCHISE. A specified privilege awarded by a government or business firm which awards an exclusive dealership.

 **FRAUD.** The intentional and successful employment of any cunning, deception, collusion, or artifice, used to circumvent, cheat or deceive another person whereby that person acts upon it to the loss of property and to legal injury. (*Actual Fraud* is a deliberate misrepresentation or representation made in reckless disregard of its truth or its falsity, the suppression of truth, a promise made without the intention to perform it, or any other act intended to deceive.)

 **FRAUDS, STATUTE OF.** A state law, based on an old English statute, requiring certain contracts to be in writing and signed before they will be enforceable at law, e.g., contracts for the sale of real property, contracts not be performed within one year.

 **FREDDIE MAC. (FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC), LAW).** The company buys mortgages from lending institutions, pools them with other loans and then sells shares to investors; an independent stock company which creates a secondary market in conventional residential loans and in FHA and VA loans by purchasing mortgages.

FREE AND CLEAR TITLE. A title unburdened by any liens, clouds, or other encumbrances.

 **FREEHOLD ESTATE.** An estate of indeterminable duration, e.g., fee simple or life estate.

FREE-MARKET LOTS. Owners of these types of lots may hire any builder to construct their home.

FREESTANDING STORE. Retail outlet not associated with a shopping center and may be located at a distance from congested shopping areas and downtowns.

FRENCH DOORS. Two adjoining doors inlaid with glass that open from the middle.


FRENCH DRAIN. A small trench that allows surface water to drain away from a building or area that is prone to surface water build up or flooding.


FRENCH NORMANDY STYLE. This housing style has a round stone tower topped with a cone-shaped roof. Sometimes the tower is the entrance to the house. In addition, vertical half-timbering adds height to the house.


FRENCH PROVINCIAL STYLE. This style of house is large, square, and symmetrical with two floors and a distinctive steep, high, hip roof. Windows and chimneys are symmetrical and balanced

FREQUENCY DISTRIBUTION. The arrangement of data into groups according to the frequency with which they appear in the data set.

FRESCO. A method of painting on wet plaster on a wall. As it dries, the paint becomes part of the wall and remains much longer than if simply painted on a dry plaster wall.


 **FRONTAGE.** A term used to describe or identify that part of a parcel of land or an improvement on the land which faces a street. The term is also used to refer to the lineal extent of the land or improvement that is parallel to and facing the street, e.g., a 75-foot frontage.


 **FRONT-END RATIO.** The percentage of all housing expenses (including principal, interest, taxes, insurance, mortgage insurance, and homeowners' association fees) to gross income.

 **FRONT FOOT.** Property measurement for sale or valuation purposes; the property measured by the front linear foot on its street line - each front foot extending the depth of the lot.

FRONT MONEY. The minimum amount of money necessary to initiate a real estate venture, to get the transaction underway.

FROSTLINE. The depth of frost penetration in the soil. Varies in different parts of the country. Footings should be placed below this depth to prevent movement.


 **FRUCTUS INDUSTRIALS.** Annual crops produced by human labor, such as fruits, nuts, vegetables, and grains.


 **FRUCTUS NATURALES.** Naturally occurring plant growth, such as grasses, trees, and shrubs as part of the real property.

FUEL CELL. A device that converts the energy of a fuel, (Hydrogen, natural gas, methanol, gasoline, etc.) and an oxidant (air or oxygen) into useable electricity.

FUEL EFFICIENCY. The ratio of heat produced by a fuel for doing work to the available heat in the fuel.

FUEL OIL. A liquid petroleum product less volatile than gasoline, used as an energy source.

 **FULL DISCLOSURE.** The requirement to reveal any and all relevant facts pertaining to a property. A broker is legally obligated to give full disclosure. Sellers are also legally obligated to provide full disclosure of any known defects of the property.


 **FULL RECONVEYANCE.** The transferring of property by a lender, to a borrower, once the mortgage debt is completely repaid.


FULLY AMORTIZED ADJUSTABLE-RATE MORTGAGE. A mortgage that amortizes, or pays down, the balance of a loan.

FULLY INDEXED NOTE RATE. As related to adjustable rate mortgages, the index value at the time of application plus the gross margin stated in the note.

FUNCTIONAL OBSOLESCENCE. A loss of value due to adverse factors from within the structure which affect the utility of the structure, value and marketability.

 **FUNCTIONAL UTILITY.** The combined factors of usefulness with desirability.

 **FUNDING FEE.** A fee charged to the veteran borrower when securing a DVA guaranteed loan.

 **FUNGI.** One of a large group of thallophytes living in damp wood, which include mold, mildew, rust, mushrooms, etc. These parasites live on organisms or feed on dead organic material. They lack true roots, stems, leaves, and chlorophyll, and reproduce by means of spores.


FURNACE. An enclosed heating device powered by coal, oil, propane or natural gas.

FUSE. A device that allows power to be channeled into a home.

FUTURE BENEFITS. The anticipated benefits the present owner will receive from the property in the future.

FUTURE INTEREST. An interest in real property that will take effect at a future time.

FUTURE VALUE. The estimated lump-sum value of money or property at a date in the future.

 **GABLE.** A triangular wall enclosed by the sloping ends of a ridged roof or a triangular decorative feature.


GABLE ROOF. A pitched roof with sloping sides; a ridged roof that forms a triangle at each end.

GAG RULES. A provision in contracts signed by new buyers that prohibits the owners from publicizing complaints about the builder.

GAIN. A profit, benefit, or value increase.

GALLERIA. Glass-roofed mall based on Victorian-era shopping arcades.


GALLERY. In architecture, a covered walkway, open on one side, running along an upper story of a building, either inside or outside.

 **GAMBREL ROOF.** A curb roof, having a steep lower slope with a flatter upper slope above; a roof with two slopes, often seen on barns.

GAP ANALYSIS. An analysis of the difference between a market's supply and demand.

GAP FINANCING. A short-term, high-interest loan that helps to bridge a gap between available bank loans and the total amount of required financing. Gap financing is used for machinery, equipment, leasehold improvements, inventory, or working capital for start-up or business expansion.

GARDEN APARTMENTS. One to two-story walk-up buildings with one or two bedroom units.

 **GARNISHMENT.** Attachment of personal property of a debtor in the possession of a third person.

GAS-FILLED WINDOWS. An inert gas such as argon is used instead of air between the windowpanes. Inert gases have a much better insulation value than air.

GASIFICATION. A manufacturing process that converts any matter containing carbon (including biomass) into synthesis gas.

GASOLINE. An aliphatic hydrocarbon fuel used to power internal combustion engines.

GAZEBO. A small structure with a roof and open sides, usually in the garden, where one may sit and enjoy the view. Also called a belvedere.


GEM. See Growing-Equity Mortgage.

GENERAL AGENT. A person authorized by a principal to perform any and all tasks associated with the continued operation of a particular project.

GENERAL CONTRACTOR. The person who hires all of the subcontractors and suppliers for a project.


GENERAL INDEX. A title company's record of matters affecting title to land maintained according to names of individuals and entities rather than by real property description.

GENERAL LEDGER. A report showing an accounting of all debits and credits passing through the business bank account for various periods of time.

 **GENERAL LIEN.** A lien on all the property of a debtor.

GENERAL OBLIGATION BONDS. A type of municipal bond funded from property taxes and used for public improvements, such as public utilities, prisons, or schools.

 **GENERAL PARTNER.** In a limited partnership situation, the individual or company who acquires, organizes, manages, and is primarily liable for the investment.

 **GENERAL PARTNERSHIP.** Business entity established by two or more individuals or businesses, which join to operate a business for profit.

GENERAL PLAN. A government's long-range land-use plan.

GENERAL-PURPOSE BUILDINGS. Buildings used for assembly plants, light manufacturing, or storage facilities.

GENERATION X. The group of homebuyers born between 1961 and 1981.

GENTRIFICATION. The process of purchasing, renovating, and rehabilitating properties in an older, run-down neighborhood.

GEODESIC DOME. A structure constructed of lightweight bars forming a grid of polygons.

GEODETIC SURVEY SYSTEM. A method of legal land description used for very large areas. A network of benchmarks located by latitude and longitude mark the entire country. It is a variation of the rectangular survey system.

GEOGRAPHIC SEGMENTATION. Specialization of serving the needs of clients in a particular geographical area.

GEORGIAN COLONIAL ARCHITECTURE. A more formal and elaborate form of Georgian architecture.

GEORGIAN STYLE. Popular throughout the 18th century, this type of architecture is distinguished by a symmetrical facade, prominent front entrance and quoins-decorative blocks of masonry or wood set in the corners of the house.


GEOTEXTILES. Cloth or cloth like materials intended for use in the soil, usually for filtering or containing soil water. Some types are used to prevent or control erosion.


GEOTHERMAL ENERGY. Energy (hot water and steam) extracted from geothermal reservoirs in the Earth's crust.

GEOTHERMAL HEAT PUMP. A heat pump that uses underground coils to transfer heat from the ground to the inside of a building. Also known as a ground source heat pump.

GEOTHERMAL POWER. Power generated by using geothermal energy.


GI Bill of Rights. The amended Servicemen's Readjustment Act of 1944, which provides for guaranteed loans for veterans up to \$4,000 in real estate transactions.

 **GIFT.** A cash gift a buyer receives from a relative or other source. Lenders usually require a gift letter stating that the money will not have to be repaid.

 **GIFT DEED.** A deed for which there is no consideration.

GIFT TAX. A federal tax imposed on a donor making a gift. A gift is the transfer of any type of property for less than what the property is really worth.


GINGERBREAD DECORATION. An intricate, almost lacy, wood trim.

 **GINNIE MAE (GOVERNMENT NATIONAL MORTGAGE ASSOCIATION).** Commonly known as Ginnie Mae, this agency buys home loans from lenders, pools them with other loans and sells shares to investors. Ginnie Mae differs from its cousins, Fannie Mae and Freddie Mac, in that it only purchases loans backed by the federal government.

GOVERNMENT SURVEY. A method of specifying the location of parcel of land using prime meridians, base lines, standard parallels, guide meridians, townships and sections.

GIRDERS. Crossbeams that support floor joists.


GIM. See Gross Income Multiplier.

 **GLAZING.** Transparent or translucent material (glass or plastic) used to admit light and/or to reduce heat loss; used for building windows, skylights, or greenhouses.

GLOBAL COOLING. A decrease in the average temperature of the Earth's atmosphere, especially a sustained decrease resulting from climate change.

GLOBAL POSITIONING SYSTEM. A device using satellite technology to track your location and map out driving directions.

GLOBAL WARMING. An increase in the average temperature of the Earth's atmosphere, especially a sustained increase resulting from climate change.

 **GNMA (GOVERNMENT NATIONAL MORTGAGE ASSOCIATION).** Commonly known as Ginnie Mae, this agency buys home loans from lenders, pools them with other loans and sells shares to investors. Ginnie Mae differs from its cousins, Fannie Mae and Freddie Mac, in that it only purchases loans backed by the federal government.


GOVERNMENT SURVEY. A method of specifying the location of parcel of land using prime meridians, base lines, standard parallels, guide meridians, townships and sections.


GOAL. A measurable outcome or accomplishment.


GOAL SETTING. An activity requiring you to make a list of things you want to achieve, acquire, or attract in a certain amount of time.


GOING CONCERN VALUE. The value existing in an established business property, compared with the value of selling the real estate and other assets of a concern whose business is not yet established. The term takes into account the goodwill and earning capacity of a business.


GOOD CONSIDERATION. Terms that denote acceptable consideration include valuable, adequate, good, or sufficient consideration. Consideration is something of value given by one party to a contract to another party, in exchange for something of value. Gifts, such as real property given solely based on love and affection, are good consideration. These gifts meet the legal requirement that consideration be present in a contract.


 **GOOD FAITH.** A bona fide act or an act done honestly, whether it is actually negligent or not. Recording laws protect good faith purchasers. Acts committed in bad faith are often punishable as a crime.


 **GOOD FAITH ESTIMATE.** An estimate from an institutional lender that shows the costs a borrower will incur, including loan-processing charges and inspection fees.

 **GOOD FUNDS.** Funds that have already cleared the bank, such as cashier's checks, certified checks, or wired monies.


 **GOODWILL.** An intangible but salable asset of a business derived from the expectation of continued public patronage.


 **GOVERNING DOCUMENTS.** Documents that rule over an organization in conjunction with the association bylaws, restrictions, and rules and regulations.

 **GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA).** Commonly known as Ginnie Mae, this agency buys home loans from lenders, pools them with other loans and sells shares to investors. Ginnie Mae differs from its cousins, Fannie Mae and Freddie Mac, in that it only purchases loans backed by the federal government.

 **GOVERNMENT SURVEY.** A method of specifying the location of parcel of land using prime meridians, base lines, standard parallels, guide meridians, townships and sections.


GOVERNMENTAL FORCES. One of four forces believed to affect real estate value in appraisal theory. Examples of governmental forces are government controls and regulations, zoning and building codes, and fiscal policies.


 **GPM. (GRADUATED PAYMENT MORTGAGE).** Providing for partially deferred payments of principal at start of loan. (There are a variety of plans.) Usually, after the first five years of the loan term the principal and interest payment are substantially higher, to make up principal portion of payments lost at the beginning of the loan. *See* Variable Interest Rate.


 **GRACE PERIOD.** A specified amount of time to make a loan payment after its due date without penalty.


 **GRADE.** Ground level at the foundation.

GRADE LEVEL. The flat or sloping surface upon which a house is built.


 **GRADING.** A process used when the level or elevation of the ground has to be changed or altered, using bladed machines that scrape the earth.


 **GRADUATED LEASE.** Lease which provides for a varying rental rate, often based upon future determination; sometimes rent is based upon result of periodical appraisals; used largely in long-term leases.


 **GRADUATED-PAYMENT MORTGAGE (GPM).** Providing for partially deferred payments of principal at start of loan. (There are a variety of plans.) Usually, after the first five years of the loan term the principal and interest payment are substantially higher, to make up principal portion of payments lost at the beginning of the loan. *See* Variable Interest Rate.

 **GRANDFATHER CLAUSE.** A clause in a law permitting the continuation of a use or business which, when established, was permissible but, because of a change in the law, is now not lawful. Commonly used in zoning ordinances.


GRANNY FLAT. Slang term for a separate unit in a house or above the garage, which in the past may have been occupied by an elderly relative.

 **GRANT.** A technical legal term in a deed of conveyance bestowing an interest in real property on another. The words “convey” and “transfer” has the same effect.

 **GRANT DEED.** A limited warranty deed using the word “grant” or like words that assures a grantee that the grantor has not already conveyed the land to another and that the estate is free from encumbrances placed by the grantor.


 **GRANTEE.** A person to whom a grant is made; a person conveyed an interest in a piece of property.

 **GRANTING CLAUSE.** Words of purchase, such as grants, conveys, transfers, or sells contained in a deed or other instrument conveying the property.

 **GRANTOR.** A person who transfers his or her interest in property to another by grant.


GRATUITOUS AGENT. A person not paid by the principal for services on behalf of the principal, who cannot be forced to act as an agent, but who becomes bound to act in good faith and obey a principal’s instructions once he or she undertakes to act as an agent.

GRAYFIELD. A dying mall or other property becoming obsolete.

 **GRAYWATER.** Any wastewater, except in the toilet, produced from baths and showers, clothes washers, and lavatories in a home.

GRAVITATIONAL ENERGY. The energy stored in an object's height or the potential energy associated with gravitational force.

GREEK REVIVAL STYLE. A style introduced in the U.S. at the end of the 18th century. Its most prominent feature is a pillar-anchored pediment forming a portico in the front of the house.

 **GREENBELT.** Any stretch of park, open space or other natural setting in a community.

GREEN BUILDING. The practice of creating structures and using processes that are environmentally responsible and resource- efficient throughout a building's life-cycle from siting to design, construction, operation, maintenance, renovation and deconstruction. Also known as a sustainable building.

GREEN ENERGY. Energy produced and used in ways that produce less air pollution and other environmental impacts.

GREENFIELD. Undeveloped land.

GREEN FLOORING. Sustainable flooring alternative made from grasses (bamboo) and trees (cork oak and eucalyptus) that mature in half of the time (or less) than it takes hardwoods to reach market size. These products are considered rapidly renewing.

GREENHOUSE EFFECT. The result of water vapor, carbon dioxide, and other atmospheric gases trapping radiant (infrared) energy, thereby keeping the Earth's surface warmer than it would otherwise be.

GREENHOUSE GASES (GHG). Those gases, such as water vapor, carbon dioxide, nitrous oxide, methane, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride, that are transparent to solar (short-wave) radiation but opaque to long-wave (infrared) radiation, thus preventing long-wave radiant energy from leaving Earth's atmosphere. The net effect is a trapping of absorbed radiation and a tendency to warm the planet's surface.


GREENHOUSE GAS INTENSITY. A measure of gas emissions per pound of production.

GREEN PROPERTIES. Green properties are constructed with environmentally preferable building materials and embody the elements of green building, such as healthy indoor environment, energy efficiency, water stewardship, and waste reduction.

GREEN ROOF SYSTEM. A conventional roof that is covered with a layer of vegetation. Also known as a living roof.

GREEN WASH. To falsely claim a product is environmentally sound. Also known as faux green.

 **GRID.** A chart used in rating the borrower risk, property and the neighborhood.

 **GRM (GROSS RENT MULTIPLIER).** A number which, times the gross income of a property, produces an estimate of value of the property. Example: The gross income from an unfurnished apartment building is \$200,000 per annum. If an appraiser uses a gross multiplier of 7%, then it is said that based on the gross multiplier the value of the building is \$1,400,000.


GROSS AREA. Total space designed for occupancy and exclusive use of tenants, measured from outside wall surfaces to the center of shared interior walls.

GROSS BUILDING AREA (GBA). All enclosed floor areas, as measured along a building's outside perimeter.


GROSS DENSITY. The average number of houses allowed per acre under density zoning ordinances.

GROSS DOMESTIC PRODUCT (GDP). A measure of the U.S. economy adopted in 1991; the total market values of capital and goods and services produced within the United States borders during a given period (usually 1 year).

 **GROSS INCOME.** Total income from property before any expenses are deducted.

 **GROSS INCOME MULTIPLIER (GMI).** A figure used as a multiplier of an income producing property's gross annual income to estimate its value.


GROSS LEASABLE AREA (GLA). Total area designed for occupancy and exclusive use of tenants, measured from outside wall surfaces to the center of shared interior walls. The total leasable floor space does not include common areas or other areas not being leased by the tenant.

 **GROSS LEASE.** A lease agreement in which the tenant pays an agreed-upon sum as rent and the landlord pays any other expenses such as taxes, maintenance, or insurance. Also called a flat, fixed, or straight lease.

GROSS LIVING AREA (GLA). The total living space of a home, generally represented by the habitable, finished, above-grade floor space. Calculated by measuring the building's outside perimeter. This generally excludes garages and screened patios or porches (Florida rooms).


GROSS MARGIN. With regard to an adjustable rate mortgage, an amount expressed as percentage points, stated in the note which is added to the current index value on the rate adjustment date to establish the new note rate.

GROSS MONTHLY INCOME. The total income earned by a person before taxes or other withholding amounts occur.

 **GROSS NATIONAL PRODUCT (GNP).** The total value of all goods and services produced in an economy during a given period of time.


GROSS RATE. A method of collecting interest by adding total interest to the principal of the loan at the outset of the term.

GROSS RENT. Income (calculated annually or monthly) received from rental units, before any expenses are deducted.

 **GROSS RENT MULTIPLIER (GRM).** A number which, times the gross income of a property, produces an estimate of value of the property. Example: The gross income from an unfurnished apartment building is \$200,000 per annum. If an appraiser uses a gross multiplier of 7%, then it is said that based on the gross multiplier the value of the building is \$1,400,000.

GROUND FAULT CIRCUIT INTERRUPTER. Devices that detect leakage of electrical current to the ground and prevent accidental shock.

GROUP HOME. A single-family residence used as a living space for unrelated, developmentally disabled or mentally disabled people.

 **GROUND LEASE.** An agreement for the use of the land only, sometimes secured by improvements placed on the land by the user.

GROUND RENT. Earnings of improved property credited to earnings of the ground itself after allowance is made for earnings of improvements; often termed economic rent.

GROUNDWATER. Water beneath the surface of the land filling the spaces and cavities between the rocks and soil.


GROUT. Mortar poured or troweled into the joints between tiles or other masonry components.

GROWING-EQUITY MORTGAGE (GEM). A fixed rate mortgage that increases payments over a specific period of time. The extra funds are applied to the principal.

GUARANTEE OF TITLE. A form of title insurance based solely upon public record disclosures.


GUARANTEE MORTGAGE. A loan guaranteed by a third party, such as a government institution.

GUNITE. Air-sprayed concrete.

 **GUTTERS.** Horizontal channels installed at the edge of a roof to carry rainwater or melted snow away from the house.


GUY WIRE. A strong steel wire or cable strung from an anchor to an antenna or tree, used for support purposes.


HABENDUM CLAUSE. The “to have and to hold” clause which may be found in a deed.

 **HABITAT.** An area with certain physical characteristics which support a particular community of animals and plants.

HALF-BATH. Also called a powder room, a half-bath contains a toilet and a sink but no bathtub or shower stall.


HALF-TIMBERING. A method of construction where the wooden frame and principal beams of a structure are exposed, and the spaces between are filled with stucco, brick, or stone.

 **HANDICAP.** Any physical or mental impairment substantially limiting one or more major life activities.


 **HARD MONEY LOAN.** The debt is incurred in exchange for cash, such as a 2nd or 3rd mortgage.


HARDSCAPE. The structures and features such as retaining walls, pathways, pools, sidewalks, curbs, and gutters that are part of the landscaping.

HARDWOOD. Wood used for interior finish, such as oak, maple, and walnut.

 **HAZARD INSURANCE.** This provision of homeowners insurance covers damage by fire, wind or other disaster. It is required by all lenders before a loan is approved.

HAZARDOUS HOUSEHOLD WASTE. Consumer products such as paints, cleaners, stains, varnishes, car batteries, motor oil, and pesticides that contain hazardous components.

 **HAZARDOUS WASTE.** Materials, such as chemicals, explosives, radioactive, biological, whose disposal is regulated by the Environmental Protection Agency (EPA).

 **HEADER.** Crossbeams above windows and doors.


HEARTH. The area in front of, and around, a fireplace. Usually constructed of brick, stone, or tile.


HEAT GAIN. Amount of heat added or created in a designated area.


HEATING CAPACITY. A measure of the ability of a unit to add heat to an enclosed space.

HEATING SEASONAL PERFORMANCE FACTOR (HSPF). An efficiency rating for heat pumps. It is a measure of the average number of BTU of heat delivered for every Watt-hour of electricity used by the heat pump over the heating season.

HEAT LOSS. Amount of heat subtracted from a designated area.

 **HEAT PUMP.** An electric cooling and heating system.

 **HECTARE.** The equivalent of 2.471 acres.

 **HEIR.** One who inherits property at the death of the owner of the land, if the owner has died without a will.

HELIODON. A device used to simulate the angle of the sun for assessing shading potentials of building structures or landscape features.

HELIOSTAT. A device that tracks the movement of the sun used to orient solar concentrating systems.

 **HEREDITAMENTS.** Things capable of being inherited.


HERS. The Home Energy Rating System is a national standardized system used by HERS Raters for rating the energy-efficiency of residential buildings.

HERS INDEX. A scoring system established by the Residential Energy Services Network (RESNET). The higher a home's HERS Index, the more energy efficient it is.

HERS RATER. Home energy rater or auditor and third-party verifier certified by RESNET. Most known for blower door and duct blaster testing.

HERS RATING. A detailed energy analysis of the home, and legal document, producing a number that expresses the energy efficiency of a home.

HIF. Abbreviation for the Home Inspection Foundation.


 **HIGH DENSITY.** The concentration of housing units in a specific area or on a specific property.

HIGH-EFFICIENCY PARTICULATE AIR (HEPA) FILTER. A designation for very fine air filters typically used in surgeries, clean rooms, or other specialized applications.

HIGHEST AND BEST USE. An appraisal phrase meaning that use which at the time of an appraisal is most likely to produce the greatest net return to the land and/or buildings over a given period of time; that use which will produce the greatest amount of amenities or profit. This is the starting point for appraisal.

HIGH-MASS CONSTRUCTION. Passive building strategy of constructing buildings of massive, heat-retaining materials (such as masonry or adobe) to moderate diurnal temperature swings, especially in arid climates.

 **HIGH RISE.** Any building higher than six stories.

 **HIP ROOF.** A pitched roof with sloping sides and ends.

HIRING PROFILE. A description of the character traits, skill sets, and experience a candidate has to fill for a specific position.

HISTORICAL HOTELS AND INNS. Signifies a particular era in history and may include antique furnishings.


HISTORIC COST. Cost of a property at the time it was constructed or purchased.


HISTORIC DISTRICT ZONING. A zoning classification that refers to a geographic area recognized to have historical significance.

HISTORIC PRESERVATION. The physical rehabilitation of a historic home or building, and the movement of the same name begun in the 1960s in the U.S. to preserve and protect landmarks and urban neighborhoods.

HISTORIC STRUCTURE. A home or building listed in the National Register of Historic Places and certified as historic by the U.S. Secretary of the Interior.

HOLDBACK. A portion of the loaned funds not advanced by a lender, until the borrower meets specific requirements and/ or conditions. In construction lending, a percentage of the contractor's loan funds are withheld until the construction is completed.


 **HOLDER.** The party to whom a promissory note is made payable.

 **HOLDER IN DUE COURSE.** One who has taken a note, check or bill of exchange in due course: (1) before it was overdue; (2) in good faith and for value; and (3) without knowledge that it has been previously dishonored and without notice of any defect at the time it was negotiated to him or her.

HOLD HARMLESS CLAUSE. A condition in a contract that protects a party from liability. The party is relieved from liability as a matter of negotiated agreement, or if circumstances beyond the party's control prevent him or her from satisfying the terms of the contract.

HOLDOVER TENANT. Tenant who remains in possession of leased property after the expiration of the lease term.

HOLLOW WALL. A wall constructed of brick or stone, which is actually two separate walls, joined only at the top and the ends, making it hollow. Also called a cavity wall.


 **HOLOGRAPHIC WILL.** A will, written in the maker's own handwriting, dated, and signed by the maker. The will is not witnessed and is not recorded.


HOME ENERGY RATER. Trained energy specialist who performs a standardized evaluation of the energy efficiency of a home.

HOME ENERGY RATING. A measurement of a home's energy efficiency.

HOME EQUITY CONVERSION MORTGAGE. Loans made to older owners who want to convert equity into money. Because borrowers are qualified on the basis of the value of their home, i.e., the loan is not the same as a home equity loan. Also known as reverse mortgages.

 **HOME EQUITY LINE OF CREDIT (HELOC).** A home equity line of credit is a form of revolving credit, in which a borrower's home serves as collateral.

 **HOME EQUITY LOAN.** A loan that allows owners to borrow against the equity in their homes.

 **HOME INSPECTION.** An examination of a home's construction, condition and internal systems by an inspector or contractor prior to purchase.

HOME INSPECTOR. A person who performs the service of making a physical inspection of homes.

HOME MORTGAGE DISCLOSURE ACT (HMDA). *California Health and Safety Code 35815-35816:* Includes requirements for lenders that meet specified criteria to report loans made by census tract number. Lenders who are in the business of originating residential loans while operating under State license must report their lending activities to the State agency under whose jurisdiction they operate.

HOMEOWNER'S ASSOCIATION (HOA). A group that governs a modern subdivision or planned community. An association collects monthly fees from all owners to pay for maintenance of common areas; handle legal and safety issues, and enforce the covenants, conditions and restrictions set by the developer.

HOMEOWNER'S ASSOCIATION CERT. A form providing pertinent information about a Condo, PUD, or Coop project and the Homeowner's Association such as the number of units that are owner-occupied.

HOMEOWNER'S ASSOCIATION DUES. Dues paid by the members of a Homeowner's Association (homeowners) for the maintenance and expenses incurred of the commonly owned property. Dues are paid monthly and are included as a part of the homeowner's monthly housing obligation.


 **HOMEOWNER'S EXEMPTION.** A property tax exemption available on owner-occupied dwellings.

HOMEOWNER'S INSURANCE. This insurance includes hazard coverage for any damages that may affect the value of a house, in addition to personal liability and theft coverage.

HOMEOWNER'S WARRANTY. Special insurance policies that cover certain home repairs for a specified amount of time.

HOME PERFORMANCE CONTRACTOR. Contractor who analyzes the house as a whole system and installs improvements to make it more energy efficient.

HOME RULE. The power of a local government to adopt its own land-use regulations.


 **HOMESTEAD EXEMPTION.** A statutory protection of real property used as a home from the claims of certain creditors and judgments up to a specified amount.

HOME WARRANTY. A type of insurance that covers repairs to certain parts of a house and some fixtures.

HOPPER WINDOW. A window that contains a single sash that tilts inward.

HOSE BIBB. A threaded faucet connection for devices such as a washing machine.

 **HOSKOLD TABLES.** A method used to value an annuity, based on reinvesting capital immediately, and used by appraisers to value income property.

 **HOSTILE POSSESSION.** Possession of real property by someone other than the rightful owner. Hostile means the possessor's claim does not recognize, nor stand subordinate to, the owner's title. Hostile possession is necessary to establish a claim to real property under adverse possession.

HOT DRY ROCK. A geothermal energy resource that consists of high temperature, impermeable, crystalline rock above 300°F (150°C) that may be fractured and have little or no water.

HOTELLING. Workspace is unassigned and used by sales associates when they are in the office.

HOURLY WAGES. Income that is paid to an employee based on the number of hours worked. The income will vary accordingly.


HOUSEBOAT. Barge designed and equipped for use as a dwelling.

HOUSEHOLD HAZARDOUS WASTE. Consumer products, such as paints, cleaners, stains, varnishes, car batteries, motor oil, and pesticides that contain hazardous components.

HOUSE WRAP. A polyethylene barrier wrapped around a house to save energy.

HOUSING AND URBAN DEVELOPMENT (HUD), DEPARTMENT OF. The department which is responsible for the implementation and administration of U.S. government housing and urban development programs.

HOUSING DISCRIMINATION. The illegal practice of denying an individual or group the right to buy or rent a home based on race, color, religion, national origin, sex, disability or family status.

 **HOUSING EXPENSE RATIO.** The percentage of gross monthly income devoted to housing costs.

HOUSING FINANCIAL DISCRIMINATION ACT OF 1977 (Holden Act). California Health and Safety Code Section 35800, et seq., designed primarily to eliminate discrimination in lending practices based upon the character of the neighborhood in which real property is located. *See* Redlining.

HOUSING INVENTORY. Housing units available for sale or in the process of being made ready for sale.

HOUSING STARTS. The number of housing units currently under construction. Often used as an economic indicator.

HUD. *See* Department of Housing and Urban Development.

HUD-1 UNIFORM SETTLEMENT STATEMENT. A closing statement or settlement sheet that outlines all closing costs on a real estate transaction or refinancing.

HUMAN COMFORT ZONE. A band of temperatures from 67.50 F to about 78° F and 20% to 80% relative humidity.

HUMIDIFIER. A device that adds humidity, or moisture, to the air.

HUMIDISTAT. Device for measuring relative humidity and turns the humidifier on or off.

HUMIDITY. Dampness in the air caused by water vapor.

HUMUS. Decomposed organic material that is an essential component of fertile soil; produced through composting.

HUNDRED PERCENT LOCATION. A city retail business location which is considered the best available for attracting business.

HVAC. An abbreviation for heating, ventilation, and air- conditioning system that regulates the distribution of fresh air and heat throughout a building.

HYBRID LOANS. Loans that offer features from various loan types.

HYDROCARBON. An organic chemical compound found in fossil fuels comprised of hydrogen and carbon atoms in the gaseous, liquid, or solid phase.


HYDROCHLOROFLUOROCARBONS (HCFCs). Chemicals composed of one or more carbon atoms and varying numbers of hydrogen, chlorine, and fluorine atoms.

HYDROGEN. The lightest of all gases, occurring chiefly in combination with oxygen in water; exists also in acids, bases, alcohols, petroleum, and other hydrocarbons.

HYDROGEN SULFIDE (HS). A very odorous, toxic, and explosive gas produced by some bacteria in the absence of oxygen. It produces acids on contact with water.

HYDRONIC HEATING. A heating system using heated water pumped through a building.

HYDROELECTRIC POWER. Energy that is derived from the force of moving water, such as waterwheels and dams. Tidal power is a type hydropower that converts the energy of tides into electricity.

 **HYPOTHECATE.** To pledge a thing as security without the necessity of giving up possession of it.


HYPOTHETICAL CONDITION. Defined in USPAP as "that which is contrary to what exists, but is supposed for the purpose of analysis."


ICC. See International Code Council.


ICE DAM. Dam-like buildups of ice along the eaves of buildings and roofs. They can force water up and under shingles, causing leaks (even in freezing weather).

IMPACT FEES. Fees collected from developers of new homes to pay for schools, parks and other facilities.


IMPERATIVE NECESSITY. Circumstances under which an agent has expanded authority in an emergency, including the power to disobey instructions where it is clearly in the interests of the principal and where there is no time to obtain instructions from the principal.

 **IMPLIED AGENCY.** An agency created and performed without written agreement, but through words, actions, inference, and deduction from other facts.

 **IMPLIED CONTRACT.** An agreement shown by acts and conduct, rather than written words.


 **IMPLIED LISTING.** A listing agreement created by the actions of the parties involved, rather than by written contract. In some states, this type of contract is enforceable.


 **IMPLIED WARRANTY OF HABITABILITY.** Court cases which determined that all new homes are assumed to be fit for human habitation and meet all building codes.

 **IMPOUND ACCOUNT.** A trust type account established by lenders for the accumulation of borrowers funds to meet periodic payment of taxes, FHA mortgage insurance premiums, and/or future insurance policy premiums, required to protect their security. Impounds are usually collected with the note payment. The combined principal, interest, taxes and insurance payment is commonly termed a PITI payment.

IMPROVED REAL ESTATE. Land upon which buildings have been erected.

IMPROVEMENT RATIO. The value of the improvements, divided by the total value of the property.

 **IMPROVEMENTS.** Valuable additions made to structures, usually private, to enhance value or extend useful remaining life. The term typically refers to buildings and other structures permanently attached to the land.

 **IMPUTED INTEREST.** Interest applied by law. An interest rate imposed by the IRS, when the mortgage or land contract does not set one, or states one that is unreasonably low.

INCANDESCENT LAMP. A light bulb in which a filament is energized by electric current to make light. Approximately 90% of the energy used by an incandescent lamp is given off as heat rather than light.


INCENTIVE ZONING. Allows a developer to exceed the limitations set by a zoning law, if the developer agrees to fulfill conditions specified in the law.


INCLUSIONARY ZONING. Local zoning ordinances that require residential developers to include a certain percentage of units for low-income and moderate-income households. Compliance with these ordinances is a contingency for governmental approval of the building project.


INCOME. Funds received for doing a job. Income may be paid in a variety of forms such as wages, salary, commission, dividend & interest, or royalties.

INCOME AVERAGING. A method of determining a person's income by totaling all income for a period of time and dividing that figure by the number of months to determine what may be expected in the future based on past history. This method is used for income which varies such as commission, dividend & interest, self-employed, or royalties.


INCOME/CAPITALIZATION APPROACH. One of the three methods of the appraisal process generally applied to income producing property, and involves a three-step process. (1) find net annual income, (2) set an appropriate capitalization rate or present worth factor, and (3) capitalize the income dividing the net income by the capitalization rate.


 **INCOME PROPERTY.** Property that is not occupied by the owner but is used to generate income.

 **INCOME RATIO.** The difference between a borrower's total income and the amount necessary to cover one month's mortgage payment.


 **INCOME STATEMENT.** One of the financial statements of a company and shows the company's revenues and expenses during a particular period. See Profit and Loss Statement.

INCOME STREAM. Actual or estimated flow of net earnings over time.


 **INCOMPETENT.** One who is mentally incompetent, incapable; any person who, though not insane, is, by reason of old age, disease, weakness of mind, or any other cause, unable, unassisted, to properly manage and take care of self or property and by reason thereof would be likely to be deceived or imposed upon by artful or designing persons.


 **INCORPOREAL RIGHTS.** Non-possessory rights in real estate, arising out of ownership, such as rents.


INCREASING ANNUITY. Regular, periodic payments that increase in amount.


 **INCREMENT.** An increase; most frequently used to refer to the increase of value of land that accompanies population growth and increasing wealth in the community. The term “unearned increment” is used in this connection since values are supposed to have increased without effort on the part of the owner.

INCREMENTAL PLAN. A commission plan with increases based on pre-determined sales thresholds.


 **INCURABLE DEFECT.** A defect in a property that cannot be fixed, such as an adjacent hazardous waste site, or that would cost too much to repair relative to the value of the property.

 **INDEMNIFY.** To protect against damage, loss, or injury, or to make compensation to for damage, loss, or injury.


 **INDEMNITY AGREEMENT.** An agreement by the maker of the document to repay the addressee of the agreement up to the limit stated for any loss due to the contingency stated on the agreement.

 **INDENTURE.** A formal written instrument made between two or more persons in different interests, such as a lease.


INDEPENDENT BROKERAGE. A real estate company not affiliated with another local, regional, or national company.


 **INDEPENDENT CONTRACTOR.** A person who acts for another but who sells final results and whose methods of achieving those results are not subject to the control of another.

INDEPENDENT LIVING FACILITY. Multi-unit development in which seniors can live independently, but without having to maintain a home.

 **INDEX.** Financial tables used by lenders to calculate interest rates on adjustable mortgages and on Treasury bills.

INDEX LEASE. A lease with a base rent and an escalation clause that provides protection against inflation for the property owner.

 **INDEX METHOD.** Method for estimating construction costs that adjusts the original costs to the current cost level, by use of a multiplier obtained from a published cost index.

 **INDICATED VALUE.** Value estimate calculated or produced by an appraisal approach.

INDIRECT COSTS. All of the time and costs involved in a construction project that are not directly related to the construction itself. Examples are loan fees, interest, legal fees, and marketing costs.

INDIRECT LIGHTING. A method of illumination in which the light is reflected from the ceiling or other object outside the fixture.


INDIVIDUALLY METERED. Utility company provides separate service to each individual unit within a building.

INDIVIDUAL RETIREMENT ACCOUNT (IRA). Tax-deferred savings accounts that allow people to accrue retirement funds.

INDOOR AIRPLUS LABEL. A specification developed by EPA to address the indoor environment component of green building. Homes that achieve this level of excellence are first qualified as ENERGY STAR, and then also incorporate more than 60 additional home design and construction features to control moisture, chemical exposure, radon, pests, ventilation, and filtration.

INDOOR AIR POLLUTION. The amount of contaminants in the air inside a building. Indoor air pollution can often be worse than outside air pollution due to poor ventilation.

INDOOR AIR QUALITY. The temperature, humidity, ventilation and chemical or biological contaminants of the air inside a building.

 **INDORSEMENT.** The act of signing one's name on the back of a check or note, with or without further qualification.

INDUCTION. The production of an electric current in a conductor by the variation of a magnetic field in its vicinity.


INDUSTRIAL PROPERTY. A property where products are manufactured or assembled.

IN-FILE CREDIT REPORT. Computer-generated reports drawn from credit repositories that are generally regarded as objective histories.

INFILL DEVELOPMENT. Any significant new construction in an established area.


INFILL HOUSING. Home construction in established areas.

INFILTRATION. (1) The introduction of outside air into a building; called air leakage. (2) The entry of groundwater runoff into the soil.

 **INFLATION.** This event occurs when there is more money available than there are goods and services to be purchased. Mortgage rates, which are determined by the marketplace and the actions of the Federal Reserve Board and Wall Street, are sensitive to inflation fears.


INFLATION GUARD COVERAGE. Automatically adjusts the limits of insurance to keep up with inflation.


INFRARED CAMERA. An infrared camera (video or still) makes an image that shows surface heat variations that can be used to help detect heat losses and air leakage in buildings.


 **INFRASTRUCTURE.** The roads, schools, parks, utilities, bridges, and communications systems in a community.

 **INGRESS.** The right to enter onto a property using an easement.


INHERENT AUTHORITY. Depending on the nature of the Contract and the resultant duties, there are additional duties that the Agent needs to perform even though they are not specified in the Employment Contract.

 **INHERITANCE TAX.** A tax imposed on heirs who inherit property.


 **INITIAL INTEREST RATE.** The original interest rate on an adjustable mortgage.

 **INITIAL NOTE RATE.** With regard to an adjustable rate mortgage, the note rate upon origination. This rate may differ from the fully indexed note rate.


INITIAL RATE DISCOUNT. As applies to an adjustable rate mortgage, the index value at the time of loan application plus the margin less the initial note rate.

 **INJUNCTION.** A writ or order issued under the seal of a court to restrain one or more parties to a suit or proceeding from doing an act which is deemed to be inequitable or unjust in regard to the rights of some other party or parties in the suit or proceeding.

INNOCENT LANDOWNER DEFENSE. A legal defense used by an owner of property to avoid liability for environmental contamination. The defense may only be used if the property was acquired after the hazardous substance existed, and the owner did not know the contamination existed at the time he acquired the property. The owner must have taken certain measures to determine the environmental condition of the property prior to acquiring it.

 **INNOCENT MISREPRESENTATION.** When a person unknowingly provides wrong information.

INORGANIC GROWTH. Business expansion achieved by mergers and acquisitions.

 **IN PERPETUITY.** Of endless duration; forever.


INSPECT. To examine readily accessible systems and components of a building in accordance with standards of practice, using normal operating controls and opening readily operable access panels.


INSPECTION. A visit to, and review of, a particular site or building.


INSPECTION REPORT. An examination of a home's exterior, foundation, framing, plumbing, electrical system, heating, air conditioning, fireplace, kitchen, bathroom, roofing and interior.

INSPECTOR. A person hired to examine any system or component of a building in accordance with specified standards of practice.


INSTALLED. Attached in such a way that it requires removal with tools.

 **INSTALLMENT.** The regular, periodic payments a borrower agrees to pay a lender, in order to repay the loan.

 **INSTALLMENT CONTRACT.** A purchase agreement in which the buyer does not receive title to the property until all installments are paid.


 **INSTALLMENT NOTE.** A note which provides for a series of periodic payments of principal and interest, until amount borrowed is paid in full. This periodic reduction of principal amortizes the loan.

INSTALLMENT REPORTING. A method of reporting capital gains by installments for successive tax years to minimize the impact of the totality of the capital gains tax in the year of the sale.

 **INSTALLMENT SALES CONTRACT.** Commonly called contract of sale or “land contract”; purchase of real estate wherein the purchase price is paid in installments over a long period of time, title is retained by seller, and upon default by buyer (vendee) the payments may be forfeited.

INSTITUTIONAL ADVERTISING. Advertising is designed to create an image, enhance the reputation, and promote the company rather than a specific product.

INSTITUTIONAL LENDERS. A financial intermediary or depository, such as a savings and loan association, commercial bank, or life insurance company, which pools money of its depositors and then invests funds in various ways, including trust deed and mortgage loans.

 **INSTRUMENT.** A written legal document; created to affect the rights of the parties, giving formal expression to a legal act or agreement for the purpose of creating, modifying or terminating a right. Real estate lender’s basic instruments are: promissory notes, deeds of trust, mortgages, installment sales contracts, leases, and assignments.


INSULATION. Materials including cellulose, glass fiber, rock wool, polystyrene, urethane foam and vermiculite that slow heat loss.


INSURABLE TITLE. Title to property that a company agrees to insure against defects and disputes.

INSURABLE VALUE. The highest reasonable value that can be placed on property for insurance purposes.

INSURANCE. Owners and buyers can purchase various types of insurance: hazard, private mortgage and earthquake. The policies guarantee compensation for specific losses.

INSURANCE BINDER. A temporary insurance arrangement usually put in force until a permanent policy can be obtained.

 **INTANGIBLE PROPERTY.** Intangible property is non-physical property, such as copyrights and the goodwill of a business.


 **INTANGIBLE VALUE.** That value attributable to a property that is difficult to determine precisely.

INTEGRATED DESIGN. A holistic building approach that examines the interaction between design, construction, and operations, to optimize the energy and environmental performance of the project.


INTEGRATED PEST MANAGEMENT (IPM). An environmentally sound system of controlling landscape pests.

INTELLECTUAL PROPERTY. Various legal rights, which attach to certain types of information, ideas, or other intangibles.

INTELLIGENT BUILDING. Type of building that incorporates healthier and more resource-efficient models of construction, renovation, operation, maintenance, and demolition.

 **INTENDED USE.** The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

INTENDED USERS. Per USPAP, parties intending to use an appraisal.


 **INTENTIONAL FRAUD.** Fraudulent Misrepresentation is a result of carelessness or negligence and is not done with criminal intent.


INTEREST. A portion, share, or right in something. Partial, not complete ownership. The charge in dollars for the use of money for a period of time. In a sense, the rent paid for the use of money.

INTEREST ACCRUAL RATE. The rate at which interest accrues on a mortgage.


INTEREST EXTRA LOAN. A loan in which a fixed amount of principal is repaid in installments along with interest accrued each period on the amount of the then outstanding principal only.


INTEREST FACTOR (IF). A theoretical rate of interest used to calculate the theoretical present or future worth of a sum of money or an annuity.


 **INTEREST-ONLY LOAN.** A straight, non-amortizing loan in which the lender receives only interest during the term of the loan and principal is repaid in a lump sum at maturity.


 **INTEREST RATE.** The percentage of a sum of money charged for its use. Rent or charge paid for use of money, expressed as a percentage per month or year of the sum borrowed. Interest payments on most home loans are tax-deductible.

INTEREST RATE BUY-DOWN PLANS. For cash-short buyers, some sellers are willing to advance funds from the sale of the home to buy down the interest rate and reduce the buyer's monthly obligation.

 **INTEREST RATE CAPS.** A limit on the amount that can be charged to the monthly payment of an adjustable-rate mortgage during an adjustment period.

 **INTEREST RATE CEILING.** The highest interest a lender can charge for an adjustable-rate mortgage.


 **INTERIM LOAN.** A short-term, temporary loan used until permanent financing is available, e.g., a construction loan.


 **INTERIM USE.** A short-term and temporary use of a property until it is ready for a more productive highest and best use.

INTERIOR LOT. A lot surrounded by other lots, with a frontage on the street. It is the most common type lot and may be desirable or not, depending on other factors.

INTERMEDIARIES. Financial institutions such as banks, savings institutions, and life insurance companies.


INTERMEDIATE THEORY. Some states follow the intermediate theory that a mortgage is a lien, unless the borrower defaults. The title then automatically transfers to the lender. In any case, the borrower enjoys possession of the property during the full term of the mortgage, no matter who holds title.


 **INTERMEDIATION.** The process of pooling and supplying funds for investment by financial institutions called intermediaries. The process is dependent on individual savers placing their funds with these institutions and foregoing opportunities to directly invest in the investments selected.


 **INTERNAL RATE OF RETURN.** The rate of return generated by an investment over the holding period, considering all future benefits, and discounting them to equal the present value.


INTERNATIONAL CODE COUNCIL (ICC). A group that oversees the International Building Code (IBC) and the International Residential Code (IRC).


INTERNATIONAL STYLE. This asymmetrical housing style is modern and practical in its use of concrete, glass, and steel to create sleek lines. It has a flat roof and floor to ceiling window walls.


 **INTERPLEADER.** A court proceeding initiated by the stakeholder of property who claims no proprietary interest in it for the purpose of deciding who among claimants is legally entitled to the property.


 **INTERVAL OWNERSHIP.** A form of timeshare ownership that involves the acquisition of a specific period of time, or that percentage of interest, in a vacation home or resort.

 **INTER VIVOS TRUST.** Trust in which the trustor (settlor) is still alive when the trust is established.


 **INTESTATE.** A person who dies having made no will, or one which is defective in form, is said to have died intestate, in which case the estate descends to the heirs at law or next of kin.

 **INTESTATE SUCCESSION.** When a person inherits property, as the result of someone dying without a will.


 **INTRINSIC VALUE.** The value inherent in the property itself. The value given to a geographical area or property, based on its features and amenities and an individual's personal preferences or choices.


 **INVERSE CONDEMNATION.** An action brought by a private party to force the government to pay just compensation for diminishing the value or use of his or her property.


INVESTMENT CONDUIT. A means of investing. Examples include real estate trusts such as REITs, REMTs, and combination trusts.


 **INVESTMENT PROPERTY.** Real estate that generates income, such as an apartment building or a rental house.


INVESTMENT VALUE. The value of a particular property to a particular investor.

 **INVOLUNTARY ALIENATION.** Transfer of property against the wishes of the owner.

 **INVOLUNTARY LIEN.** A lien imposed against property without consent of an owner. Example; Taxes, special assessments, federal income tax liens, etc.

 **INVOLUNTARY TRUST.** A trust created when a person obtains title to property and/or takes possession of it and holds it for another, even though there is no formal trust document or agreement. The court may determine that the holder of the title holds it as a constructive trustee for the benefit of the intended owner. This may occur through fraud, breach of faith, ignorance, or inadvertence. Also called constructive trust.

 **INWOOD TABLES.** A set of interest tables widely used by appraisers, before the popularity of calculators and computers, in computing the present value of an annuity for a number of years at various interest rates.


 **IRREVOCABLE.** Incapable of being recalled or revoked, unchangeable.

IRRIGATION. The artificial application of water to soil to promote plant growth.


IRRIGATION DISTRICTS. Quasi-political districts created under special laws to provide for water services to property owners in the district; an operation governed to a great extent by law.

 **ISSUE.** Descendants of the testator.


JALOUSIE WINDOW. A window that consists of vertical rows of horizontal glass slats that operates together by a crank mechanism that connects all the slats.

 **JAMB.** The side post or lining of a doorway, window, or other opening.


JOINT APPRAISAL. An appraisal performed by more than one appraiser, but stating one common conclusion.

 **JOINT LIABILITY.** The responsibility of two or more people to fulfill the terms of a home loan or debt.


JOINT NOTE. A note signed by two or more persons who have equal liability for payment.

 **JOINT TENANCY.** Undivided ownership of a property interest by two or more persons each of whom has a right to an equal share in the interest and a right of survivorship, i.e., the right to share equally with other surviving joint tenants in the interest of a deceased joint tenant.


JOINT VENTURE. Two or more individuals or firms joining together on a single project as partners.


 **JOIST.** A floor or ceiling support member supported by foundation walls, piers or beams. Subflooring is connected to floor joists.


JOULE. Basic unit of thermal energy. One joule is equal to the energy transformed by the power of one watt operating for one second.

 **JUDGMENT.** The final determination of a court of competent jurisdiction of a matter presented to it; money judgments provide for the payment of claims presented to the court, or are awarded as damages, etc.


JUDGMENT CREDITOR. Party to a lawsuit who obtains a money judgment against the other party.


 **JUDGMENT LIEN.** A legal claim on all of the property of a judgment debtor which enables the judgment creditor to have the property sold for payment of the amount of the judgment.

 **JUDICIAL FORECLOSURE.** A procedure to handle foreclosure proceedings as civil matters.

 **JUMBO MORTGAGE.** Loans that exceed limits set by Fannie Mae and Freddie Mac. The current limit is \$417,000.


 **JUNIOR LIEN.** A lien of inferior priority.


 **JUNIOR MORTGAGE.** A mortgage recorded subsequently to another mortgage on the same property or made subordinate by agreement to a later recorded mortgage.

 **JURAT.** The portion of a certificate or affidavit stating when, where, and before whom it was sworn.

JURISDICTION. The authority by which judicial officers take cognizance of and decide causes; the power to hear and determine a cause; the right and power which a judicial officer has to enter upon the inquiry.

JURISDICTIONAL EXCEPTION RULE. The Jurisdictional Exception Rule preserves the remainder of USPAP, if one portion is contrary to a jurisdiction's law or public policy.

 **JUST COMPENSATION.** Fair and reasonable payment due to a private property owner, when his or her property is condemned under eminent domain.

 **KEY LOT.** A lot resembling a key fitting into a lock and surrounded by the back yards of other lots. It is the least desirable, because of the lack of privacy.

KEROSENE. A light petroleum distillate that is used in space heaters, cook stoves, and water heaters and is suitable for use as a light source when burned in wick-fed lamps.

KEY PERFORMANCE INDICATORS. Metrics used to measure the worth of the effort by a business or individual in reaching goals.

KICKBACK. An illegal payment made in return for a referral that resulted in a transaction.

KICKER. An additional feature, such as a bonus, which makes a loan more attractive to an investor or lender.

KICK-OUT CLAUSE. See early termination clause.

KILOWATT (KW). A unit of power equal to 1,000 watts. It is usually used as a measure of electrical power.

KILOWATT HOUR (KWH). A measure of energy equal to the amount of power multiplied by the amount of time the power is used. It is most often used to describe amounts of electrical energy. A 100-watt light bulb burning for 10 hours uses one kilowatt hour of power.

KINETIC ENERGY. Energy possessed by virtue of an object's motion. Kinetic energy varies directly in proportion to an object's mass and the square of its velocity.

KIOSK. A small structure, usually constructed with one or more sides open, often used as a newsstand or other small vending operation.


KIT HOME. A structure that contains prefabricated components and is put together by a contractor.

KNEE WALL. A wall-like structure that supports roof rafters.

KNOB-AND TUBE WIRING. An old-fashioned wiring system that has been replaced by fuses and circuit breakers.

LABOR-EXTENSIVE INDUSTRIES. Industries with a low level of employees per acre. Labor-extensive industries generally need plant facilities with an area of at least 100,000 square feet.

LABOR-INTENSIVE INDUSTRIES. Industries with a high level of employees per acre and may need up to 25,000 square feet of floor space.


 **LACHES.** Delay or negligence in asserting one's legal rights.

LAGOON. (1) a body of comparatively shallow salt or brackish water separated from the deeper sea by a shallow or exposed sandbank, coral reef, or similar feature. (2) In wastewater treatment or livestock facilities, a shallow pond used to store wastewater where sunlight and biological activity decompose the waste.

 **LAISSEZ-FAIRE.** A French term meaning, let do. A laissez-faire market system is a free market system.

LAMP. The lighting industry uses the term lamp to refer to the source of light, the light bulb itself, not the fixture where the light bulb is located.


LAND. The material of the earth, whatever may be the ingredients of which it is composed, whether soil, rock, or other substance, and includes free or unoccupied space for an indefinite distance upwards as well as downwards.


 **L.A.N.D.** The mnemonic for the four elements of a valid lease: **L**ength of time, **A**mount of rent, **N**ames of parties, and **D**escription of the property.

LAND AND IMPROVEMENT LOAN. A loan obtained by the builder-developer for the purchase of land and to cover expenses for subdividing.


LAND BANK. Land purchased and held for future development. Scenic property is sometimes land banked to prevent its development, in an effort to contain urban or suburban sprawl.


LAND CAPITALIZATION RATE. The rate of return in investment and return of investment for the land only.


 **LAND CONTRACT.** A contract used in a sale of real property whereby the seller retains title to the property until all or a prescribed part of the purchase price has been paid. Also commonly called a conditional sales contract, installment sales contract or real property sales contract. *See Real Property Sales Contract* for statutory definition.

 **LAND DESCRIPTION.** A description of a piece of real property. The description may be informal, such as a street address or a legal description using a metes and bounds survey, recorded lot, bloc1c and tract system, or a Public Lands Survey method to describe its location.

LANDFILL GAS. A methane gas byproduct of landfills.

 **LANDLOCKED.** Property surrounded by other property, with no access to a public road, street, or alley.

 **LANDLORD.** One who rents his or her property to another; the lessor under a lease.

 **LAND RESIDUAL METHOD.** A method of determining the value of land in which the net income remaining to the land, after income attributable to the building has been deducted, is capitalized into an estimate of value for the land.

LANDSCAPE. A home's surroundings can range from a shrub-studded emerald lawn to a native-plant Xeriscape. It is a major component of curb appeal.

LANDSCAPE ARCHITECT. A professional who holds a degree in landscape architecture, which involves training in horticulture, landscape design and planning.


LANDSCAPE CONTRACTOR. A professional who carries out the plans of a landscape architect or a landscape designer.

LANDSCAPE DESIGNER. A landscape designer has training in horticulture and landscape planning, but does not necessarily hold a degree.


LAND TRUST. A trust created by the owner of real property, in which the property is the only asset.

LAND-USE INTENSITY. Local zoning codes regulating the density of land development, including living space and recreation space requirements. Important considerations in the construction of planned unit developments.


LARGE-LOT ZONING. Zoning used to reduce residential density, by requiring large building lots. Also called acreage zoning or snob zoning.


 **LATE CHARGE.** A charge assessed by a lender against a borrower failing to make loan installment payments when due.


LATE PAYMENT. A payment a lender receives after the due date has passed.

 **LATENT DEFECT.** An invisible problem in a piece of property such as bad wiring, termite damage or lead paint.

LATER DATE ORDER. The commitment for an owner's title insurance policy issued by a title insurance company which covers the seller's title as of the date of the contract. When the sale closes the purchaser orders the title company to record the deed to purchaser and bring down their examination to cover this later date so as to show purchaser as owner of the property.

 **LATERAL SUPPORT.** The support which the soil of an adjoining owner gives to a neighbor's land.

 **LAW.** Body of rules and principles that every member of society must follow.


 **LAWFUL OBJECT.** A requirement of a valid contract. The purpose, object, or action of a contract must be legal in order to make it valid.

LEACHING FIELD. An array of trenches containing aggregate and distribution pipes, through which septic-tank effluent seeps into the surrounding soil. Also known as an absorption field.

LEAD (Pb). A metallic chemical element present in older dwellings, primarily in the form of lead-based paint and lead plumbing. Exposure to lead has been found to be a health risk.


LEAD FLASHING. When working with tile roofs, lead flashing is used. In the case of plumbing vent flashing, the lead flashing is molded to the shape of the tile's surface. Then the next tile covers the top of the lead flashing, in order to prevent water from seeping under the flashing.


LEAD POISONING. An illness caused by high concentrations of lead in the blood. Lead poisoning can cause major health problems, especially learning disabilities in children. Lead is commonly found in lead-based paint and water contaminated by lead pipes. By law, purchasers of houses built prior to 1978 must receive a lead disclosure detailing the dangers of lead.


 **LEASE.** A contract between owner and tenant, setting forth conditions upon which tenant may occupy and use the property and the term of the occupancy. Sometimes used as an alternative to purchasing property outright, as a method of financing right to occupy and use real property.


LEASE ABSTRACT. Summary of the terms of an existing commercial lease.


LEASE CONCESSIONS. Incentives offered to a tenant, by a landlord, in order to attract the tenant to sign a lease. Enticements include such things as free rent for the first month (or longer, in the case of commercial property) or improvements made to the property at the landlord's expense.

 **LEASE ESTOPPEL CERTIFICATE.** Signed statement by the tenant verifying that the lease information contained in the estoppel certificate is true and correct.

 **LEASED FEE ESTATE.** The interest of the lessor in property.

 **LEASEHOLD ESTATE.** A tenant's right to occupy real estate during the term of the lease. This is a personal property interest. An arrangement in which the borrower does not own a specific piece of property but possesses a long-term lease.

 **LEASEHOLD VALUE.** Market value of the excess of economic rent over contract rent.

 **LEASE OPTION.** A lease that contains the right to purchase the property for a specific price within a certain time frame.

LEASE-UP TIME. Time from the date maintenance gives the keys back to management for rental to the effective date of the new lease.


LEASING AGENT. An agent who secures qualified tenants for leases on residential, commercial, or industrial property.

LEASING PLAN. Should be developed in concern with the marketing plan. Its goal is to organize the leasing process and reduce vacancy rates.


LEED. *Leaders in Energy and Environmental Design (LEED)* is a building environmental certification program developed and operated by the U.S. Green Building Council.


LEGACY. A gift of personal property by will.

LEGAL BLEMISH. Blemishes on a piece of property, such as a zoning violation or fraudulent title claim.


 **LEGAL DESCRIPTION.** A land description recognized by law; a description by which property can be definitely located by reference to government surveys or approved recorded maps.

LEGAL IMPOSSIBILITY. A contract, a portion of a contract, or a condition of a contract that cannot be met because it is requiring an illegal act.

 **LEGAL NOTICE.** The legally required notification of others, as a result of property possession or document recordation. Legal notice may be a registered letter, advertisement in a designated newspaper, telegram, or other such method. Also known as constructive notice.

 **LEGAL TITLE.** Title that is complete and perfect regarding right of ownership.


LEGALLY PERMISSIBLE. One of the requirements in highest and best use analysis. Land uses that are allowed under current zoning and other land use regulations.


 **LEGATEE.** A person to whom personal property is given by will.

LEICHTLEHM. Straw and clay mixture, moistened and pressed between forms, which hardens into a strong material. Typically used for making walls. An old and durable technique. (German for light loam).

LENDER. A bank, savings institution or mortgage company that offers home loans.

LENDER PRESSURE. A lender directly or indirectly pressuring an appraiser to estimate a property's value at a certain amount.

 **LESSEE.** One who contracts to rent, occupy, and use property under a lease agreement; a tenant.

 **LESSOR.** An owner who enters into a lease agreement with a tenant; a landlord.

 **LESS-THAN-FREEHOLD ESTATE.** See non-freehold estate.


LETHE. A measure of air purity that is equal to one complete air change in an interior space.

LETTER OF INTENT. A formal statement that the buyer intends to purchase the property for a certain price on a certain date.

LEVEL-PAYMENT MORTGAGE. A loan on real estate that is paid off by making a series of equal (or nearly equal) regular payments. Part of the payment is usually interest on the loan and part of it reduces the amount of the unpaid principal balance of the loan. Also sometimes called an "amortized mortgage" or "installment mortgage."

LEVERAGE. The use of debt financing of an investment to maximize the return per dollar of equity invested; the use of a small amount of cash - a 5 percent or 10 percent down payment - to buy a piece of property.


 **LEVY.** Seizure of property by judicial process.

 **LIABILITIES.** A borrower's debts and financial obligations.


LIABILITY INDEMNITY CLAUSE. A clause in a lease that holds a landlord harmless from the actions of his or her tenants.

LIABILITY INSURANCE. A policy that protects owners against any claims of negligence, personal injury or property damage.


LIBOR. The *London Interbank Offered Rate (LIBOR)* is the rate banks charge to borrow funds from other banks in the short-term international interbank market. The loans are made in dollar-denominated Eurodollars, and a small number of large London banks establish the LIBOR rate daily.

 **LICENSE.** Permissive use of land, which may be revoked at any time by the grantor.

LICENSED REAL PROPERTY APPRAISER. An individual who has met specific education, experience, and examination requirements. He or she may appraise any non-complex 1-4 unit residential property, with a transaction value less than \$1 million and any complex 1-4 unit residential property with a transaction value less than \$250,000.

 **LICENSEE.** A person who holds a valid real estate or appraisal license.

LICENSE LAWS. The laws that authorize states to license and regulate real estate licensees, appraisers, and home inspectors.

 **LIEN.** A form of encumbrance which usually makes specific property security for the payment of a debt or discharge of an obligation. Example: judgments, taxes, mortgages, deeds of trust, etc.

LIEN THEORY. One of the theories of mortgage security. Under lien theory, the lender creates a lien on a borrower's real property, but the borrower retains the legal rights, as opposed to the lender gaining title to the property under a title theory. In the event of a loan default, the lender has no right of possession, but must foreclose the lien and sell the property.

LIEN WAIVER. A legal document many property owners require contractors to sign, in order to protect their property. In signing the document, the supplier or contractor relinquishes their right to place a lien on the owner's property. The waiver is signed upon receipt of payment for the goods and services provided by the contractor.


LIFE CAP. A limit on the amount that a loan rate can move during the term of the mortgage. For example, the rate on an adjustable-rate mortgage that begins at 5

percent and has a lifetime cap of 6 percentage points cannot rise above 11 percent, even if rates on fixed-rate mortgages soar to 20 percent.


LIFE CYCLE ASSESSMENT (LCA). LCA is a method used to determine the impact a product or building has on the environment and available resources during its entire life cycle.

LIFE CYCLE COST ANALYSIS. An analysis of a building project's expected operating, maintenance and replacement costs, calculated by an architect.

LIFE CYCLE OF A PRODUCT. All stages of a product's development from extraction of fuel for power to production, marketing, use, and disposal.

 **LIFE ESTATE.** An estate or interest in real property, which is held for the duration of the life of some certain person. It may be limited by the life of the person holding it or by the life of some other person.

LIFE OF LOAN CAP (CAP RATE). With regard to an adjustable rate mortgage, a ceiling the note rate cannot exceed over the life of the loan.

 **LIFE TENANT.** A person whose interest in real property lasts as long as they (or some other person) lives.

LIFESTYLE CENTER. Open-air shopping center often located near affluent residential neighborhoods.

LIFTING CLAUSE. A provision included in a junior mortgage document allowing the underlying senior mortgage to be replaced or refinanced, as long as the amount of the new senior loan does not exceed the amount of the first lien outstanding at the time the junior loan was made.

LIGHT. Visually perceived radiant energy (a small part of the electromagnetic spectrum).

LIGHT AND AIR EASEMENT. Negative easement created by grant preventing servient landowner from building a structure or planting trees that would prevent sunlight or air from reaching the dominant estate.

LIGHT CONSTRUCTION. Construction of a building using materials which have low densities (like wood or aerated concrete). The lower densities of these materials reduce their capacity to store heat.


LIGHT INDUSTRIAL BUSINESSES. Light manufacturing, assembly, or storage facilities.


LIGHTING FIXTURE. The physical item referred to as a lamp (table lamp or floor lamp) is called the fixture by the lighting industry.

LIGHT PIPE. A device that gathers incoming sunlight sometimes using a solar tracking system. The light is concentrated using lenses or mirrors and is then transmitted to the interior of a building by special tubes. A special luminaire is required to provide distribution of the light within the building.

LIGHT SHELF. A horizontal reflective surface, at or above eye level, used both to passively channel natural daylighting into an occupied space and provide shading.


LIGNITE. The softest type of coal, is brownish in color, and has a 30-40% carbon content.


 **LIKE-KIND PROPERTY.** In a real estate exchange, properties that are similar in nature or character, even if they differ in grade or quality. Per IRS rules, real properties are of like-kind, regardless of whether they are improved or unimproved. Therefore, a bare lot may be exchanged fairly for an apartment house.

 **LIMITATIONS, STATUTE OF.** The commonly used identifying term for various statutes which require that a legal action be commenced within a prescribed time after the accrual of the right to seek legal relief.


LIMITED APPRAISAL. An appraisal developed under and resulting from invoking USPAP's SCOPE OR WORK RULE.


LIMITED LIABILITY COMPANY (LLC). A Limited Liability Company is a hybrid between a partnership and a corporation. The advantage of a Limited Liability Company is that most states require fewer formalities be observed in an LLC in comparison to a corporation.

 **LIMITED PARTNERSHIP.** A partnership consisting of a general partner or partners and limited partners in which the general partners manage and control the business affairs of the partnership while limited partners are essentially investors taking no part in the management of the partnership and having no liability for the debts of the partnership in excess of their invested capital.

 **LIMITED POWER OF ATTORNEY.** A power of attorney that is limited to a specific situation or job.

LIMITING CONDITIONS. In an appraisal report, conditions that restrict the assumptions contained in the report to certain situations. For example, the date and use of the appraisal.

 **LINEAR.** Linear configuration is three or more contiguous stores in a line. It is the most common configuration for shopping centers.

 **LINEAR FOOT.** A measurement meaning one foot or twelve inches in length as opposed to a square foot or a cubic foot.

LINEAR REGRESSION. Statistical technique used to calculate adjustment value or estimate sales price.

LINE-OF-SIGHT EASEMENT. An easement prohibiting the use or modification of land within the easement area in any way that interferes with the view.

LINE-TREES. Trees or hedges whose trunks grow on the boundary line.


LINGUA FRANCA. Any language widely used beyond the population of its native speakers so people of different backgrounds can communicate clearly.


LINOLEUM. A durable, natural flooring material (may be used for other purposes, such as countertops) made primarily of cork.

 **LINTEL.** A horizontal board that supports the load over an opening such as a door or window.

LIQUEFIED NATURAL GAS (LNG). A natural gas that has been cooled to about -260°F for shipment and/or storage as a liquid.


LIQUID ASSETS. Cash and all other assets that can be converted to cash relatively quickly. Liquid assets can include money in savings and checking accounts, money-market accounts, and most certificates of deposit.


 **LIQUIDATED DAMAGES.** When a real estate deal goes awry, one party often is entitled to liquidated damages, a sum of money set out in the purchase contract in that event; a sum agreed upon by the parties to be full damages if a certain event occurs.

 **LIQUIDATED DAMAGES CLAUSE.** A clause in a contract by which the parties by agreement fix the damages in advance for a breach of the contract.

LIQUIDATION VALUE. The value that can be received from the marketplace when the property has to be sold immediately.

LIQUIDITY. Holdings in or the ability to convert assets to cash or its equivalent. The ease with which a person is able to pay maturing obligations.

 **LIS PENDENS.** A notice filed or recorded for the purpose of warning all persons that the title or right to the possession of certain real property is in litigation; literally “suit pending”; usually recorded so as to give constructive notice of pending litigation.

 **LISTING.** An employment contract between principal and agent authorizing the agent to perform services for the principal involving the latter’s property; listing contracts are entered into for the purpose of securing persons to buy, lease, or rent property. Employment of an agent by a prospective purchaser or lessee to locate property for purchase or lease may be considered a listing.

LISTING AGENT. A broker who obtains a listing from a seller to act as an agent for compensation.

LISTING AGREEMENT. A written contract by which a principal, or seller, employs a broker to sell real estate.

LISTING INVENTORIES. The known number of houses for sale within a given market.

LISTING PRESENTATION. A thorough, professional presentation given by a real estate licensee to persuade the prospective seller that he or she is the specialist who will sell the home.

LISTING PRICE. The amount of money a seller agrees to accept from a buyer, as stated in the listing agreement. The listing price may be negotiable during the listing period.

 **LITIGATION.** Process of bringing a lawsuit against someone.

 **LITTORAL.** Land bordering a lake, ocean, or sea.

LIVE-IN PARTNERSHIP. An arrangement in which two unrelated people purchase a home.

LIVE-WORK SPACE. An officially designated dwelling in which the occupant conducts a home-based business or enterprise.

LIVERY OF SEISIN (SEIZIN). The appropriate ceremony at common law for transferring the possession of lands by a grantor to a grantee.

LLC. See Limited Liability Company.

LOAD. The power required to run a defined circuit or system, such as a refrigerator, building, or an entire electricity distribution system.

LOAD-BEARING WALL. A wall that supports not only its own weight, but the weight of other parts of a home. Also called a bearing wall.

LOAN ADMINISTRATION. Also called loan servicing mortgage bankers not only originate loans, but also service them from origination to maturity of the loan through handling of loan payments, delinquencies, impounds, payoffs, and releases.

LOAN APPLICATION. The loan application is a source of information on which the lender bases a decision to make the loan; defines the terms of the loan contract, gives the name of the borrower, place of employment, salary, bank accounts and credit references, and describes the real estate that is to be mortgaged. It also stipulates the amount of loan being applied for and repayment terms.

LOAN APPLICATION FEE. A fee charged by lenders to for making a loan application.


LOAN ASSUMPTION. A buyer assumes the existing loan when a property is sold. The buyer takes over primary liability for the loan, with the original borrower secondarily liable, if there is a default.

LOAN CLOSING. When all conditions have been met, the loan officer authorizes the recording of the trust deed or mortgage. The disbursement procedure of funds is similar to the closing of a real estate sales escrow. The borrower can expect to receive less than the amount of the loan, as title, recording, service, and other fees may be withheld, or can expect to deposit the cost of these items into the loan escrow. This process is sometimes called "funding" the loan.

LOAN COMMITMENT. Lender's contractual commitment to make a loan based on the appraisal and underwriting.

LOAN CONSTANT. The annual mortgage payments divided by the mortgage balance. Used to calculate the annual payment needed to pay off a loan.

LOAN OFFICER. An official representative of a lending institution who is empowered to act on behalf of the lender within certain limits.


 **LOAN ORIGINATION FEE.** Most lenders charge borrowers an origination fee - or points - or processing a loan. A point is one percent of the total loan amount.


LOAN PORTFOLIO. The loans that a financial institution, or another lender, holds at any given time.

LOAN PROCESSING. The steps taken by a lender from the time the application is received to the time the loan is approved.

LOAN PROCESSING FEE. A fee charged by some lenders for gathering information to enable the lender to process the loan.

LOAN SERVICING. Management of the loan payments and maintenance of the records of the debt on behalf of the Lender.

 **LOAN TERM.** The amount of a time set by the lender for a buyer to pay a mortgage. Most conventional loans have 30-year or 15-year terms.

 **LOAN-TO-VALUE RATIO (LTV).** The percentage of a property's value that a lender can or may loan to a borrower. For example, if the ratio is 80% this means that a lender may loan 80% of the property's appraised value to a borrower.


LOAN TRANSFER. The transfer to, or assumption of, existing financing by the new owner when a property is sold.

LOCAL AREA NETWORK (LAN). A system that allows the various computers in the office to share data and communicate with each other.

LOCATION. A particular area on earth defined by a legal description.

LOCATIONAL OBSOLESCENCE. Depreciation caused by the physical location of the subject property and its proximity to a negative influence. See external obsolescence.

LOCKBOX. A special locking box the broker places on the door of a listed property. Lockboxes are used to secure the property, control entry, and facilitate showings to prospective buyers.

 **LOCK-IN.** When interest rates are volatile, many borrowers want to "lock in" an interest rate and many lenders will oblige, setting a limit on the amount of time the lock-in is in effect.

LOCK-IN CLAUSE. A clause in a loan agreement that prohibits repayment of the loan prior to a specified date.

LOFT. A living space not partitioned into rooms or a small space built above a larger room.


LOFT CONVERSION. Industrial, warehouse, or commercial space that has been converted to an apartment.


LOG CABIN. Homes constructed of rough-hewn timbers and a standard housing form in the early European settlement of the U.S.

LOGO. A mark or symbol used as an identifier for an individual, company, or organization.

LONG-LIVED. Structural components that need replacement infrequently, and sometimes never.

LOSS CONTROL. The policies and procedures put in place to reduce the possibility of things going wrong.

 **LOSS PAYEE.** Party named to receive benefits when a claim on an insurance policy is filed.

 **LOT AND BLOCK SYSTEM.** A system to legally describe land by identifying the registered lot and then block on a recorded subdivision plat or survey. Also known as subdivision system or recorded map system.

LOT SPLIT. Sale of a portion of a parcel of land.

LOUVERS. A series of horizontal slats set at an angle to let in light and air, allow ventilation of fumes, and keep out rain.

LOW-BALL OFFER. An offer made to a seller that is substantially below market value. The longer a property stays on the market, the more likely there are to be such offers.

LOW DENSITY. A low concentration of housing units in a specific area.

LOW-DOCUMENTATION LOAN. A mortgage that requires only minimal verification of income and assets.

LOW-DOWN-PAYMENT LOAN. A home loan that requires the borrower to make only a small down payment before obtaining the financing needed to purchase a house.

LOW-E WINDOW GLAZING. A special window coating that helps prevent the warmth inside a building from escaping through the glass in the winter (pyrolitic). A variation (solar control) is designed to block heat from the summer sun. Low-E coating can reduce energy use by up to 35%.

LOW- OR NO-VOC PAINT. Paints that release no, or minimal VOC pollutants, is virtually odor free, and is safer for people with chemical sensitivities.

LOW RISE. A building with fewer than seven stories above ground level.

L-SHAPED. L-shaped center has two linear strips of stores connected at right angles, forming the letter L. Usually, the anchor tenants are located on the two ends. Parking is in the area formed by the L-shape. This shape is commonly used for community-sized centers.

LUMEN (LM). The luminous flux emitted (within a unit solid angle or one steradian) by a point source having a uniform luminous intensity of one candela.

LUMEN METHOD. A method of estimating the interior luminance from window daylighting at three locations within a room, based on empirical studies. Also called daylighting.

LUMINAIRE. A complete electric lighting unit, including housing, lamp, and focusing and/or diffusing elements; informally referred to as fixture.

LUMINOUS CEILING. A type of ceiling emitting light from its entire surface, through the use of fluorescent light above translucent glass or plastic.

LUMP-SUM CONTRACT. A construction contract in which the contractor agrees to perform a specific amount of work for a fixed price. The inflexible nature of the contract can create problems, as well as advantages for the contractors and the employers.


LUX. The unit of illuminance equivalent to one lumen per square meter.

MAI (MEMBER OF THE APPRAISAL INSTITUTE). Designates a person who is a member of the American Institute of Real Estate Appraisers.


MAIN WATER SHUT-OFF VALVE. The primary valve that halts the flow of water from the water meter into a home.

MAINTENANCE. The general costs of operation and upkeep of a property, including employee wages, repairs, supplies, and services.

MAINTENANCE EXPENSES. Costs incurred for day-to-day- upkeep, such as management, employee wages and benefits, fuel, utility services, decorating, and repairs.

 **MAINTENANCE FEE.** The monthly assessment members of a homeowners' association pay for the repair and maintenance of common areas.

MAINTENANCE SUPERVISOR. Person responsible for the maintenance of the buildings he or she manages.

 **MAKER.** The borrower who executes a promissory note and becomes primarily liable for payment to the lender.

MALL. Large, enclosed, climate-controlled shopping center with adjacent parking and out buildings.

MALL MANAGER. Person employed by the owner or a management company to supervise daily operations of the shopping center.

MANAGED-COMPETITION LOTS. Lots in which buyers choose between one of several builders.

MANAGEMENT. Per USPAP, the Management section of the ETHICS RULE discusses "the disclosure of certain fees and commissions, identifies prohibited compensation arrangements, and discusses certain prohibited advertising and solicitation issues."


MANAGEMENT CONTRACT. A contract that states the terms of the agreement between the owner and the property manager.

MANAGEMENT PLAN. A plan for future management based on financial reports and projections, and accepted by ownership.

MANAGEMENT PRICING WORKSHEET. Method of pricing the fee the management company charges by itemizing the activities to be performed, determining the direct cost related to each activity, and adding overhead, anticipated marketing, and a profit margin.

MANAGER. An executive who oversees a firm's real estate resources and sets goals and strategies to protect the interests of owners. Also called an asset manager.


MANOMETER. An instrument that measures the pressure differences between two locations.

 **MANSARD ROOF.** A roof with four sides that slope upward from the roof edge to the square peak.

MANSIONIZATION. Oversized extravagant homes built in an existing tract of modest homes.

 **MANTEL.** The facing of stone, marble or other material around a fireplace.

MANUFACTURED HOUSING. Prefabricated homes that can range from simple trailers to larger dwellings.

 **MARGIN.** The lender's retail markup on the mortgage. For example, if the index rate for an adjustable-rate mortgage is 5 percent but the lender has a 2.5 percentage-point margin, the rate the borrower will pay is 7.5 percent.

MARGIN OF SECURITY. The difference between the amount of the mortgage loan/s and the appraised value of the property.


MARGINAL LAND. Land which barely pays the cost of working or using.

MARIA. *See* Method, Adaptability, Relationship, Intent, Agreement.


MARINA. Facility that offers service to the public or members for docking, storage, watercraft, and as a permanent residence.

MARITAL PROPERTY. A general term for property owned by married people. Married people may have a special status as property owners; forms of ownership vary from state-to- state.


MARKET. A place or condition suitable for selling and buying.

 **MARKET ANALYSIS.** (1) A study of the economic factors existing in and affecting the local marketplace that relates to the subject property. (2) To identify, research, and analyze the particular market in which the appraised property operates.


MARKET CHARACTERISTICS. Property types, sizes, styles, ages, and quality.

 **MARKET COMPARISON APPROACH.** An appraisal method using the principles of substitution to compare similar properties, which have recently sold, to the subject property. Also called market data approach and sales comparison approach.

MARKET CONDITIONS. Factors affecting the sale and purchase of homes at a particular point in time.


 **MARKET DATA APPROACH.** One of the three methods in the appraisal process. A means of comparing similar type properties, which have recently sold, to the subject property. Commonly used in comparing residential properties.

MARKET EXPOSURE. Making a reasonable number of potential buyers of a property aware that the property is available.

 **MARKET EXTRACTION.** Method of estimating depreciation, in which building values abstracted from sales are compared to current costs new.

MARKET INDICATORS. Statistical measures of the construction and real estate industry, using industry activity such as number of permits issued, indices of building costs, deeds recorded, and homes for sale. Analysts use the indicators to forecast the market's direction.

 **MARKET PRICE.** The price paid regardless of pressures, motives or intelligence.


 **MARKET RENT.** The rent a property should bring in the open market as determined by current rents on comparable properties.


MARKET SEGMENTATION. The process of identifying and analyzing submarkets within larger markets.

MARKET SURVEY. A report generated by a property manager using computer software that compares the subject property in various categories of performance to competing properties in the area.

MARKET TRADE AREA. The geographic area from which a retail center draws its customers.

MARKET TREND ANALYSIS. An analysis of data that exhibits an ongoing upward or downward pattern that is not due to seasonal changes.

 **MARKET VALUE.** The highest price in terms of money which a property will bring in a competitive and open market and under all conditions required for a fair sale, i.e., the buyer and seller acting prudently, knowledgeably and neither affected by undue pressures.

 **MARKETABLE TITLE.** Title which a reasonable purchaser, informed as to the facts and their legal importance and acting with reasonable care, would be willing and ought to accept.

MARKETING. The process involved in promoting a service or product.

MARKETING BUDGET. An allocation of resources for the marketing strategies and tactics.

MARKETING PIECES. Items used to market a business, such as business cards, stationery and envelopes, flyers, door hangers and brochures, promotional or giveaway items, newsletters, and presentation binders. Also known as marketing collateral.


MARKETING PLAN. A detailed written document of actions necessary to achieve the goals described in the marketing strategy.


MASONRY. The brick or stone work on a building.

MASS APPRAISAL. Appraising more than one property, using standard computerized techniques (statistical analysis, regression, automated valuation models, etc.). Neighborhoods, subdivisions, and large groupings of similar properties are appraised at one time.


MASS TRANSIT. Conveyance of persons or goods from one place to another on a local public transportation system such as light rail, bus, or subway.

MASTER METERED. Refers to a utility company that provides service to one customer, who redistributes the utilities the occupants within the building.

 **MASTER-PLANNED COMMUNITY.** A suburban plan that includes homes and commercial, work, educational and community facilities.

 **MATERIAL FACT.** A fact is material if it is one which the agent should realize would be likely to affect the judgment of the principal in giving his or her consent to the agent to enter into the particular transaction on the specified terms.


MATRIX. See adjustment grid.

 **MATURITY.** The date on which an agreement expires; the termination of a promissory note when the full amount is due.

MAXIMALLY PRODUCTIVE. The property use that produces the greatest return on investment. One of the tests of highest and best use.

MAXIMUM ALLOWABLE RENT. The maximum legal rent a landlord may charge for a controlled rental unit.

MAXIMUM FINANCING. A loan amount within five percent of the highest loan-to-value ratio allowed for a property.

 **MEAN.** A measure of central tendency which is calculated by adding the average prices or numeric values of a statistical sample and dividing that by the number of values in the sample. Also known as the average.

MEANDER. To follow a winding course.


 **MEAN HIGH TIDE LINE.** The average height of certain high waters.


MEASUREMENT TABLES. A table of unit conversions from U.S. measurements to their metric equivalents.


MECHANICAL ENERGY. The energy stored in objects by tension.


MECHANICAL SYSTEMS. A home's plumbing, wiring, heating and cooling systems.


MECHANICAL VENTILATION. The active process of supplying or removing air to or from an indoor space by powered equipment such as motor-driven fans and blowers, but not by devices such as wind-driven turbine ventilators and mechanically operated windows.

 **MECHANIC'S LIEN.** A lien created by statute which exists against real property in favor of persons who have performed work or furnished materials for the improvement of the real property.

 **MEDIAN.** A measure of central tendency that equals the middle value in a statistical sample. The middle value in a statistical sample.

 **MEDIAN INCOME.** This is the middle income in a series of incomes ranked from lowest to highest.

 **MEDIAN PRICE.** The price of the house that falls in the middle of the total number of homes for sale in that area.


 **MEDIATION.** A dispute-resolution process in which a neutral party works to resolve contract differences.

MEDITERRANEAN STYLE. Home style consisting of a blend of Italian, Moorish, Byzantine, and California mission styles. It is characterized by white or light-colored stucco on the exterior and a red tiled gable roof with very little or no overhanging eaves.

MEETING OF THE MINDS. Agreement between the parties in a contract situation. There can be no contract unless there is a meeting of the minds. A meeting of the minds may be enforceable if the actions and words of the parties indicate agreement.

MEGA CENTER. An oversized shopping center that may attract shoppers from hundreds of miles around. Also called a super mall.

MEGALOPOLIS. A large, densely-populated metropolitan area made up of several major urban areas.

 **MENACE.** (1) Using the threat of violence to get agreement in accepting a contract. (2) The illegal practice of using the threat of violence in order to get agreement in accepting a contract.


MENTOR. A person who provides quality support, advice, and counseling.

MERCURY VAPOR LAMP. The oldest type of high-intensity discharge lighting, used primarily for street lighting.


MERGED CREDIT REPORT. A report that draws information from the “Big Three” credit-reporting companies: Equifax, Experian and TransUnion Corp.

MERGER. A transaction between two companies joining, which results in a wholly new firm.

MERGER OF TITLE. The absorption of a lesser estate into a larger estate.

 **MERIDIANS.** Imaginary north-south lines which intersect base lines to form a starting point for the measurement of land.

MESNE PROFITS. Profit from land use accruing between two periods as for example moneys owed to the owner of land by a person who has illegally occupied the land after the owner takes title, but before taking possession.

 **METES AND BOUNDS.** A term used in describing the boundary lines of land, setting forth all the boundary lines together with their terminal points and angles. Metes (length or measurements) and Bounds (boundaries) description is often used when a great deal of accuracy is required.


METHANE (CH₄). An odorless, colorless gas, nearly insoluble in water, which burns with a pale, faintly luminous flame to produce water and carbon dioxide (or carbon monoxide if oxygen is deficient).

METHOD, ADAPTABILITY, RELATIONSHIP, INTENT, AGREEMENT (MARIA).

Fixtures are personal property before being attached to the land. California courts use five general tests in determining whether a specific thing is a fixture, i.e., considered a permanent attachment to land. The five tests for a fixture can be remembered by the name MARIA, **M**ethod by which the thing is affixed; **A**daptability of the thing for the land's ordinary use; **R**elationship of the parties; **I**ntent in placing the item on the land; **A**greement of the parties.

METRICS. A prescribed set of measurements that quantify results.


MEZZANINE. A small floor between two regular floors of a building.


 **MGIC (MORTGAGE GUARANTY INSURANCE CORPORATION).** Insurance against financial loss available to mortgage lenders from private mortgage insurance companies (PMICs).

MICROCLIMATE. The small scale climate of a building site, affected by site geography, site topography, vegetation, and proximity to bodies of water, etc., which may vary slightly from the prevalent regional climatic conditions.

MICRO WIND TURBINE. A very small wind turbine designed to provide electric power to a home or other local site for a variety of applications.

MID-RISE. A building with between 7 and 25 stories above ground level.

 **MILDEW.** A common name for mold or fungi, which is often used in reference to fungal growth on bathroom tiles and fixtures.

 **MILE.** 5,280 feet.


MILL. One-tenth of one cent. In property tax assessment, the tax rate is expressed as a number of mills. Equals one-thousandth of a dollar and is numerically expressed as \$0.001.

MILLAGE RATE. Expresses the property tax rate in terms of tenths of a cent per dollar of property value. The rate varies from district to district and county to county.

MILLENNIUM GENERATION. The children of Generation X, born between 1982 and 2000. Also known as Generation Y.

MIMO FORM. The move-in/move-out form; detailing inventory and initial condition of a rental space upon move-in, and inventory and condition upon move-out. The MIMO form helps to determine whether or not, and how much of, the rental deposit will be returned.

MINERAL, OIL, AND GAS (MOG) broker license. By statute, original Mineral, Oil, and Gas (MOG) broker licenses are no longer issued; however real estate brokers may conduct mineral, oil, and gas transaction activities under their individual broker or real estate corporation license.

 **MINERAL RIGHTS.** The legal interest in the valuable items found below the surface of a property (i.e., gold and coal).


MINERALS. Land elements found beneath the ground, such as gold and coal, and owned as real property. Once these elements are taken from the ground, they become personal property.

MINIMUM LOT SIZE. The smallest dimensions allowed for a building lot, specified by zoning ordinance.


MINIMUM PROPERTY REQUIREMENTS (MPR). An FHA term for specifications that require a property to be well-built, well-located, and livable before loan approval will be granted or underwritten.

MINIMUM RENT. The fixed minimum rent amount paid under a percentage lease. Also known as base rent.

MINI-STORAGE FACILITY. A commercial property that allows individuals to lease empty space for storing personal items or excess inventory. Also known as a self-storage facility.


 **MINOR.** A person under 18 years of age.

MINT CONDITION. Mint condition, or blue-ribbon condition, refers to a house that looks as close to new as possible.

 **MIP (MORTGAGE INSURANCE PREMIUM).** Required by lenders in some loans to protect them from a possible default. All conventional loans with less than 20 percent down payments require private mortgage insurance, or PMI.


MIRROR OFFER. An offer that matches all terms in the listing.

MISPLACED IMPROVEMENTS. Improvements on land which do not conform to the most profitable use of the site.

 **MISREPRESENTATION.** A false or misleading statement or assertion.


MISSION STATEMENT. The purpose or reason for the company's existence.

MISSION STYLE. This housing style has round parapets on the roof that resemble those found on Spanish colonial churches. They are one to two stories, rectangular-shaped, with flat roofs with red tile accents.

 **MISTAKE.** (1) An error or misunderstanding. (2) The parties to an agreement have a misunderstanding about a fact that is material to the transaction.

MIXED-INCOME HOUSING. A neighborhood that contains houses of widely varying prices.

MIXED-USE DEVELOPMENT. A project that combines several different functions, such as residential space above a commercial establishment or an entire development combining commercial, residential and public accommodations.

 **MLS (MULTIPLE LISTING SERVICE).** An association of real estate agents providing for a pooling of listings and the sharing of commissions on a specified basis.


MOBILEHOME. As defined in Business and Professions Code Section 10131.6(c), “mobilehome” means a structure transportable in one or more sections designed and equipped to contain no more than two dwelling units to be used with or without a foundation system. “Mobile home” does not include a recreational vehicle, as defined in Section 18010.5 of the Health and Safety Code, a commercial coach, as defined in Section 18012 of the Health and Safety Code, or factory-built housing, as defined in Section 19971 of the Health and Safety Code.


MOBILEHOME LOAN. A mortgage loan made on a mobile home; usually created for a shorter period than a conventional real estate mortgage.

MOBILEHOME PARK. Any area or tract of land where two or more mobilehome lots are rented or leased or held out for rent or leased to accommodate manufactured homes or mobile homes used for human habitation.

MOBILEHOME RESIDENCY LAW (MRL). Civil Code Sections 798-799.6 regulates manufactured (mobile) home rental agreements, charges, grounds for eviction, and eviction procedures.


MODE. (1) A measure of central tendency that equals the most frequently occurring price or value in a statistical sample. (2) The most frequent value in a set of numbers. If the set is very small, and there are no duplicate numbers, then there is no mode.

 **MODIFICATION.** A change in any of the terms of the loan agreement.

 **MODIFIED AGE/LIFE METHOD.** A method of calculating depreciation. Curable physical and functional items of accrued depreciation are identified. The cost-to-cure all these items is deducted from the reproduction or replacement cost of the improvements. The ratio derived from the age/life method is then multiplied by the remaining cost to arrive at an estimate of accrued depreciation from all other causes.

MODULAR. A system for the construction of dwellings and other improvements to real property through the on-site assembly of component parts (modules) that have been mass produced away from the building site.

 **MOG BROKER LICENSE.** *See* Mineral, Oil, and Gas broker license.


 **MOLD.** A fungus produced especially on damp or decaying organic matter.

MOLDINGS. Usually patterned strips used to provide ornamental variation of outline or contour, such as cornices, bases, window, and door jambs.

MONETARY CONTROLS. Federal Reserve tools for regulating the availability of money and credit to influence the level of economic activity, such as adjusting discount rates, reserve requirements, etc.

MONETARY DEFAULT. Defaulting on, or breaching the terms of, a loan by not making the agreed-upon payments.

MONETARY POLICY. Monetary policy is carried out by the Federal Reserve System's actions to influence the availability and cost of money and credit, as a means of helping to promote national economic goals. Monetary policy is made by the Federal Open Market Committee, which consists of the Board of Governors of the Federal Reserve System and the Reserve Bank presidents.

 **MONEY ENCUMBRANCE.** An encumbrance that affects the title. Also called financial encumbrance.


MONEY MARKET ACCOUNT. Accounts that work like money market funds and allow individual investors to participate in certain managed investments and withdraw funds under most conditions.


MONEY MARKET FUNDS. A mutual fund that pools the resources of individuals to invest in certain managed investments.

MONOLITHIC SLAB. A slab foundation poured in one piece.


MONOPOLY. Person or group with exclusive control over a product or service within a given region.


MONTEREY STYLE. The most distinguishing feature of the Monterey style house is the second-story balcony on the front of the house. These houses often have a courtyard, wrought iron trim, and fencing.

 **MONTH-TO-MONTH TENANCY.** A periodic tenancy in which no lease agreement exists, or where one has expired, and the tenant pays rent for one period at a time. The tenancy continues until either the lessor or lessee gives notice of termination. To terminate a month-to-month tenancy, advance notice equal to one rental period is generally required.

 **MONUMENT.** A fixed object and point established by surveyors to establish land locations.

MORATORIUM. The temporary suspension, usually by statute, of the enforcement of liability of debt. Temporary suspension of development or utilities connections imposed by local government.

 **MORTGAGE.** An instrument recognized by law by which property is hypothecated to secure the payment of a debt or obligation; a procedure for foreclosure in event of default is established by statute.

 **MORTGAGE ACCELERATION CLAUSE.** A clause which allows a lender to demand that the entire balance of the loan be repaid in a lump sum under certain circumstances. The acceleration clause is usually triggered if the home is sold, title to the property is changed, the loan is refinanced or the borrower defaults on a scheduled payment.

MORTGAGE BACKED SECURITY (MBS). An investment instrument, a security, guaranteed by a mortgage pool. The securities are pooled together and sold to other institutions or the public.


MORTGAGE BANKER. A person whose principal business is the originating, financing, closing, selling and servicing of loans secured by real property for institutional lenders on a contractual basis; a company that provides home loans using its own money, the loans are usually sold to investors such as insurance companies and Fannie Mae.

MORTGAGE BROKER. A company that matches lenders with prospective borrowers who meet the lender's criteria. The mortgage broker does not make the loan, but receives payment from the lender for services.

MORTGAGE CONSTANT. The total annual debt payment divided by the loan amount (principal). It is the ratio of annual debt service to the principal amount of the mortgage loan.


MORTGAGE CONTRACTS WITH WARRANTS. Warrants make the mortgage more attractive to the lender by providing both the greater security that goes with a mortgage, and the opportunity of a greater return through the right to buy either stock in the borrower's company or a portion of the income property itself.

MORTGAGE GUARANTY INSURANCE. Insurance against financial loss available to mortgage lenders from private mortgage insurance companies (PMICs).

 **MORTGAGE INSURANCE.** Required by lenders in some loans to protect them from a possible default. All conventional loans with less than 20 percent down payments require private mortgage insurance, or PMI.

MORTGAGE-INTEREST DEDUCTION. The tax write-off that the Internal Revenue Service allows most owners to claim for the annual interest payments they make on their real estate loans.

MORTGAGE INVESTMENT COMPANY. A company or group of private investors that buys mortgages for investment purposes.

 **MORTGAGE LIEN.** A lien or claim against a mortgaged property, created by the property owner, that secures the underlying debt obligation.

MORTGAGE LIFE INSURANCE. A special type of insurance that will pay off a mortgage if the borrower dies before the debt is retired.


MORTGAGE LOAN DISCLOSURE STATEMENT (MLDS). The statement on a form approved by the Real Estate Commissioner which is required by law to be furnished by a mortgage loan broker to the prospective borrower of loans of a statutorily-prescribed amount before the borrower becomes obligated to complete the loan.


MORTGAGE POOL. A group of mortgages or other related financial instruments, combined for resale to investors on a secondary market.

MORTGAGE RELEASE DOCUMENT. A document filed when a loan has been repaid in full, releasing the borrower of all obligations and the lender of all rights to the property.

MORTGAGE REVENUE BOND. A type of industrial development bond offered by state and local governments through their housing financing agencies. The interest rates are low and the bond is tax-exempt.

MORTGAGE YIELD. The amount received or returned from an investment, expressed as a percentage.

 **MORTGAGEE.** One to whom a mortgagor gives a mortgage to secure a loan or performance of an obligation; a lender or creditor. *See* definition of Secured Party.

 **MORTGAGOR.** One who gives a mortgage on his or her property to secure a loan or assure performance of an obligation; a borrower.

MOTIVATED BUYER. Any buyer with a strong incentive to make a purchase.

MOTIVATED SELLER. Any seller with a strong incentive to make a deal.

MOVE-IN CONDITION. A house that is ready for a new occupant.

MOVE-UP BUYER. A buyer who has purchased a home before and is looking for a bigger or more expensive home.

MPR. *See* Minimum Property Requirements.


MRL. *See* Mobilehome Residency Law.

MUD SILL. The lowest horizontal component of a structure, such as a foundation timber placed directly on the ground or foundation.


MULLION. A vertical dividing bar between window lights or panels.

MULTI-DWELLING PROPERTY. A property that contains individual units for several households but carries only one mortgage.

MULTI-FAMILY MORTGAGE. A mortgage on a multifamily dwelling with more than four families, typically an apartment building.

 **MULTI-FAMILY UNITS.** Residential structures intended to house more than one family unit, such as duplexes or apartment buildings.


MULTIPLE-GLAZED WINDOW. Windows with two or more layers of glazing. Some windows use glass only, others use plastic film as an inner layer.

 **MULTIPLE LISTING.** A listing, usually an exclusive right to sell, taken by a member of an organization composed of real estate brokers, with the provisions that all members will have the opportunity to find an interested buyer; a cooperative listing insuring owner property will receive a wider market exposure.

MULTIPLE LISTING SERVICE (MLS). An association of real estate agents providing for a pooling of listings and the sharing of commissions on a specified basis.

MULTIPLE OFFERS. Multiple purchase offers occur in hot markets or hot neighborhoods.

MULTIPLE REGRESSION ANALYSIS. A statistical technique for estimating a particular variable, such as probable sales price, using more than one other known variables.

 **MULTIPLIER.** A number that, when multiplied by the income, gives an estimate of value. Also called gross income multiplier or gross rent multiplier.

MUNICIPAL BOND. A county or state bond issued and sold in order to finance public improvements, such as schools, parks, and renewal projects.


MUNICIPAL HOUSING INSPECTOR. Inspectors employed by cities or counties to check all construction sites and verify that contractors are meeting building codes.

MUNICIPAL SOLID WASTE (MSW). Urban refuse collected from households and businesses in a community for landfilling. Includes paper, organic matter, and metals, plastic, etc., but not certain agricultural or industrial wastes. It is not regulated as hazardous.


MUNICIPAL WASTE. Defined in the Energy Security Act as "any organic matter, including sewage, sewage sludge, and industrial or commercial waste, and mixtures of such matter and inorganic refuse from any publicly or privately operated municipal waste collection or similar disposal system, or from similar waste flows (other than such flows which constitute agricultural wastes or residues, or wood wastes or residues from wood harvesting activities or production of forest products)."


MUNICIPAL WASTE-TO-ENERGY PLANT. A facility that produces fuel or energy from municipal solid waste.

MUNTIN. A 'non-structural, horizontal strip that divides the panes in a window.

 **MUTUAL ASSENT.** The offer and acceptance of a contract. Mutual assent is one of the essentials of a valid contract. Also known as meeting of the minds or mutual consent.

MUTUAL FUNDS. Investment vehicles sold and managed by investment companies.

 **MUTUAL MORTGAGE INSURANCE (MMI).** A fee for an insurance policy charged to the borrower to protect the lender under an FHA loan, in the event of foreclosure on the property.

 **MUTUAL RESCISSION.** All parties to a contract agree to cancel the agreement and put themselves back where they started.

MUTUAL SAVINGS BANKS. Financial institutions owned by depositors each of whom has rights to net earnings of the bank in proportion to his or her deposits.

MUTUAL WATER COMPANY. A water company organized by or for water users in a given district with the object of securing an ample water supply at a reasonable rate; stock is issued to users.

MUTUALLY EXCLUSIVE. When two or more events have no data or sample points in common.

NACHI. An abbreviation for the National Association of Certified Home Inspectors.

NAHI. An abbreviation for the National Association of Home Inspectors.

NAIL POPS. Nails in load-bearing parts of new homes that pop out slightly because of settling of the structure.

NAKED LEGAL TITLE. Title lacking the rights and privileges commonly associated with ownership, which may be held by a trustee under a deed of trust.

NAR. *See* National Association of Realtors®.

NAREB. *See* National Association of Real Estate Brokers, Inc.

NAREIT. *See* National Association of Real Estate Investment Trusts.

NARRATIVE APPRAISAL. A summary of all factual materials, techniques and appraisal methods used by the appraiser in setting forth his or her value conclusion.

NATIONAL APARTMENT LEASING PROFESSIONAL (NALP). A designation offered by the National Apartment Association (NAA).

NATIONAL ASSOCIATION OF REAL ESTATE BROKERS (NAREB), INC. Organization of real estate salespersons and brokers.

NATIONAL ASSOCIATION OF REAL ESTATE INVESTMENT TRUSTS (NAREIT). A national trade organization for Real Estate Investment Trusts (REITs).

NATIONAL ASSOCIATION OF REALTORS® (NAR). A trade organization serving over 700,000 members from all branches of the real estate industry. Members subscribe to a strict Code of Ethics which governs their conduct.

NATIONAL ENVIRONMENTAL POLICY ACT (NEPA). A law passed by Congress in 1970 that requires an environmental impact statement to be prepared and released prior to any federal action that would affect the environment. Some state and local governments require an environmental impact study before private developments or improvements commence.


NATIONAL LEAD INFORMATION CENTER (NLIC). The National Lead Information Center (NLIC) provides the general public and professionals with information about lead hazards and their prevention. NLIC operates under a contract with the U.S. Environmental Protection Agency (EPA), with funding from EPA, the Centers for Disease Control and Prevention, and the Department of Housing and Urban Development.

NATIVE VEGETATION. A plant whose presence and survival in a specific region is not due to human intervention.


NATURAL COOLING. Use of environmental phenomena to cool buildings, e.g., natural ventilation, evaporative cooling, and radiative cooling.


NATURAL GAS. A hydrocarbon gas obtained chiefly from underground sources, often in association with oil and coal deposits.


NEED-BASED PRICING. A seller's asking price that is based on factors such as the required funds to pay off the mortgage, the cost of remodeling or the purchase of another house.

 **NEGATIVE AMORTIZATION.** The situation occurs when a borrower's monthly payment is not large enough to cover both the principal and interest of a loan. As a result, the outstanding balance of the loan actually grows larger with each payment rather than smaller. Most fixed-rate loans are not subject to negative amortization, but many adjustable-rate mortgages are susceptible.

NEGATIVE ANNUITY. An investment resulting in a regular series of losses.


 **NEGATIVE CASH FLOW.** Cash flow is negative when money goes from the investor to the investment.


 **NEGATIVE DECLARATION.** A finding by state or local agency that a proposed project will not have the potential to cause significant impacts to the environment.


 **NEGATIVE EASEMENT.** An easement preventing a servient landowner from using or improving the land in a certain way, because of the effect it would have on the dominant estate.

NEGATIVE PRESSURE. Condition that exists when less air is supplied to a space than is exhausted from the space, so the air pressure within that space is less than that in surrounding areas.

NEGATIVE-SLOPE DRIVEWAY. A driveway that drops from street level to the garage.

 **NEGLIGENT MISREPRESENTATIONS.** Untrue statements made without facts to back them up.

 **NEGOTIABLE.** Capable of being negotiated, assignable or transferable in the ordinary course of business.

 **NEGOTIABLE INSTRUMENT.** Any written instrument that may be transferred by endorsement or delivery.

NEGOTIATION. The act of bargaining, in order to reach a meeting of the minds between parties in a business transaction. Negotiation is a necessary part of the real estate sales process.

NEIGHBORHOOD. An area delineated by geographical or political boundaries that is comprised of properties that have complementary land uses. A neighborhood may be defined by physical boundaries, a change in land use, or intangible factors like school district boundaries.


NEIGHBORHOOD BARRIER. Any natural or man-made features separating one neighborhood from another.


NEIGHBORHOOD CENTER. A retail center, usually anchored by a grocery store and supported by a dozen other stores. This type of center is usually financially feasible when there are approximately a thousand households in the area to sustain sales.

NEIGHBORHOOD CYCLE. The process of neighborhood change, including four phases of change: development, maturity, decline, and renaissance.

NEO-ECLECTIC STYLE. A postmodern housing style combining a variety of details from different styles to produce a harmonious look.

NEO-TRADITIONAL PLANNING. Planning of a community that favors the return of new-home development with such traditional features as grid-street patterns, prominent front porches, backyard garages, multi-use buildings and housing clustered near commercial service areas.


 **NET CASH FLOW.** Investment property that generates income after expenses such as principal, interest, taxes and insurance are subtracted.


 **NET EFFECTIVE RENT.** The net income derived from a lease, after deducting all costs incurred by the landlord for procuring the lease, such as leasehold improvement allowances, real estate fees, free rent, etc. The resulting figure is generally expressed as an annual dollar amount per square foot.


NET ENERGY PRODUCTION. The amount of useful energy produced by a system less the amount of energy required to produce the fuel.

 **NET INCOME.** The money remaining after expenses are deducted from income; the profit.

NET INCOME RATIO. Net income divided by the effective gross income.


 **NET LEASE.** A lease requiring a lessee to pay charges against the property such as taxes, insurance and maintenance costs in addition to rental payments.


 **NET LISTING.** A listing which provides that the agent may retain as compensation for agent's services all sums received over and above a net price to the owner.

 **NET OPERATING INCOME (NOI).** The annual gross income from all revenues (rent, laundry facility, late fees, parking fees, etc.) from an investment property, less an annual vacancy factor or any rental losses, less operating expenses. Also called net annual income.

NET OPERATING INCOME RATIO. The ratio between the net operating income of a property and its effective gross income.

NET RATE. The rate of interest given to an investor, after servicing fees have been deducted from the gross rate.

 **NET SHEET.** A line-by-line description of the fees associated with the sale of a home, including commission. It shows the approximate net amount of money the seller can expect to receive for a specified sales price.

 **NET WORTH.** The worth of a person or company based on the difference between total assets and liabilities.

NEURAL NETWORKS (NNS). Network or circuit of biological neurons, which mimic human reasoning as part of a decision- making process.

NEUTRAL DEPOSITORY. A third party, generally an escrow company, which holds the documents and funds related to a real estate transaction until the conditions of the agreement are fulfilled. The neutral depository becomes the trustee for the money and papers until they are distributed according to the escrow instructions.

NEW URBANISM. A community design philosophy that favors the return of new-home development with such traditional features as prominent front porches, backyard garages, multi-use buildings and housing clustered near commercial service areas.

NICHE. A small recessed area in a wall traditionally arched at the top.

NICHE MARKET. A market that consists of consumers with the same specialized needs.

 **NIMBY (NOT IN MY BACK YARD).** The response sometimes given by neighborhoods and communities to proposed changes or development.

NIT (NT). Unit of luminance equal to one candela per square meter. No-build option scenario against which the true environmental cost-effectiveness of building concepts can be evaluated.


NITROGEN. A colorless, tasteless, odorless gas which makes up 78.1 percent the atmosphere.

NITROGEN OXIDES (NOX). Oxides of nitrogen that are a chief component of air pollution. Mainly produced by the burning of fossil fuels.

NLIC. See National Lead Information Center.


NO CASH-OUT REFINANCE. The amount of the new mortgage covers the remaining balance of the first loan, closing costs, any liens and cash no more than one percent of the principal on the new loan.


NO-COMPETITION LOTS. A lot in which the buyer's home will be constructed by a particular builder.


 **NO-DOCUMENTATION LOAN.** A loan application that does not require verification of income but typically is granted in cases of large down payments.

NOISE CRITERIA (NC). Series of curves of octave-band sound pressure levels from 63 to 8000 Hertz. They are commonly used in the United States to rate interior noise levels.

NOISE REDUCTION (NR). The simple loss of sound level that occurs in passing through a medium. Most often noise reduction refers to a single octave or one-third octave-band noise.


 **NOMINAL INTEREST RATES.** The percentage of interest that is stated in loan documents.


 **NOMINEE.** A person designated to act in the place and stead of another.

 **NON-AMORTIZING LOAN.** A loan with no payments. Principal and interest are due at the end of the term.

NON-ASSUMPTION CLAUSE. A loan provision that prohibits the transfer of a mortgage to another borrower without lender approval.


NON-CONFORMING BUILDING. An existing building that does not conform to the latest building or zoning codes.


 **NON-CONFORMING LOAN.** A loan that does not meet the conventional lending standards of Fannie Mae and Freddie Mac. Jumbo loans and sub-prime loans are types of non-conforming loans.

 **NON-CONFORMING USE.** A property whose use was legal, according to the zoning requirements at the time of construction; however, the zoning has since changed, technically making the current property use illegal. When the use is still allowed, although does not conform to current zoning law, it is identified as a non-conforming use of property.

NON-ECONOMIC HIGHEST AND BEST USE. A type of highest and best use that focuses on contribution to the community and community developmental goals, rather than income- production.

NON-FIDUCIARY. Refers to certain lenders who provide funds for real estate finance. They owe no duty to others and can maintain complete discretion over their activities, because they invest their own funds. Non-fiduciaries include title insurance companies, private loan companies, and individuals.


 **NON-FREEHOLD ESTATE.** An estate in real property for the temporary and limited right of use in the real property, such as a tenancy for years, from period to period, at will, or at sufferance. It is an estate with a fixed or determinable duration. Also known as a leasehold estate.

 **NON-JUDICIAL FORECLOSURE.** The power to foreclose on a property without court approval. The sale of property is pursuant to the power of sale provisions contained in a security instrument.

NON-LIQUID ASSET. An asset such as a house that is not easily turned into cash.

NON-MONETARY DEFAULT. A loan default that is the result of something other than non-payment. The default comes from failure to perform some other condition of the loan agreement.


NON-PROFIT CORPORATION. A corporation formed for a purpose other than making a profit. Examples include charities, as well as political and educational organizations. These corporations do not have shareholders, but are controlled and maintained by a board of directors.


 **NON-RECURRING CLOSING COSTS.** Costs that are one-time only fees for such items as an appraisal, loan points, credit report, title insurance and a home inspection.


NON-REFUNDABLE FEE. A fee that will not be returned to the tenant under any circumstance, and this fee cannot legally be called a deposit.


NON-RENEWABLE FUELS. Fuels that cannot be easily made or renewed, such as oil, natural gas, and coal.


NON-RENEWABLE RESOURCES. Natural resources that are consumed faster than can be produced eventually leading to depletion.


 **NORMAL WEAR AND TEAR.** Deterioration or loss in value caused by the tenant's normal and reasonable use.


 **NOTARIZE.** To prove execution of a document by means of a notary public's certificate of acknowledgment.


 **NOTARY PUBLIC.** An appointed officer with authority to take the acknowledgment of persons executing documents, sign the certificate, and affix official seal.


 **NOTE.** A signed written instrument acknowledging a debt and promising payment, according to the specified terms and conditions; a promissory note.


 **NOTE RATE.** This rate determines the amount of interest charged on an annual basis to the borrower. Also called the "accrual rate," "contract rate," or "coupon rate."


 **NOTICE.** (1) *Actual Notice* - Express or implied knowledge of a fact. (2) *Constructive notice* - A fact, imputed to a person by law, which should have been discovered because of the person's actual notice of circumstances and the inquiry that a prudent person would have been expected to make. (3) *Legal Notice.* Information required to be given by law.

 **NOTICE OF BELIEF OF ABANDONMENT.** If the evidence is strong that the property has been abandoned, the property manager should follow state laws and issue a notice of belief of abandonment.


 **NOTICE OF CESSATION.** A recorded notice shortening the time for filing mechanic's liens if work ceases prior to completion.


 **NOTICE OF COMPLETION.** A notice filed by the owner or general contractor after completion of work on improvements, limiting the time in which mechanic's liens can be filed against the property.


 **NOTICE OF DEFAULT.** A lender's initial action when a mortgage payment is late and attempts to reconcile the issue out of court have failed.


 **NOTICE OF DELINQUENCY.** When junior and senior loans exist, the borrower may authorize the senior lender to send a notice to the junior lender in the event of a default.


NOTICE OF LIEN. A written notice of the creation of a mechanic's lien, required in some states. A copy of the notice must be delivered to the owner and other parties affected by the lien.

 **NOTICE OF NONRESPONSIBILITY.** A notice provided by law designed to relieve property owner from responsibility for the cost of unauthorized work done on the property or materials furnished therefore; notice must be verified, recorded and posted.

 **NOTICE TO PAY RENT OR QUIT.** A written notice from the landlord to the tenant informing him or her to meet the landlord's requirements or move out of the property within a specific number of days, as specified by law. Also known as an eviction notice.

 **NOTICE OF TRUSTEE'S SALE.** Notice given, and published, that a trustee's sale will be held to sell a property to satisfy a debt.

 **NOTORIOUS POSSESSION.** Open and active possession of a property. The possession must be open and notorious, so that the owner is presumed to know and understand it exists. One of the requirements for adverse possession.


 **NOVATION.** The substitution or exchange of a new obligation or contract for an old one by the mutual agreement of the parties.

NUCLEAR ENERGY. Energy that comes from splitting atoms of radioactive materials, such as uranium, and which produces radioactive wastes.


NUCLEAR FUEL. Fissionable materials that have been enriched to such a composition that, when placed in a nuclear reactor, will support a self-sustaining fission chain reaction, producing heat in a controlled manner for process use.

NUCLEAR POWER. Electric power or motive power generated by a nuclear reactor.

NUCLEAR WASTE. Radioactive waste that is produced by those activities needed to produce nuclear fission (splitting of the atom).


 **NUISANCE.** An activity remaining outside the property or a land use that is incompatible or that interferes with surrounding land uses.


NUISANCE VALUE. The value reflected in the price that a buyer would be willing to pay to eliminate an objectionable situation.

 **NULL AND VOID.** Of no legal validity or effect.

 **NUNCUPATIVE WILL.** An oral will.

100% COMMISSION PLAN. Plan in which agents receive 100% of the commission, but pay their brokers a desk fee.


 **OBLIGEE.** One to whom a promise to pay or other legal obligation is owed.

 **OBLIGOR.** A person or entity who is responsible for the payment of a debt or other legal obligation. The promise to pay or legal obligation is owed to the obligee.


OBSERVED CONDITION METHOD. See breakdown method.


OBSERVED CONDITIONS. The condition of a property, determined by observation.

OBSERVED DEPRECIATION. The decrease in a building's utility, resulting in a loss of value. Depreciation that is identified through physical inspection.

 **OBSOLESCENCE.** Loss in value due to reduced desirability and usefulness of a structure because its design and construction become obsolete; loss because of becoming old-fashioned and not in keeping with modern needs, with consequent loss of income. May be functional or economic.


OCEAN ENERGY SYSTEMS. Energy conversion technologies that harness the energy in tides, waves, and thermal gradients in the oceans.

 **OCCUPANCY RATE.** The percentage of total rental units occupied and producing income.

 **OFFER.** A presentation or proposal to obtain acceptance and form a contract.

OFFER AND ACCEPTANCE. Two elements of a valid contract.

 **OFFEREE.** The party receiving an offer.

 **OFFEROR.** The party making an offer.

OFFER TO PURCHASE. The proposal made to an owner of property by a potential buyer to purchase the property under stated terms.


OFF-GASSING. The process by which volatile organic compounds (VOCs) evaporate and release chemicals into the air. Also known as out-gassing.


OFFICE-LAYOUT. The diagram, usually drawn to scale, of a room or office. It shows the permanent walls and placement of cubicles, furnishings, and equipment.

OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT (OFHEO). OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.

OFFICE OF REAL ESTATE APPRAISERS (OREA). OREA, which is entirely funded by licensing fees, is a single program comprised of two core components, licensing and enforcement. The Licensing Unit sets the minimum requirements for education and experience, according to criteria set by the federal government and California law, to ensure that only qualified persons are licensed to conduct appraisals in federally related real estate transactions. Applicants must meet minimum education and experience requirements and successfully complete a nationally approved examination. The Enforcement Unit investigates the background of applicants and licensees to ensure they are fit for licensure. The Enforcement Unit also investigates complaints of violations of national appraisal standards filed against licensed appraisers.

OFFICE OF THRIFT SUPERVISION (OTS). The primary regulator of all federally chartered and many state chartered thrift institutions, which include savings banks and savings and loan associations. OTS is funded by assessments and fees levied on the institutions it regulates.

 **OFFSET STATEMENT.** Statement by owner of property or owner of lien against property setting forth the present status of liens against said property.

 **OFFSITE IMPROVEMENTS.** Improvements made outside the property's boundary line, such as the installation of streets, sidewalks, and sewers that add to the site's utility.

OFHEO. See Office of Federal Housing Enterprise Oversight.

OHM. The unit of electric resistance. It equals the resistance of a circuit in which the potential difference of one volt produces a current of one ampere.

OIL. A mixture of hydrocarbons usually existing in the liquid state in natural underground pools or reservoirs. Oil in its natural state is called crude oil.


OLD CAR. The mnemonic for the fiduciary duties an agent owes a principle: **O**bedience, **L**oyalty, **D**isclosure and **C**onfidentiality, **A**ccounting, **R**easonable care.

OLIOGOLOPY. A market dominated by a small number of participants who are able to collectively exert control over supply and market prices.

ONCHA. See Open, Notorious, Continuous, Hostile, Adverse.


ONGOING EXPENSES. Expenses that recur at regular intervals- weekly, monthly, quarterly.


ONLINE REAL ESTATE LISTINGS. Properties listed for sale on the Internet.


 **ON-SITE IMPROVEMENTS.** Buildings, structures, or other amenities erected on a property and contributing to its value.

ON-SITE MANAGER. A property manager who lives on-site, handles day-to-day activities, and interacts with tenants on a regular basis.


OPEN-AIR SHOPPING CENTERS. Shopping centers in which stores are not enclosed under a single roof.

 **OPEN BID.** A real estate transaction where the bids are accessible to all potential buyers. In open bidding, the potential buyers know what other bidders have offered, and can alter their bid accordingly. The sellers can also see the bids as they are presented and choose or negotiate the best one.

 **OPEN-END MORTGAGE.** A mortgage containing a clause which permits the mortgagor to borrow additional money after the loan has been reduced without rewriting the mortgage.

 **OPEN HOUSE.** A marketing tool in which a listing agent opens a house for view.


OPEN HOUSING LAW. Congress passed a law in April 1968 which prohibits discrimination in the sale of real estate because of race, color, or religion of buyers.


 **OPEN LISTING.** An authorization given by a property owner to a real estate agent wherein said agent is given the nonexclusive right to secure a purchaser; open listings may be given to any number of agents without liability to compensate any except the one who first secures a buyer ready, willing and able to meet the terms of the listing, or secures the acceptance by the seller of a satisfactory offer.

OPEN LOOP RECYCLING. A recycling system in which a particular material is remanufactured into the same product (e.g. glass bottles into glass bottles).


OPEN MARKET OPERATIONS. The buying and selling of government securities in the open-market by the Fed, in order to increase or decrease the amount of money in the banking system and influence the amount of available credit. When the Fed buys securities, more money is available for banks to lend. When the Fed sells securities, the opposite is true. The open-market operations process is the most flexible and widely used technique for expanding or slowing the economy.

OPEN SPACE. Undeveloped land or common areas in a planned community reserved for parks, walking paths or other natural uses.


 **OPEN, NOTORIOUS, CONTINUOUS, HOSTILE, ADVERSE (ONCHA).** An easy way to remember the requirements for adverse possession is by using the acronym *ONCHA*. The possessor's occupancy must be **O**pen, **N**otorious, **C**ontinuous, **H**ostile, and **A**dverse to the interests of the real owner for five years.

 **OPERATING BUDGET.** An itemized statement of income, expenses, and net operating income before debt service and cash flow. A basic tool used by the property manager to help in planning for future operations. The operating budget gives the property owner an idea of the cash yield expected from the property during a period of time, generally a typical year.


OPERATING EXPENSE RATIO. Relationship of a property's expenses to income, found by dividing total operating expenses by effective gross income.


 **OPERATING EXPENSES.** Expenditures necessary to the operation of an income-producing building, such as employee salaries. Operating expenses are subtracted from effective gross income to arrive at net operating income.


OPERATING STATEMENT. Written record of a property's gross income, expenses, and resulting net income for a given period of time.


 **OPINION OF TITLE.** An attorney's written evaluation of the condition of the title to a parcel of land after examination of the abstract of title.

OPPORTUNITY COST. The value differential between alternative investments with differing rates of return.

 **OPTION.** A right given for a consideration to purchase or lease a property upon specified terms within a specified time, without obligating the party who receives the right to exercise the right; or, a situation in which a buyer puts down money for the right to purchase a piece of real estate within a set time period but does not have an obligation to buy.

 **OPTIONEE.** The person who wants to purchase or lease the property (lessee).

 **OPTION LISTING.** This listing gives the broker the right to purchase the property that is listed. A broker with an option is acting as a principal, as well as an agent.

 **OPTIONOR.** The person who owns the property (seller, lessor).

 **ORAL AGREEMENT.** Contractual arrangements that are not in writing and are usually not legally binding.

 **ORAL CONTRACT.** A verbal agreement; one which is not reduced to writing.

ORAL REPORT. An appraisal report communicated to the client verbally, rather than in writing.

 **ORDINANCE.** A law adopted by a local governing body.

OREA. See Office of Real Estate Appraisers.


ORGANIC GROWTH. The business expansion by increasing sales and output.


ORGANIC MATTER. Materials of animal or vegetable origin.

ORIEL WINDOW. A window projecting outward, similar to a bay window. However, unlike a bay window that is supported by the foundation, an oriel window is supported by brackets or a cantilever.

ORIENTATION. Placing a structure on its lot with regard to its exposure to the rays of the sun, prevailing winds, privacy from the street and protection from outside noises.


ORIGINAL PRINCIPAL BALANCE. The amount of principal owed on a loan before a borrower makes any payments.

 **ORIGINATION FEE.** A fee charged by most lenders, also called “points,” or “processing a loan.” A point is one percent of the total loan amount.


 **OR-MORE CLAUSE.** A clause in a mortgage or deed of trust that allows a borrower to pay it off early with no penalty.

OSHA. An abbreviation for the federal Occupational Safety and Health Administration, which regulates workplace safety.

 **OSTENSIBLE.** That which is apparent or that which seems to be.

 **OSTENSIBLE AUTHORITY.** That authority which a third person reasonably believes an agent possesses because of the acts or omissions of the principal.

OUTCOME. Result of a single trial of an experiment.


 **OUTLAWED.** A claim, right, or cause of action unenforceable due to lapse of time.

OUTLET CENTER (FACTORY OUTLET). Shopping center with national brand-name retailers selling high quality merchandise with well-known brands at discounted prices.

OVERAGE. The rent paid in addition to the fixed base rent. Under a percentage lease, overage is usually based on an index or percent of sales. It is discounted at a higher rate, because it is less certain than the fixed base rent.


OVERALL RATE. A capitalization rate measuring income attributable to both land and improvements-the whole property.


OVERHANG. A protruding structural feature.

 **OVERIMPROVEMENT.** An improvement which is not the highest and best use for the site on which it is placed by reason of excess size or cost.

OVERRIDING DEED OF TRUST. A method of financing in which a new loan is created that includes both the unpaid principal balance of the first loan and whatever new sums are loaned by the lender. The new loan is in a secondary position to the original loan. Also called an All-Inclusive Deed of trust (AITO).

 **OVERT.** Open.

 **OWNER FINANCING.** A transaction in which the seller of a property agrees to finance all or part of the purchase.

 **OWNERSHIP.** The right of one or more persons to possess and use property to the exclusion of all others. A collection of rights to the use and enjoyment of property.


OWNERSHIP IN SEVERALTY. Property owned by one person or entity.

OWNER'S TITLE INSURANCE POLICY. A policy of title insurance insuring the title of an owner.


OZONE (O₃). A molecule made of three oxygen atoms instead of the usual two. At ground level, ozone is an air pollutant; however, in the stratosphere, ozone is a protective layer that shields the planet from harmful ultraviolet radiation.

OZONE DEPLETION. Destruction of the stratospheric ozone layer which shields the Earth from ultraviolet radiation harmful to life.

OZONE LAYER. Protective layer in the atmosphere that absorbs some of the sun's ultraviolet rays, reducing some of the radiation that reaches the Earth's surface.

 **PACKAGE MORTGAGE.** A type of mortgage used in home financing covering real property, improvements, and movable equipment/appliances.

PACKED SALE. A type of mortgage fraud, in which excessive points, fees, and interest rates are charged to unsuspecting buyers.

 **PAD TENANT.** Freestanding retailer or service located on a separate parcel in front of a shopping center.

PAIRED SALES ANALYSIS. An appraisal method of estimating the amount of adjustment for the presence or absence of any feature by pairing the sales prices of otherwise identical properties with and without that feature. Also known as paired data set analysis, matched pairs analysis, and direct market method.

PALLADIAN WINDOW. A window that is divided into three parts, with rectangular panes on each side of a wide arch. They are placed at the center of an upper story as a focal point in Colonial or Queen Anne houses.

PAM. See *Pledged Account Mortgage*.


PANCHO. The mnemonic for the six requirements for adverse possession: Possession, Adverse, Notorious, Continuous, Hostile, and Open.

PANEL. A section or division of a wall, ceiling or a flat piece of building material that forms the part of the surface of a wall, door or cabinet.


PANEL BOX. A box, usually containing breakers or fuses, located at the point of entry of electric service conductors. Also known as the service panel.


PANELING. Strips of wood or wood material applied as a finish to a wall.

PANELIZED HOME. A type of factory-built housing. A panelized home arrives at the construction site in small units, usually as completed walls with all the wiring and plumbing intact.

 **PANIC PEDDLING.** Making written or verbal statements that cause fear or alarm, in order to gain sales or rental listings. Panic peddling is often associated with sales or rentals to minorities. It is illegal.

PARAMETER. A statistical term for a single number or attribute of the individual things, persons, or other entities in a population.

 **PARAMOUNT TITLE.** Title which is superior or foremost to all others.

 **PARCEL.** An officially described piece of land.

 **PARCEL MAP.** Map showing a parcel of land that will be subdivided into less than five parcels or units, and shows land boundaries, streets, and parcel numbers.


PARKING STRIP. The strip of grass between the sidewalk and the street in front of a house.

 **PAROL.** Oral.

PAROL EVIDENCE RULE. In a dispute over a real estate transaction, the parol evidence rule refers to any evidence that is not written. Thus, any agreement between buyer and seller, made prior to or outside of the written sales contract, is inadmissible.


PARQUET FLOOR. A floor constructed with short pieces of hardwood laid in various patterns, as opposed to a strip floor in which the pieces are laid end to end.

PARTIAL EVICTION. A situation in which a landlord's negligence renders a portion of the property unusable to a tenant.

 **PARTIAL INTEREST.** An interest in real estate that represents less than the fee simple estate (i.e., a leased fee or leasehold estate).

PARTIAL RECONVEYANCE. A provision in a land contract, deed of trust or mortgage for a conveyance of a portion of the property to the buyer upon satisfaction of specified conditions. Also called a partial release.

PARTIALLY AMORTIZED INSTALLMENT NOTE. A promissory note with a repayment schedule that is not sufficient to pay off the loan over its term. At maturity, the remaining principal balance is due in full.

 **PARTIAL TAKING.** The process by which a governmental agency acquires only a portion of a property through condemnation.


PARTICIPATING BROKER. A brokerage company or one of its agents who finds a buyer for a property that is listed with a different brokerage company.

PARTICIPATION. Sharing of an interest in a property by a lender. In addition to base interest on mortgage loans on income properties, a percentage of gross income is required, sometimes predicated on certain conditions being fulfilled, such as a minimum occupancy or percentage of net income after expenses, debt service and taxes. Also called equity participation or revenue sharing.


PARTICIPATION FINANCING. Financing in which the lender is also a partner. This enhances the profitability and safety of the lender's position in the arrangement.


PARTICIPATION LOAN. A large loan created by more than one lender, thus enabling the borrower to obtain more financing than from an individual lender; a loan in which the lender receives partial ownership in the financed project.


PARTICULATES. Fine liquid or solid particles such as dust, smoke, mist, fumes, or smog, found in air or emissions.


 **PARTIES/PARTY.** Those entities taking part in a transaction as a principal, e.g., seller, buyer, or lender in a real estate transaction.

PATIO. An interior courtyard or a paved backyard area.

 **PARTITION.** A division of real or personal property or the proceeds therefrom among co-owners.

 **PARTITION ACTION.** Court proceedings by which co-owners seek to sever their joint ownership.


 **PARTNERSHIP.** A decision of the California Supreme Court has defined a partnership in the following terms: A partnership as between partners themselves may be defined to be a contract of two or more persons to unite their property, labor or skill, or some of them, in prosecution of some joint or lawful business, and to share the profits in certain proportions. A voluntary association of two or more persons to carry on a business or venture on terms of mutual participation in profits and losses. There are several partnership options for unmarried individuals to buy a piece of property, such as live-in partnerships (in which both buyers share the residence) or a shared-equity partnership (in which one buyer lives in the home and the other is an investor in the property).

 **PARTY WALL.** A wall erected on the line between two adjoining properties, which are under different ownership, for the use of both properties.

PAR VALUE. Market value, nominal value.

PASSIVE BUILDING DESIGN. Resource (like sunlight, cooling breezes, etc.). Passive design strategies typically do not involve any moving parts or mechanical processes.

PASSIVE COOLING. Using passive building strategies to relieve the cooling load of a building by capitalizing on such things as predictable summer breezes or by shading windows from direct summer sunlight.


 **PASSIVE LOSS.** A tax term that refers to any loss from a passive activity, such as the ownership but not the operation of a piece of rental real estate.


PASSIVE SOLAR DESIGN. Designing a building's architectural elements to collect, store, and distribute solar resources for heating, cooling, and daylighting.


PASSIVE SOLAR SYSTEM. A system that supplies solar heat without the use of electric fans or pumps.

PASS-THROUGH EXPENSES. Common area maintenance charges initially paid by the landlord that are passed on to the tenants.

PASS-THROUGH SECURITIES. Fixed income securities that are pooled and backed by packages of assets, like mortgages. The purchaser of these securities receives principal and interest payments. The proceeds from the sale of securities in the secondary market are passed on to the securities buyer.


 **PATENT.** Conveyance of title to government land.


 **PATENT DEED.** The legal document that transfers real property from the state or federal government to a person.


 **PATENT DEFECT.** A visible deficiency in a piece of property, such as a cracked basement slab or a sagging porch.


PAYBACK PERIOD. The time estimated for a capital investment to pay for itself, calculated by relating the cost of the investment to the profit it will earn or savings it will incur.

PAYMENT ADJUSTMENT DATE. With regard to an adjustable rate mortgage, the date the borrower's monthly principal and interest payment may change.

 **PAYMENT CAP.** With regard to an adjustable rate mortgage, this limits the amount of increase in the borrower's monthly principal and interest at the payment adjustment date, if the principal and interest increase called for by the interest rate increase exceeds the payment cap percentage. This limitation is often at the borrower's option and may result in negative amortization.

 **PAYMENT RATE.** With respect to an adjustable rate mortgage, the rate at which the borrower repays the loan reflects buy downs or payment caps.

 **PAYOFF.** The final payment of a debt.

 **PAYOFF DEMAND.** A statement, issued by a lender, showing the unpaid principal balance, accrued interest, outstanding late charges, legal fees, and all other amounts necessary to pay off a debt in full.

PAYROLL TAXES. State and federal taxes that an employer, (the property management company) is required to withhold and/ or pay on behalf of the company's employees.

PCAM. See Professional Community Association Manager.


PEAK-HOUR DEMAND. The maximum water usage, in gallons/ hour, during the time of day when the greatest amount of hot water is used.


PEAK PHASE. The point at which the economy has reached its highest level of demand, price, and value (the upper turning point of a business or real estate cycle).

PEDESTRIAN POCKET. A simple cluster of housing, retail space, and offices within a quarter-mile radius of a transit system. Smaller scale than new towns or Planned Unit Developments.


PEDESTRIAN SCALE. An urban development pattern where walking is a safe, convenient, and interesting travel mode.

PELLET STOVE. A stove that burns compressed wood or biomass pellets to create heat.

 **PENALTY.** An extra payment or charge required of the borrower for deviating from the terms of the original loan agreement. Usually levied for being late in making regular payment or for paying off the loan before it is due, known as “late charges” and “prepayment penalties.”


 **PENTHOUSE.** A condominium or apartment at the highest point of a building that is used as a residence. In addition, a small building on a rooftop, which houses elevator machinery, ventilating equipment, etc.

PEPS. The mnemonic for the four forces influencing value: Physical and environmental characteristics, Economic influences, Political (Governmental) regulations, and Social ideals and standards.


 **PER CAPITA INCOME.** Total income of an area divided by its total population.


PERCENTAGE ADJUSTMENT. Type of sales adjustment, where the estimated difference between the comparable sale and the subject is first calculated as a percentage of the sales price of the comparable, and then applied as an upward or downward adjustment to the price.

PERCENTAGE FEE INCREASE. Manager improves the income of the property and decreases if the property revenue drops.

 **PERCENTAGE LEASE.** Lease on the property, the rental for which is determined by amount of business done by the lessee; usually a percentage of gross receipts from the business with provision for a minimum rental.


PERCENTAGE OF BASE AND PERCENTAGE ON GROSS OVER MINIMUM METHOD. Tenant pays an agreed upon percentage of gross sales based on a pre-determined minimum gross sales amount and pays an additional percentage amount on the gross receipts that exceed the minimum.

 **PERCOLATING WATER.** Underground water not flowing in a defined channel.


 **PERCOLATION TEST (PREC TEST).** A test used to determine the ability of soil to accommodate a septic system.

 **PER-DIEM INTEREST.** Interest charged or accrued daily.

PERENNIAL. Any plant that produces leaves, flowers, and seeds from year to year, such as irises or peonies.


 **PERFECTING TITLE.** The process of eliminating any claims, flaws, or defects affecting a title.


PERFORMANCE-BASED RETROFIT. Evaluating the whole house through tested results and achieving measured energy efficiency through multi-measure planned implementation.

 **PERFORMING LOAN.** A loan that has, and continues to fulfill, all of the terms and conditions required under the mortgage.


PERGOLA. An arbor with an open roof of rafters supported by posts or columns.

PERIMETER HEATING. Baseboard heating, or any system in which the heat registers are located along the outside walls of a room, especially under the windows.

 **PERIODIC INTEREST RATE CAP.** With respect to an adjustable rate mortgage, limits the increase or decrease in the note rate at each rate adjustment, thereby limiting the borrower's payment increase or decrease at the time of adjustment.

 **PERIODIC TENANCY.** Tenancy for successive periods of equal duration.

PERLITE. A lightweight, expanded mineral bead; highly flame-resistant and with good insulating value.


 **PERMANENT FINANCING.** A long-term loan ranging from 20 to 30 years, with fixed or variable interest rates.

PERMEABILITY. The time rate of water vapor transmission through unit area of a material of unit thickness induced by unit vapor pressure difference between two specific surfaces, under specified temperature and humidity conditions.


PERSONAL GUARANTEE. Promise to repay business debts from personal assets if the business is unable to pay.

PERSONAL INCOME. An individual's gross income from all sources.

PERSONAL MARKETING. Marketing designed to remind people to think of a specific individual rather than the company.

 **PERSONAL PROPERTY.** Any property which is not real property; any moveable property in a house such as furniture or appliances.

PERSONAL SELLING. Any form of direct communication (usually face-to-face) between a salesperson and a customer.

 **PETE.** The mnemonic for four types of government controls: Police power, Eminent domain, Taxation, and Escheat.

PEST-CONTROL INSPECTION. A common pest-control inspection is a termite inspection, which is required in some states, such as California.

PHENOLIC LAMINATE. A high-pressure laminated sheet made from paper and phenol formaldehyde resin, commonly used for furniture and kitchen cabinet surfaces. .


PHENOLS. Organic compounds that are byproducts of petroleum refining, tanning, and textile, dye and resin manufacturing. Low concentrations cause taste and odor problems in water; higher concentrations can kill aquatic life and humans.


PHOSPHORUS. An essential chemical food element that can contribute to the eutrophication of lakes and other water bodies.


PHOTOCELLS. Light-sensing cells used to activate controllers at dawn or dusk.

PHOTOMETER. An instrument for measuring photometric quantities, such as luminance, luminous intensity, luminous flux, and illuminance.


PHOTOVOLTAIC. Generation of electricity from the energy of sunlight, using photocells.


 **PHYSICAL ASSETS.** Physical assets of an association include buildings, common areas, and other common features of the CID.

 **PHYSICAL DETERIORATION.** Impairment of condition; loss in value brought about by wear and tear, disintegration, use and actions of the elements; termed curable and incurable.


 **PHYSICAL LIFE.** The length of time a structure can be considered habitable, without regard to its economic use.

PHYSICALLY POSSIBLE. One of the four criteria for determining highest and best use. For a use to be considered the highest and best, the size, shape, and terrain of the property must be able to accommodate the use.


 **PIER.** A rectangular masonry support column.


 **PIER AND BEAM FOUNDATION.** A type of foundation using pier s which rest on footing support beams or girders, which in turn support the superstructure. It is a relatively inexpensive form of foundation, rarely used for residential homes.


PIGGYBACK LOAN. Two loans are made to finance a home, where a bank or other institutional lender finances the first, for example at 80% of the purchase price, and a private lender finances the remaining 20% of the purchase price. The 20% loan is a piggyback loan. The private lender is in secondary (subordinate) position on the loan, and is termed a piggyback lender.

 **PITCH.** The slope, incline, or rise of a roof.


PITCH CONTROL. A method used to control the speed of a wind turbine by varying the orientation or pitch of the blades.


 **PITI (PRINCIPAL, INTEREST, TAXES, INSURANCE).** When a buyer applies for a loan, the lender will calculate the principal, interest, taxes and insurance. The figure is designed to represent the borrower's actual monthly mortgage-related expenses.

 **PLACEMENT FEE.** A fee charged by a mortgage broker for bringing together a borrower and a lender who subsequently negotiate a loan agreement.

 **PLAINTIFF.** In a court action, the one who sues; the complainant.

PLANNED COMMUNITIES. The concept began in the 19th century and describes any town or neighborhood built with certain guidelines and goals.


 **PLANNED DEVELOPMENT.** A subdivision consisting of separately owned parcels of land together with membership in an association which owns common area. Sometimes the owners of separate interests also have an undivided interest in the common area.


 **PLANNED UNIT DEVELOPMENT (PUD).** A term sometimes used to describe a planned development. A planning and zoning term describing land not subject to conventional zoning to permit clustering of residences or other characteristics of the project which differ from normal zoning.


PLANNING COMMISSION. An agency of local government charged with planning the development, redevelopment or preservation of an area.

PLASTER. A labor-intensive and more costly wall finish.

PLASTICITY. The range of moisture content within which the soil will remain plastic.


 **PLAT.** A plot, map, or chart.

 **PLAT OF SURVEY.** A map of land made by a surveyor showing the boundaries, buildings and other improvements.


 **PLATE.** A horizontal board used to support vertical posts or studs.


PLATFORM FRAME CONSTRUCTION. A type of framing used in residential construction, in which the building is constructed one story at a time, so that each story serves as a platform for the next. Platform is the most common type of framing.


PLEADING. The formal writing filed in court containing the various claims and defenses of plaintiff and of defendant.


 **PLEDGE.** The depositing of personal property by a debtor with a creditor as security for a debt or engagement.

PLEDGED ACCOUNT MORTGAGE (PAM). A type of loan under which a sum of cash paid by the owner is set aside in an account. The account is drawn upon during the initial years of the loan, to supplement periodic mortgage payments. This reduces the payment amounts in early years.

 **PLEDGEE.** One who is given a pledge or a security. *See* definition of Secured Party.

 **PLEDGOR.** One who offers a pledge or gives security. *See* definition of Debtor.


 **PLOTTAGE.** A term used in appraising to designate the increased value of two or more contiguous lots when they are joined under single ownership and available for use as a larger single lot. Also called assemblage.

 **PLOTTAGE INCREMENT.** The appreciation in unit value created by joining smaller ownerships into one large single ownership.


PLUMBING SYSTEM. The system of pipes and fixtures for the distribution of clean water and the disposal of sewage in a building.

PLY. The number of layers of roofing (i.e., one-ply, two-ply).

PLYWOOD. Wood made of three or more layers, or plies, of veneer joined with glue, usually laid with the grain of adjoining plies at right angles to one another. This arrangement makes plywood strong and highly resistant to movement from expansion and contraction. It comes in many grades with ratings from A to D.

 **PMI (PRIVATE MORTGAGE INSURANCE).** Mortgage guaranty insurance available to conventional lenders on the first, high risk portion of a loan; a special type of loan insurance that many lenders require borrowers to purchase if the borrower's down payment is less than 20 percent of the home's purchase price.

POCKET DOOR. A sliding door that retreats into the wall when opened.


 **POCKET LISTING.** A listing kept by the listing agent that is not shared with other brokers in the office or other multiple listing service members. This is discouraged by the real estate profession and is prohibited by many broker's offices.

POINT. Fees charged by lenders at the time a loan is originated. A point is equal to one percent of the total loan amount. *See* Discount Points.


POINT ESTIMATE OF VALUE. The final value indication reported as a single dollar amount.

POINT OF BEGINNING. Starting place for a legal description of land, using the metes and bounds method.

 **POLICE POWER.** The right of the State to enact laws and enforce them for the order, safety, health, morals, and general welfare of the public.

 **POLICY.** A predetermined course of action established as a guide toward accepted objectives and strategies of an organization.

POLICY AND PROCEDURES MANUAL. The document that contains all the policies, procedures, and work instructions that make up the way a company carries out all the functions of its business.

 **POLICY OF TITLE INSURANCE.** A contract indemnifying against, loss resulting from a defect in title to the interest or lien in real property insured.

POLLUTANTS. Any substance introduced into the environment that adversely affects the usefulness of a resource.

POLLUTION. Contamination of air, land, or water with substances that compromise the ecosystem; threaten human, animal or plant health; or adversely affect use of natural resources.

POLYNOMIAL. Expression used in mathematics, constructed from one or more variables and constants, using only the operations of addition, subtraction, multiplication, and constant positive whole number exponents.

POLYVINYL PHLORIDE (PVC). A tough, environmentally indestructible plastic that releases hydrochloric acid when burned.


POPULATION. (1) The total number of people inhabiting a specific area. (2) In statistics, the entire set of data from which a statistical sample is drawn.


PORCH. The structure can be a simple covered entrance to a home or a fully enclosed room on the outside of a residence.


PORTE COCHERE. A porch-like roof extending over a driveway.

PORTFOLIO LENDER. A lender who makes loans with its own funds and keeps the loans on the company's books - in other words, inside the institution's "portfolio" - rather than selling the loan on the secondary market.

 **PORTICO.** A porch supported by a row of columns.


 **POSITIVE CASH FLOW.** Income generated by the property flows toward the owner.

 **POSSESSION.** When a buyer signs the papers and receives the keys to the house, the buyer officially takes possession.

 **POSSESSORY INTEREST.** Present right to physically occupy land and to exclude others from that same land.


POST-CONSUMER RECYCLED CONTENT. Material that has been used by consumers, such as used newspaper, and has been diverted or separated from waste management systems for recycling.


POSTMODERN STYLE. See neo'-eclectic style.

 **POTABLE WATER.** Fresh water that is safe and agreeable for drinking.

POTENTIAL ENERGY. Stored energy, which is also described as the stored energy of position possessed by an object.


POTENTIAL GROSS INCOME. A property's total potential income, from all sources, during a specified period of time.


 **POWER OF ATTORNEY.** A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an attorney in fact.


 **POWER OF SALE.** The power of a mortgagee or trustee when the instrument so provides to sell the secured property without judicial proceedings if a borrower defaults in payment of the promissory note or otherwise breaches the terms of the mortgage or deed of trust.

PRAIRIE STYLE. This housing style is much larger than the craftsman bungalows and is designed with low horizontal lines that require larger lots. These houses have low-pitched hip roofs with large overhanging eaves, casement windows, and rows of small, high windows.

PRE-APPRAISAL LEASE CLAUSE. Rental rate method that is enacted at the expiration of a lease.

 **PRE-APPROVAL LETTER.** A letter from a lender that informs a seller about the amount of money that a potential buyer can obtain.


 **PRE-APPROVED LOAN.** A pending loan in which all the necessary documents and information have been filed, and there are no outstanding credit or income issues to prevent the loan from being granted.


 **PRECEDENT.** Concept of looking back at cases previously decided and following those decisions for the sake of consistency and fairness.

PRECUT HOME. A type of factory-built housing. A precut home is like a house in a box. All the materials are delivered to the construction site unassembled, but precut to fit exactly in place.


PREFABRICATED HOUSE. A house manufactured and sometimes partly assembled before delivery to building site.

PREFERRED STOCK. A class of corporate stock entitled to preferential treatment such as priority in distribution of dividends.


 **PRELIMINARY NOTICE.** A written notice that must be given to the owner by anyone eligible to file a mechanic's lien. The notice must be given after labor or materials are first provided for a job, within the time from specified by law.

 **PRELIMINARY TITLE REPORT (PRELIM).** An offer to issue a policy of title insurance in the future for a specific fee.


PREMISES LIABILITY. Insurance that covers liability for accidental injury or property damage that results from either a condition on the premises or operations in progress.


 **PREMIUM.** A fee paid for an insurance policy, paid in one lump sum, or in monthly installments.


PRENUPTIAL AGREEMENT. An agreement made between a man and woman before they wed, establishing property rights of each during the marriage, and in the event of their divorce or a death. Also called an ante nuptial agreement.


 **PREPAID EXPENSES.** The costs for taxes, insurance and assessments paid before the due date.


PREPAID ITEMS OF EXPENSE. Proration of prepaid items of expense which are credited to the seller in the closing escrow statement.

 **PREPAID INTEREST.** Interest paid before it is due. For example, at the close of a real estate transaction borrowers usually pay for the interest on their loan that falls between the closing period and the first monthly payment.

 **PREPAID RENTAL LISTING SERVICE (PRLS).** A PRLS is a business that supplies prospective tenants with listings of residential real property on payment of a fee collected at the same time or in advance of when the listing are supplied. Anyone licensed as a real estate broker may conduct a PRLS business without obtaining a separate PRLS license. The real estate broker must use a contract with the tenant/client that is approved in advance by the Department of Real Estate. Either the broker or a salesperson in the employ of the broker must be designated to supervise the PRLS activities.


 **PREPAYMENT.** Provision made for loan payments to be larger than those specified in the note.

 **PREPAYMENT CLAUSE.** A clause in a deed of trust or mortgage that allows a lender to collect a certain percentage of a loan as a penalty for an early payoff.


 **PREPAYMENT PENALTY.** The charge payable to a lender by a borrower under the terms of the loan agreement if the borrower pays off the outstanding principal balance of the loan prior to its maturity.

PREPAYMENT PRIVILEGE. The right given to a borrower to repay all or part of a mortgage debt prior to its maturity, without penalty.

PREQUALIFICATION. Many lenders will prequalify a borrower who is shopping for a loan by completing a preliminary assessment of the buyer's ability to pay for a home.

 **PRESCRIPTION.** The means of acquiring incorporeal interests in land, usually an easement, by immemorial or long continued use. The time is ordinarily the term of the statute of limitations.

PRESCRIPTIVE BUILDING RETROFIT. Making an energy efficient implementation to reduce energy in the home.

 **PRESCRIPTIVE EASEMENT.** Using someone else's property, without his or her permission.

PRESENT INTEREST. Interest in land that can be - exercised by the owner today.


PRESENT WORTH. The value of today's money, projected into the future. Using a mathematical equation that factors the amount of money, the interest rate per period, and the number of periods, the future value of today's money may be calculated.

PRE-SOLD HOME. Homes that are sold before they are built.


PRESSURE DOSE. A method of pumping wastewater to subsurface leaching fields in which soils or slopes are a limiting factor. Typical leach fields operate with gravity.


PRESSURE RELIEF VALVE. A safety vent that relieves excess pressure in a water heater.

PRESUMPTION. An assumption of fact that the law requires to be made from another fact or group of facts found or otherwise established in the section.

 **PRE-TAX CASH FLOW.** The portion of net operating income after debt service is paid, but before income tax is deducted. Also called before-tax cash flow or equity dividend.

PREVENTIVE MAINTENANCE. Maintenance of the property necessary to prevent future defects or repairs.

 **PRICE.** The amount of money, or other consideration, paid for a specific good or service.


 **PRICE FIXING.** Act of conspiring with the competition to set prices for selling goods or services.


PRICE POINT. Point on the scale of possible prices at which a property might be marketed.


PRICE RANGE. The range of how much a buyer is willing to pay for a home.


PRIMA FACIE. Latin meaning “at first sight,” a fact presumed to be true until disproved.

PRIMARY LENDERS. Originators of real estate loans.


 **PRIMARY MORTGAGE MARKET.** The term for the market made up of financial institutions, such as commercial banks or mortgage companies that originate mortgage loans and lend directly to borrowers. The primary lender may hold the loans to maturity or sell the loans to second owners in the secondary mortgage market.


 **PRIMARY RESIDENCE.** A person’s home or where they live the majority of the time, which is considered more than six months of a year.


 **PRIME LOANS.** A loan given to a borrower with excellent credit, who receives the benefit of the lowest interest rate and lowest cost loan, with the best terms available to finance a home purchase or refinance a home loan. Also known as ‘A’ Paper.


 **PRIME RATE.** The minimum interest rate charged by lenders on loans made to borrowers with the best credit rating.


PRIMER. The initial coat of paint that is applied before the final topcoat.


 **PRINCIPAL.** This term is used to mean the employer of an agent; or the amount of money borrowed, or the amount of the loan. Also, one of the main parties in a real estate transaction, such as a buyer, borrower, seller, lessor.


 **PRINCIPAL, INTEREST, TAXES, INSURANCE (PITI).** When a buyer applies for a loan, the lender will calculate the principal, interest, taxes and insurance. The figure is designed to represent the borrower's actual monthly mortgage-related expenses.

 **PRINCIPAL MERIDIAN.** An imaginary line running true north and south used in the Public Land Survey System as a survey reference point. This imaginary line intersects a base line.

 **PRINCIPAL NOTE.** The promissory note which is secured by the mortgage or trust deed.


 **PRIOR LIEN.** A lien which is senior or superior to others.

 **PRIORITY.** The order in which deeds and other instruments are recorded.

 **PRIORITY OF LIEN.** The order in which liens are given legal precedence or preference.


PRIVACY FENCE. A structure erected between two pieces of property.


PRIVATE GRANT. The granting of private property to other private persons.

 **PRIVATE MORTGAGE INSURANCE (PMI).** Mortgage guaranty insurance available to conventional lenders on the first, high risk portion of a loan; a special type of loan insurance that many lenders require borrowers to purchase if the borrower's down payment is less than 20 percent of the home's purchase price.

PRIVATE NUISANCE. Nuisance affecting only a few people.

PRIVATE RESTRICTIONS. Created at the time of sale or in the general plan of a subdivision.

 **PRIVITY.** Mutual relationship to the same rights of property, contractual relationship.


 **PRIVITY OF CONTRACT.** The relationship which exists between the persons who are parties to a contract.

PRLS. See Prepaid Rental Listing Service License.


PROBABILISTIC MODEL. Input can only estimate or approximate the output.

PROBABILITY THEORY. Model of those conditions under which a specific occurrence will or will not happen.

 **PROBATE.** The legal process to prove a will is valid.

 **PROBATE SALE.** A real estate sale triggered by the death of the owner, with proceeds to be divided among heirs or creditors.

PROCEDURE. A particular or specific way of accomplishing an objective.


 **PROCURING CAUSE.** That cause originating from a series of events that, without break in continuity, results in the prime object of an agent's employment producing a final buyer; the real estate agent who first procures a ready, willing, and able buyer for the agreed upon price and terms and is entitled to the commission.

PRODUCT ADVERTISING. Advertising is designed to promote a specific product or service.

PRODUCTION HOME. Homes that are mass-produced by one builder in a project.

PROFESSIONAL COMMUNITY ASSOCIATION MANAGER (PCAM). An advanced designation offered by the Community Associations Institute (CAI).

PROFFER. To offer an opinion or advice up for approval.

 **PROFIT AND LOSS STATEMENT.** One of the financial statements of a company and shows the company's revenues and expenses during a particular period. See Income Statement.


PROFIT-A-PRENDRE. Right to enter another's land to remove soil, substances of the soil, or other resource.

PRO-FORMA STATEMENT. A financial statement of the future income and operating expenses of a real estate property, based on a certain set of assumptions. A pro-forma is used to create budgets and determine economic feasibility.

PROGRAMMABLE THERMOSTAT. Thermostat for heating and/ or cooling equipment that can record different temperature settings for varying times. Programmable thermostats can be electronic, or mechanical.


PROGRAMMING. A written summation by an architect of a project's design objectives, constraints and criteria.

PROGRESS PAYMENTS. Scheduled, periodic, and partial payment of construction loan funds to a builder as each construction stage is completed.

 **PROGRESSION, PRINCIPLE OF.** The worth of a lesser valued residence tends to be enhanced by association with higher valued residences in the same area; an appraisal term which states that real estate of lower value is enhanced by the proximity of higher-end properties.

PROJECT BUDGET. A fiscal outline that includes the construction budget and all costs for land, furniture, equipment, financing, professional services, contingencies and owner-furnished goods and services.

PROJECTION. A statement of anticipated income and expenses from operations, used to aid in planning or budgeting.


 **PROMISSORY NOTE.** Following a loan commitment from the lender, the borrower signs a note, promising to repay the loan under stipulated terms. The promissory note establishes personal liability for its payment. The evidence of the debt.

PROMOTIONAL MIX. The combination of promotional methods.

PROMOTIONAL STRATEGY. The plan describing the best way to employ the different promotional methods-advertising, direct marketing, sales promotion, personal selling, and public relations.


 **PROMULGATE.** To publish or make laws known.

PROPANE. A manufactured, liquid petroleum gas (LPG), typically used for cooking or heating.

 **PROPERTY.** Everything capable of being owned and acquired lawfully. The rights of ownership. The right to use, possess, enjoy, and dispose of a thing in every legal way and to exclude everyone else from interfering with these rights. Property is classified into two groups, personal property and real property.

PROPERTY ANALYSIS. An on-site inspection and study of the subject property, so that the entire physical plant is thoroughly understood.

PROPERTY INSURANCE. Insurance covering the loss of the building, loss of personal property, or the loss of its use.

 **PROPERTY LINE.** The official dividing line between properties.

PROPERTY MANAGEMENT. A branch of the real estate business involving the marketing, operation, maintenance and day-to-day financing of rental properties.


PROPERTY MANAGEMENT AGREEMENT. Contract between the owner of real property and the property manager.

PROPERTY MARKETING PLAN. Organized marketing efforts designed to create interest in a property, causing it to sell at a top price.


PROPERTY PORTFOLIO. The number and type of investment properties (residential and commercial) owned by an investor.


PROPERTY PROFILE. A report about a specific piece of property, usually provided by a title company.


PROPERTY REPORT. A disclosure issued by the state when a time-share project is located or sold.

 **PROPERTY RESIDUAL TECHNIQUE.** A method of value estimation by capitalizing the income to the whole property.


PROPERTY SUPERVISOR. A property manager who is responsible for several properties and supervises the on-site managers of these properties.


 **PROPERTY TAX.** Property taxes are calculated at about 1.5 percent of the current market value.

 **PROPERTY TAX DEDUCTION.** The U.S. tax code allows homeowners to deduct the amount they have paid in property taxes.


 **PROPERTY VALUE.** The value of a piece of property is based on the price a buyer will pay at a certain time.

PROPRIETARY LEASE. The lease used in co-op apartment buildings.

 **PRO RATA.** In proportion; according to a certain percentage or proportion of a whole.

 **PRORATION.** Adjustments of interest, taxes, and insurance, etc., on a pro rata basis as of the closing or agreed upon date. Fire insurance is normally paid for three years in advance. If a property is sold during this time, the seller wants a refund on that portion of the advance payment that has not been used at the time the title to the property is transferred. For example, if the property is sold two years later, seller will want to receive 1/3 of the advance premium that was paid. Usually done in escrow by escrow holder at time of closing the transaction.


PRORATION OF TAXES. To divide or prorate the taxes equally or proportionately to time of use, usually between seller and buyer.

 **PROSPECT.** A potential buyer or seller in a real estate transaction. A prospect does not become a client, until a fiduciary relationship is established, most often by signing a listing or sales contract.

PROSPECT EQUAL SERVICE REPORT. A report provided by the National Association of REALTORS® can be used as a guideline for service and documentation of nondiscrimination.

PROSPECTING. The process of identifying potential customers.

PROSPERITY. A stage in the business cycle when unemployment is low and consumers have strong purchasing power.

 **PROTECTED CLASS.** A class of people who are protected from discrimination by federal or state law.


PROXIMATE CAUSE. That cause of an event which, in a natural and continuous sequence unbroken by any new cause, produced that event, and without which the event would not have happened. Also, the procuring cause.

PUBLIC DEDICATION. When private property is intended for public use. There are three types of public dedication: common law dedication, statutory dedication, or deed.

 **PUBLIC GRANT.** The transfer of title by the government to a private individual.

PUBLIC HOUSING AUTHORITY (PHA). Local public agency under the control of HUD that administers HUD's Low-Income Public Housing Program and other HUD programs.

PUBLIC LAND SURVEY SYSTEM (PLSS). A method of legal land description, using east-west lines (base lines) and north-south lines (principal meridians). Additional lines, drawn six miles apart, are known as township lines (east-west) and range lines (north-south). Also called the U.S. Government Survey System and Rectangular Survey System.


 **PUBLIC NUISANCE.** Nuisance annoying the whole community in general.

PUBLIC RECORDS. Records which by law impart constructive notice of matters relating to land.


PUBLIC RECORD. A document disclosing all-important facts about the property.

PUBLIC RELATIONS. The activities used to create goodwill toward a company.

PUBLIC TRUSTEE. The county public official whose office has been created by statute to whom title to real property in certain states, e.g., Colorado, is conveyed by Trust Deed for the use and benefit of the beneficiary, who usually is the lender.

 **PUD (PLANNED UNIT DEVELOPMENT).** A term sometimes used to describe a planned development. A planning and zoning term describing land not subject to conventional zoning to permit clustering of residences or other characteristics of the project which differ from normal zoning.


PUEBLO REVIVAL STYLE. A version of the Santa Fe style, characterized by roof beams which protrude through the walls and help support the roof.

 **PUFFING.** An exaggerated statement of opinion about property, that is not factual.

PULL ADVERTISING. Advertising that attracts customers to a company.

PUNCH LIST. Buyers compile a punch list during the final walk-through detailing items to be fixed before closing.

PUR AUTRE VIE. For another's life. A life estate created on the life of a designated person.


 **PURCHASE AGREEMENT.** A document which details the purchase price and conditions of the transaction.


PURCHASE AND INSTALLMENT SALEBACK. Involves purchase of the property upon completion of construction and immediate sellback on a long-term installment contract.

PURCHASE AND LEASEBACK. Involves the purchase of property by buyer and immediate leaseback to seller.

PURCHASE MONEY MORTGAGE OR TRUST DEED. A trust deed or mortgage given as part or all of the purchase consideration for real property. In some states the purchase money mortgage or trust deed loan can be made by a seller who extends credit to the buyer of property or by a third party lender (typically a financial institution) that makes a loan to the buyer of real property for a portion of the purchase price to be paid for the property. In many states there are legal limitations upon mortgagees and trust deed beneficiaries collecting deficiency judgments against the purchase money borrower after the collateral hypothecated under such security instruments has been sold through the foreclosure process. Generally no deficiency judgment is allowed if the collateral property under the mortgage or trust deed is residential property of four units or less with the debtor occupying the property as a place of residence.

PURCHASE OF LAND, LEASEBACK AND LEASEHOLD MORTGAGES. An arrangement whereby land is purchased by the lender and leased back to the developer with a mortgage negotiated on the resulting leasehold of the income property constructed. The lender receives an annual ground rent, plus a percentage of income from the property.


 **PURCHASE OFFER.** A written offer for the purchase of a property.


 **PURCHASING POWER.** The value of money, as measured by the amount of goods it can buy.


PUSH ADVERTISING. Advertising that is sent to potential customers to attract the few who may have interest in the company or products.


PYRAMID ROOF. A roof with four sloping sides that rise to a ridge. Usually found on garages or church steeples. Also called a hip roof.

PYRAMIDING THROUGH REFINANCING. A method of acquiring additional properties through refinancing of existing mortgages, then reinvesting the proceeds in new property.


 **QUALIFIED BUYER.** A buyer who is financially capable of paying for a property. Some buyers are pre-qualified by a lender, before submitting an offer to buy property.

 **QUALIFYING RATE.** The initial interest rate, as determined by the current rate of the chosen index.

 **QUALIFYING RATIOS.** Lenders compute qualifying ratios to determine how much a potential buyer can borrow.

 **QUALITATIVE ANALYSIS.** Compares data on properties to obtain relative comparisons between properties in the same market.


QUALITY CONTROL. The procedure used to check loan quality throughout the application and funding process.


 **QUANTITY SURVEY.** A highly technical process in arriving at cost estimate of new construction and sometimes referred to in the building trade as the “price take-off” method. It involves a detailed estimate of the quantities of raw material (lumber, plaster, brick, cement, etc.) used as well as the current price of the material and installation costs. These factors are all added together to arrive at the cost of a structure. It is usually used by contractors and experienced estimators.


QUARTER ROUND. A molding that presents a profile of a quarter circle.

QUASI-CONTRACT. A contract implied by law; based on conduct.

QUEEN ANNE STYLE. A Victorian-era style that originated in San Francisco.

 **QUIET ENJOYMENT.** Right of an owner or tenant to the use of the property without interference of possession.

 **QUIET TITLE.** A court action brought to establish title; to remove a cloud on the title.

 **QUIT-CLAIM DEED.** A deed to relinquish any interest in property which the grantor may have, without any warranty of title or interest.

R-VALUE. A construction term that refers to the resistance of to heat loss. The higher the R-value, the slower the rate of heat loss.


RADIANT BARRIER. Radiant barriers are thin sheets of highly reflective material, like aluminum, that reduce heat transfer from thermal radiation across the air space between the roof and the attic floor.


RADIANT ENERGY. Energy traveling outward in all directions from its source in the form of electromagnetic waves. It is measured in units of energy such as joules, ergs, or kilowatt hours.

RADIANT HEATING. A method of heating, usually consisting of coils, or pipes placed in the floor, wall, or ceiling.

RADIATION. Transfer of heat by means of the straight-line passage of electromagnetic waves through space (including vacuums) from a warmer object to a cooler one. Sunlight is a form of radiation.

RADIOACTIVE WASTE. Byproduct of creating energy from nuclear fission.

 **RADON.** A ground-generated radioactive gas that seeps into some homes through sump pumps, cracks in the foundation, and other inlets. A leading cause of lung cancer, radon is found in mostly the northern half of the country.

 **RAFTER.** Rafters form the slope of a pitched roof and are analogous to floor joists.

RAIN FOREST. A tropical or subtropical forest with a vast leaf canopy that requires an average annual rainfall of approximately 2,000 millimeters. Rain forests absorb large quantities of carbon dioxide and shelter a large percentage of the world's plant and animal species.


RAINSCREEN. A method of constructing walls in which the cladding is separated from a membrane by an airspace that allows pressure equalization to prevent rain from being forced in.


RAM. See Reverse Annuity Mortgage.


RAMMED-EARTH CONSTRUCTION. An alternative building process in which dirt is compacted into large structural frames to create walls.

RANCH STYLE. Modern ranch-style homes, popularized in the 1950s, were championed by such architectural giants as Frank Lloyd Wright.


RANDOM SAMPLE. Selection of an item in a population or group to be sampled by chance.

 **RANGE.** A strip or column of land six miles wide, determined by a government survey, running in a north-south direction, lying east or west of a principal meridian.


 **RANGE LINES.** A series of government survey lines running north and south at six-mile intervals starting with the principal meridian and forming the east and west boundaries of townships.

 **RANGE OF VALUE.** The difference between the highest and lowest variant.


 **RATE.** The percentage of interest charged on the loan principal. See interest rate.

 **RATE ADJUSTMENT DATE.** With respect to an adjustable rate mortgage, the date the borrower's note rate may change.

RATE-IMPROVEMENT MORTGAGE. A loan with a clause that entitles a borrower to a one-time cut in the interest rate without going through refinancing.

 **RATE LOCK.** When interest rates are volatile, many borrowers want to “lock in” an interest rate and many lenders will oblige, setting a limit on the amount of time the guaranteed interest rate is in effect.

RATE SHEETS. Forms prepared by each Lender providing all pertinent information regarding the loan programs or types of loans available and the costs involved with the loan programs and interest rates available accordingly.


 **RATIFICATION.** The adoption or approval of an act performed on behalf of a person without previous authorization, such as the approval by a principal of previously unauthorized acts of an agent, after the acts have been performed.


 **RATIFIED.** Approved after the fact.


RATING EXPOSURES. Variables that affect the rating formula.

RATIO CAPITALIZATION. Describes any capitalization method that uses the typical ratio of income to value to convert projected income into a value estimate for the property (or property component) under appraisal. Includes direct capitalization, as well as land, building, and equity residual capitalization methods, when sales price-income ratios are used.

RCF NUMBER. Unique number used to track the amount of calls from a specific ad.


 **READY, WILLING, AND ABLE BUYER.** One who is fully prepared to enter into the contract, really wants to buy, and unquestionably meets the financing requirements of purchase.

 **REAL ESTATE (REAL PROPERTY).** Land and anything growing on, attached to, or erected on it, excluding anything that may be severed without injury to the land.


 **REAL ESTATE AGENT.** A real estate agent has a state license to represent a buyer or a seller in a real estate transaction in exchange for a commission. Most agents work for real estate brokers.

REAL ESTATE ATTORNEY. A lawyer who specializes in real estate transactions.

REAL ESTATE BOARD. An organization whose members consist primarily of real estate brokers and salespersons.

 **REAL ESTATE BROKER.** A real estate agent who is licensed by the state to represent a buyer or seller in a real estate transaction in exchange for a commission. Most brokers also have agents working for them, and are entitled to a portion of their commissions.


REAL ESTATE CYCLE. The cycle of supply and demand in real estate that is affected by the business cycle. The changing cycle results in changes in the level of activity for building, lending, purchasing, and leasing real estate. The cycle swings between the extremes of a buyer's market and a seller's market.


 **REAL ESTATE INVESTMENT TRUST (REIT).** A Real Estate Investment Trust is a business trust which deals principally with interest in land, generally organized to conform to the Internal Revenue Code; the trusts are publicly traded companies that own, develop, and operate commercial properties.

REAL ESTATE MORTGAGE INVESTMENT CONDUIT (REMIC). A tax entity created by the Tax Reform Act of 1986 that issues multiple classes of investor interests (securities) backed by a pool of mortgages. It avoids the double taxation generally imposed on similar corporations.


REAL ESTATE MORTGAGE TRUST (REMT). A type of REIT that buys and sells real estate mortgages, rather than the real estate itself.

REAL ESTATE PROFESSIONAL ASSISTANT (REPA). The designation of a real estate assistant who has completed the course offered by the National Association of REALTORS®.

 **REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA).** A federal law requiring the disclosure to borrowers of settlement (closing) procedures and costs by means of a pamphlet and forms prescribed by the United States Department of Housing and Urban Development (HUD). RESPA also outlaws kickbacks in the real estate business.


 **REAL ESTATE SYNDICATE.** An organization of investors usually in the form of a limited partnership who have joined together for the purpose of pooling capital for the acquisition of real property interests.


REAL ESTATE TRUST. A special arrangement under Federal and State law whereby investors may pool funds for investments in real estate and mortgages and yet escape corporation taxes, profits being passed to individual investors who are taxed.


 **REAL PROPERTY (REAL ESTATE).** Land and anything growing on, attached to, or erected on it, excluding anything that may be severed without injury to the land.


REAL PROPERTY ADMINISTRATOR (RPA). The most widely used designation in the asset and property management fields. It applies to overall property management and administration. The designation is offered by the Building Owners and Managers Institute (BOMI).


REAL PROPERTY LOAN LAW. Article 7 of Chapter 3 of the Real Estate Law under which a real estate licensee negotiating loans secured by real property within a specified range is required to give the borrower a statement disclosing the costs and terms of the loan and which also limits the amount of expenses and charges that a borrower may pay with respect to the loan.

 **REAL PROPERTY SALES CONTRACT.** An agreement to convey title to real property upon satisfaction of specified conditions which does not require conveyance within one year of formation of the contract.

 **REALTIST.** A designation for an agent or broker who is a member of the National Association of Real Estate Brokers.


 **REALTOR®.** A designation for an agent or broker who is a member of the National Association of Realtors®.

 **RECAPTURE.** The process of recovery by an owner of money invested by employing the use of a rate of interest necessary to provide for the return of an investment; not to be confused with interest rate, which is a rate of return on an investment.


 **RECAPTURE RATE.** The rate at which invested capital is returned to the investor, from a wasting asset, or one that is depreciating.

RECASTING. The act of redesigning an existing loan balance, in order to avoid a default. The loan period may be extended, payments reduced, or the interest rate periodically adjusted to help the distressed borrower.


RECEIVER. An impartial person appointed by the court to manage properties that are involved in foreclosure or other litigation. The receiver collects the property's rents and profits, and applies or disposes of them as directed by the court.

 **RECESSION.** A stage in the business cycle when production and supply surpass demand, resulting in unemployment and declining prices.


RECIPROCAL EASEMENTS. Easements created as covenants, to limit the use of the land for the benefit of all the owners in an entire tract. Typically at the site of a planned subdivision.


 **RECISSION.** The cancellation of a contract by law or consent by the parties involved.

RECOGNITION CLAUSE. A clause included in a blanket loan contract, used to purchase a tract of land for subdivision and development. It protects the rights of buyers of small parcels, in case of default by the developer.

 **RECONCILIATION.** The adjustment process of weighing results of all three appraisal methods to arrive at a final estimate of the subject property's market value. Also known as correlation.


RECONSTRUCTED OPERATING STATEMENT. The process of eliminating the inapplicable expense items for appraisal purposes and adjusting the remaining valid expenses, if necessary.


 **RECONVEYANCE.** The transfer of the title of land from one person to the immediate preceding owner. This instrument of transfer is commonly used to transfer the legal title from the trustee to the trustor (borrower) after a trust deed debt has been paid in full.

 **RECONVEYANCE DEED.** A deed that is issued to convey the property to the original owner, once the loan is repaid. Conveys title to property from a trustee to the borrower (trustor), upon payment in full of the secured debt.


RECORD KEEPING. Per USPAP, the Record Keeping section of the ETHICS RULE "identifies the record keeping requirements appraisers must follow."


RECORDED MAP SYSTEM. See lot, block, and tract system.

 **RECORDER.** A public official responsible for keeping the records of all real estate transactions.

 **RECORDING.** The process of placing a document on file with a designated public official for public notice. This public official is usually a county officer known as the County Recorder who designates the fact that a document has been presented for recording by placing a recording stamp upon it indicating the time of day and the date when it was officially placed on file. Documents filed with the Recorder are considered to be placed on open notice to the general public of that county. Claims against property usually are given a priority on the basis of the time and the date they are recorded with the most preferred claim going to the earliest one recorded and the next claim going to the next earliest one recorded, and so on. This type of notice is called “constructive notice” or “legal notice”

RECORDING FEE. A fee charged by real estate agents for conveying the sale of a piece of property into the public record.


 **RECOVERY.** A stage in the business cycle following a recession when consumers once again buy goods at reduced prices, increasing demand in relation to supply.


 **RECOVERY FUND.** A fund used to compensate individuals who have suffered losses due to fraudulent acts or misrepresentation by a real estate licensee. The fund is created and maintained with fees paid by real estate licensees, as part of their registration process with the state.

RECOVERY PLAN. A detailed outline of what needs to be done and by who after a disaster occurs.

RECOVERY RATE. The rate at which water can be heated from 50° F to 140° F (or 90° temperature variance, taking into account starting temperature and maximum allowable temperature for the water).


RECRUITING. The process of attracting, qualifying, and hiring for a business.


 **RECTANGULAR SURVEY.** Method of land measurement and legal description also known as Township and Range Survey System and U. S. Government Survey System to measure and describe Federal lands through survey. The system bases its descriptions of land on baselines which run east-west and meridians which run north-south from a specified reference point.


 **RECUSE.** Disqualify someone from an assignment.


RECYCLED MATERIAL. Material that would otherwise be destined for disposal but is diverted or separated from the waste stream, reintroduced as material feed-stock, and processed into marketed end-products.


RECYCLING. The practice of collecting reusable waste materials for reprocessing into new products. Glass, metal, paper and plastics can be recycled, as can salvaged construction materials.

 **RED FLAG.** A warning. Something that indicates a potential problem and deserves further investigation.


 **REDEEM.** To buy back; repurchase; recover.

 **REDEMPTION.** Buying back one's property after a judicial sale.

 **REDEMPTION PERIOD.** A period of time established by state law, during which a property owner has the right to recover real estate after a foreclosure or tax sale, by paying the sales price plus interest and costs.

 **REDLINING.** A lending policy, illegal in California, of denying real estate loans on properties in older, changing urban areas, usually with large minority populations, because of alleged higher lending risks without due consideration being given by the lending institution to the credit worthiness of the individual loan applicant.

REFERRAL. A client who is obtained through the recommendation of another.


 **REFINANCING.** The paying-off of an existing obligation and assuming a new obligation in its place. To finance a new, or extend or renew existing financing.

REFLECTANCE. The ratio of reflected light flux to incident light flux.

REFLECTED GLARE. Glare resulting from specular reflection of high luminance in polished or glossy surfaces in the field of view. See also Veiling reflection.

REFLECTION. The process by which incident light flux leaves a surface, or medium, from the incident side, without a change in frequency.

REFLECTIVE INSULATION. A metallic foil material (usually aluminum) designed to block radiant heat transfer across open spaces. Also called a radiant barrier.

 **REFORMATION.** An action to correct a mistake in a deed or other document.


REFRIGERANT. A chemical that condenses from a vapor to liquid and, in the process, decreases in temperature.


REGIONAL ANALYSIS. An analysis that considers the physical, economic, political, and social aspects of the region.


REGIONAL CENTER. A large retail shopping center (sometimes called a mall) with 400,000 to 800,000 square feet, a dozen major department stores, and 100 to 150 general merchandise and specialty shops. Customers are drawn from a distance of 5 to 15 miles.

REGIONAL MANAGER. A property manager who works for a large property management company and oversees the work of property supervisors or on-site managers.

REGISTERED PROPERTY MANAGER (RPM). A property management designation offered by the International Real Estate Institute (IREI).

 **REGRESSION ANALYSIS.** Statistical technique for calculating sales price or adjustments, or for estimating probable sales prices, or other variables.


 **REGRESSION, PRINCIPLE OF.** An appraisal term which states that the value of higher-end real estate can be brought down by the proximity of too many lower-end properties.


 **REGULATION Z.** The federal code issued under the Truth-in-Lending Act which requires that a borrower be advised in writing of all costs associated with the credit portion of a financial transaction.

REHABILITATION. The restoration of a property to satisfactory condition without drastically changing the plan, form or style of architecture.


REHABILITATION MORTGAGE. A mortgage that provides for the costs of repairing and improving a resale home or building.


REINFORCING BAR. Steel bars that are placed in concrete slabs, foundations, footings, piers, etc., to provide reinforcement. Also called rebar.


 **REINSTATE.** To bring current and restore.


 **REIT (REAL ESTATE INVESTMENT TRUST).** A Real Estate Investment Trust is a business trust which deals principally with interest in land, generally organized to conform to the Internal Revenue Code; the trusts are publicly traded companies that own, develop, and operate commercial properties.

RELATIVE HUMIDITY. The percentage of water vapor in the air in relation to the amount of water vapor the air could hold at that given temperature before condensing to liquid form.

 **RELEASE CLAUSE.** A stipulation that upon the payment of a specific sum of money to the holder of a trust deed or mortgage, the lien of the instrument as to a specifically described lot or area shall be removed from the blanket lien on the whole area involved.

 **RELEASE DEED.** An instrument executed by the mortgagee or the trustee reconveying to the mortgagor or trustor the real estate which secured the loan after the debt has been paid in full.


 **RELEASE OF LIABILITY.** An agreement that releases the borrower from obligation for repayment of a loan. •


 **RELICTION.** The exposing of previously covered land by receding water.


RELIEF VALVE. A valve that is set to open at a certain pressure level, in order to prevent the pressure in a container or system from reaching unsafe levels. Used in plumbing systems.

RELOCATION BENEFITS. Benefits provided by employers for new workers and can include moving costs, reimbursement for temporary housing and transportation, real estate agent assistance and discounted loans.


RELOCATION COMPANY. A firm that administers all aspects of moving in new employees to the community.

 **REMAINDER.** An estate which takes effect after the termination of the prior estate, such as a life estate. A future possessory interest in real estate.

 **REMAINDER DEPRECIATION.** The possible future loss in value of an improvement to real property.


 **REMAINDERMAN.** An individual who owns an estate in remainder estate.

REMAINING BALANCE. The amount of unpaid principal on a home loan.

 **REMAINING ECONOMIC LIFE.** The number of years between the structures estimated economic life and its effective age.

 **REMAINING TERM.** The original loan term minus the number of payments made.

 **REMEDICATION.** The removal of contaminants from a building or land.

 **REMEDY.** The means by which a right is enforced or by which the violation of a right is prevented or compensated. The four basic types of judicial remedies are (1) damages; (2) restitution; (3) coercive remedies; and (4) declaratory remedies.

REMIC. See real estate mortgage investment conduit.

REMODELING. Changes the basic; design or plan of the building to correct deficiencies.


REMT. See real estate mortgage trust.


RENEGOTIABLE-RATE MORTGAGE (RRM). A loan secured by a long term mortgage which provides for renegotiation, at pre-determined intervals, of the interest rate (for a maximum variation of five percent over the life of the mortgage).

RENEWABLE. A renewable product can be grown or naturally replenished or cleansed at a rate that exceeds human depletion of the resource.

RENEWABLE ENERGY. Energy produced from regenerative or virtually inexhaustible resources such as biomass, solar radiation, the wind, water, or heat from the Earth's interior.

RENEWABLE RESOURCES. Resources that are created or produced at least as fast as they are consumed, so that nothing is depleted.

 **RENOVATION.** Bringing back a property to its normal condition.


 **RENT.** Payment for the use or possession of a property, generally under a lease agreement.


RENT ABATEMENT. A free rental period.

RENT LOSS INSURANCE. A policy that covers any loss of rent or rental value in the event of fire or other damage that renders the property uninhabitable.

RENTABLE AREA. The total square footage of a building that can be rented, which excludes elements of the building that penetrate through the floor to areas below and their enclosing walls, such as stairs, elevator shafts, and vertical ducts.

 **RENTAL INCOME.** The total of the economic, or fair, rent for each of the units.

 **RENTAL PERIOD.** Length of time (days, weeks, months) between the rent payments.

 **RENTAL SURVEY.** An analysis of competitive rents used to identify the amount of income the subject property might generate.

RENT CONCESSIONS. Reduce rental rates or up-front costs, such as security deposits. Concessions are offered by the property owner to entice tenants to a property. Rent concessions may be given to a tenant for any type of property, and are sometimes necessary to attract tenants when demand is low.

RENT CONTROL. A collection of law that limits or prohibits rent increases in some communities. Also called rent stabilization.

RENTER'S INSURANCE. A policy that covers the replacement value of possessions.

RENT ROLL. List of tenants.


RENT-UP. The requirement of a lender, that the developer prove a certain percentage of the commercial space will be rented. The developer may have to do this in order to obtain financing, and the percentage required usually represents the rental income needed to break even.

REPAIRS. Alterations and improvements made to a property to maintain its condition or restore it to its original condition. Repairs are made to extend the useful life of the property.

REPAYMENT PLAN. When a borrower falls behind in mortgage payments, many lenders will negotiate a repayment plan rather than go to court.


REPLACEMENT COST. The cost to replace a structure with one having utility equivalent to that being appraised, but constructed with modern materials and according to current standards, design and layout.

REPLACEMENT RESERVE FUND. Money that is set aside from homeowners' assessments to replace common property, such as furniture in a planned development's community room.


 **REPLACEMENT VALUE.** The dollar amount required to replace any improvements that have been lost to fire, flood, wind, or other natural disasters.

REPLEVIN. A form of action for the recovery of personal property.


REPORT. Any communication, written or oral of an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment.


 **REPOSSESSION.** When a house is repossessed, it is taken back by the lender holding the mortgage.

REPRODUCTION COST. The cost of replacing the subject improvement with one that is the exact replica, having the same quality of workmanship, design and layout, or cost to duplicate an asset.

 **REQUEST FOR NOTICE.** A notice that is sent, upon request, to any parties who have an interest in a deed of trust, informing them of a default.

RESALE VALUE. The future value of a piece of property that can be affected by many factors, including the surrounding neighborhood, school scores, and economic and housing market conditions.


 **RESCISSION.** The cancellation of a contract and restoration of the parties to the same position they held before the contract was entered into.

 **RESCISSION OF CONTRACT.** The abrogation or annulling of contract; the revocation or repealing of contract by mutual consent by parties to the contract, or for cause by either party to the contract.

RESERVATION. A right retained by a grantor in conveying property.


RESERVE FUND. All homeowners associations set aside a certain amount of money for major repairs or improvements.

RESERVE REQUIREMENTS The amount of money and liquid assets the Federal Reserve requires member banks to set aside as a safety measure. The amount is usually a percentage of deposits.

 **RESERVES.** (1) In a common interest subdivision, an accumulation of funds collected from owners for future replacement and major maintenance of the common area and facilities. (2) With regard to mortgage loans, an accumulation of funds, collected by the lender from the borrower as part of each monthly mortgage payment, an amount allocated to pay property taxes and insurance when they are due.


RESIDENTIAL BROKERAGE. The business of helping homeowners sell and homebuyers purchase homes.


RESIDENTIAL LEAD-BASED PAINT HAZARD REDUCTION ACT OF 1992 (TITLE X). Effective on September 6, 1996 for owners of property with four or fewer units. A lead-hazard information brochure and disclosure form must be provided to a lessee by a landlord. In addition, the presence of any known lead-based paint must be disclosed.

 **RESIDENTIAL LEASE.** A lease used for one to four dwelling, single-family residences.

RESIDENTIAL PROPERTY. A property where people reside, including single-family residences, condominiums, and apartment buildings.

RESIDENT-MANAGER. A person employed to manage an apartment building on a part-time or full-time basis.

 **RESIDUAL.** In appraising, the income or value remaining after all deductions have been made.


 **RESIDUAL TECHNIQUES OF CAPITALIZATION.** Capitalization techniques that attribute income to a component of the property, such as land or building, or debt or equity, to analyze its value contribution to the total property.

RESNET. Residential Energy Services Network. National association that certifies HERS raters and whose standards are recognized by the federal government for verification of a building's energy performance.


RESOURCE ORIENTED INDUSTRIES. A business located near the supplies or raw material source in order to minimize transportation costs.

RESOURCE RECOVERY. The process of obtaining matter or energy from materials formerly discarded.


RESOURCES. Materials found in the environment that can be extracted economically. Resources are abiotic resources (non-renewable) and biotic resources (renewable).


 **RESPA (REAL ESTATE SETTLEMENT PROCEDURES ACT).** A federal law requiring the disclosure to borrowers of settlement (closing) procedures and costs by means of a pamphlet and forms prescribed by the United States Department of Housing and Urban Development (HUD). RESPA also outlaws kickbacks in the real estate business.

RESPONDENT SUPERIOR. The superior is responsible for the acts of the subordinate.

 **RESTRICTED LICENSE.** Probationary license issued when a license has been suspended, revoked, or denied after a hearing.

RESTRICTED USE APPRAISAL REPORT. The briefest presentation of an appraisal and contains the least detail. Called restricted use because the client is the only intended user of the report.

 **RESTRICTION.** A limitation on the use of real property; property restrictions fall into two general classifications - public and private. Zoning ordinances are examples of the former type. Restrictions may be created by private owners, typically by appropriate clauses in deeds, or in agreements, or in general plans of entire subdivisions. Usually they assume the form of a covenant, or promise to do or not to do a certain thing.

 **RESTRICTIVE COVENANT.** A clause in a deed or lease that restricts the way the property may be used or occupied, such as lot size, building lines, type of architecture, and land uses.

RESTRUCTURED LOAN. A mortgage in which new terms are negotiated.


RETAIL. Consumer goods and services from a fixed location such as a store or shop.

RETAIL PROPERTY. Property used for retailing.


RETAIL TRADE AREA. Geographical area from which customers are attracted to the retail establishment.


RETAINING WALLS. Walls constructed to hold back soil and prevent erosion.

RETALIATORY ACTIONS. Raising the rent, reducing services provided to the tenant, or evicting the tenant.

 **RETALIATORY EVICTION.** An eviction that occurs in revenge for some complaint made by the tenant.


RETIREMENT COMMUNITY. Planned community for residents who either have retired from an active work life or have reached a set age.


 **RETROFIT.** Modification of an existing building or facility to include new systems or components.


 **RETROSPECTIVE VALUE.** The value of the property as of a previous date.

RETURN. Profit from an investment; the yield.


RETURN AIR. Air that has circulated through a building as supply air and has been returned to the HVAC system for additional conditioning or release from the building.


 **RETURN OF INVESTMENT.** Recapture or conversion of the investment in real estate to cash or other valuable assets.


 **RETURN ON INVESTMENT.** The amount of profit a property generates.

 **REVERSE ANNUITY MORTGAGE (RAM).** Type of mortgage applicable to senior citizens in which the lender makes periodic payments to the borrower from the borrower's equity in their home, thus providing the borrower with a cash annuity.


REVERSE DIRECTORY. A directory from which you can obtain a subscriber's name and address, when only a telephone number or e-mail address is known.

 **REVERSE MORTGAGE.** A special type of loan available to equity-rich, older owners. Repayment is not necessary until the borrower sells the property or moves into a retirement community.

 **REVERSION.** The right to future possession or enjoyment by a person, or the person's heirs, creating the preceding estate. (For example, at the end of a lease.)

 **REVERSIONARY INTEREST.** The interest which a person has in lands or other property, upon the termination of the preceding estate; a future interest.

REVERSIONARY VALUE. The estimated value of a property at the expiration of a certain time period.

 **REVOCATION.** The canceling of an offer to contract by the person making the original offer.

 **REVOKE.** Recall and make void.


REZONING. A change or amendment made to the zoning in a geographic area.

RIDER. A supplement to; an addition to; an endorsement to a document.

 **RIDGE BOARD.** A horizontal board that serves as the apex of the roof structure.


RIDGE VENT. A vent located along the ridge board of the roof that allows moisture to escape.

 **RIDGELINE.** The peak of a roof.

 **RIGHT OF APPROPRIATION.** The act of the government to divert water for public use.


RIGHT OF FIRST REFUSAL. An agreement by a property owner to give another person the right to buy or rent the property before it goes on the open market.

RIGHT OF REPLEVIN. The tenant has a legal right to recover personal property unlawfully taken by the landlord.


 **RIGHT OF SURVIVORSHIP.** The right of a surviving tenant or tenants to succeed to the entire interest of the deceased tenant; the distinguishing feature of a joint tenancy.

RIGHT OF WAY. A privilege operating as an easement upon land, whereby the owner does by grant, or by agreement, give to another the right to pass over owner's land, to construct a roadway, or use as a roadway, a specific part of the land; or the right to construct through and over the land, telephone, telegraph, or electric power lines; or the right to place underground water mains, gas mains, or sewer mains.


RIGHT, TITLE, AND INTEREST. A term used in deeds to denote that the grantor is conveying all of that to which grantor held claim.


 **RIGHT TO RECISSION.** A provision in the federal Truth-in-Lending Act that allows borrowers to cancel certain kinds of loans within three days of signing.

RIGID BOARD INSULATION. Fibrous materials or plastic foams shaped into board-like forms to provide thermal and acoustical insulation.

 **RIPARIAN RIGHTS.** The right of a landowner whose land borders on a stream or watercourse to use and enjoy the water which is adjacent to or flows over the owners land provided such use does not injure other riparian owners.

RISE. The vertical distance from the eaves line to the ridge.

 **RISK.** The possibility of incurring loss or misfortune.

 **RISK ANALYSIS.** A study made, usually by a lender, of the various factors that might affect the repayment of a loan.

RISK AVERSE. Extremely cautious.

RISK AVOIDANCE. The conscious act of not doing something that might have a risk.

RISK MANAGEMENT. The practice of selecting cost effective ways to minimize the effect of risks to the business.

RISK MANAGEMENT PLAN. The analysis of likely risks with both high and low impact, as well as mitigation strategies.


RISK RATING. A process used by the lender to decide on the soundness of making a loan and to reduce all the various factors affecting the repayment of the loan to a qualified rating of some kind.

RISK REDUCTION. The methods that reduce the severity of the loss or the likelihood of the loss from occurring.

RISK RETENTION. Accepting the loss when it occurs because the cost of insuring against the loss would be greater over time than the total losses sustained.

RISK TRANSFER. Transferring the risk to someone or something else, i.e. purchasing insurance.

ROCKWOOL INSULATION. Dirty grey insulation spun from the slag from refining metals.

 **ROD.** A length measuring the equivalent of 5 1/z yards or 16 1/2 feet.

 **ROI (RETURN ON INVESTMENT).** The amount of profit a property generates.


ROLLOVER MORTGAGE. A loan that allows the rewriting of a new loan, at the termination of a prior loan.

ROTUNDA. A room or building, shaped in a circle, usually with a domed roof.

ROUGH-IN. The installation of plumbing, electrical and other mechanical systems.

ROUNDING. Expressing an amount as an approximate number.

ROUTINE MAINTENANCE. Maintenance work planned and performed on a regular basis.

 **ROW HOUSES.** A method of construction of individual houses, with common side walls and a common roof. Also referred to as townhouses.

RPA. See Real Property Administrator.


RPM. See Registered Property Manager.

RRM. See Renegotiable-Rate Mortgage.

RSI. A unit of measurement of resistance to heat flow in m²o C/W per 25 mm. R = 0.17.

RULES. In appraisal, the rules in USPAP include: the ETHICS RULE, the COMPETENCY RULE, the SCOPE OF WORK RULE, and the JURISDICTIONAL EXCEPTION RULE.


RUN. (1) The width of a single stair tread as measured from front to back. (2) The horizontal distance covered by a flight of stairs.

 **RUNS WITH THE LAND.** The transfer of rights or covenants, affecting property, to successive owners.


RUNOFF. Water from rainfall or irrigation that flows off of land, instead of soaking in. It effectively becomes a lost resource, and contributes to non-point source pollution.


RURAL. An area outside of an established urban area or metropolitan district.

RURAL HOUSING SERVICE. A U.S. Department of Agriculture program that provides financing to farmers and certain borrowers to purchase rural property when other funds are not available.


 **S&L (SAVINGS AND LOAN ASSOCIATION).** A depository financial institution, federally or state chartered, that obtains the bulk of its deposits from consumers and holds the majority of its assets as home mortgage loans.


SAFETY CLAUSE. Clause protecting listing broker's commission, if the owner personally sells the property to someone who was shown the property or made an offer during the term of the listing.


 **SALE AND LEASEBACK.** A financial arrangement where at the time of sale the seller retains occupancy by concurrently agreeing to lease the property from the purchaser. The seller receives cash while the buyer is assured a tenant and a fixed return on buyer's investment.

 **SALE-LEASEBACK-BUY-BACK.** A sale and leaseback transaction in which the leaseholder has the option to buy back the original property after a specified period of time.

SALE-RESALE ANALYSIS. A method for determining adjustment or depreciation amounts that is useful when a property sells and is resold in a relatively short period of time. Assuming both sales are arm's-length, open market transactions, and assuming that there have been no significant changes to the property during the time between the two sales, the difference in price could be a basis for a time adjustment.

 **SALES COMPARISON APPROACH.** An appraisal method based on the principles of substitution that compares similar properties, which have recently sold, to the subject property. Also called the market data approach, market approach, or comparison approach.

 **SALES CONTRACT.** A contract by which buyer and seller agree to terms of a sale; a contract signed by the buyer and seller that detail the terms of a home purchase.


 **SALES PRICE.** The actual price that a buyer pays for a property.

SALESPERSON. A person who is employed by a licensed real estate broker to perform a variety of acts in the business of real estate. Salespeople may be either employees of, or independent contractors to a broker. In some states, the salesperson is called a sales associate.

SALES PROMOTION. The various short-term marketing activities used to supplement traditional advertising.


SALES TAX. A tax paid by consumers, collected by a retailer as a percentage of the retail sales of a product and forwarded to the appropriate state collecting authority.

SALTBOX STYLE. A design that dates to colonial times and takes its name from the shape of saltboxes.

 **SALVAGE VALUE.** In computing depreciation for tax purposes, the reasonably anticipated fair market value of the property at the end of its useful life and must be considered with all but the declining balance methods of depreciation.

SAM. *See* Shared Appreciation Mortgage.

SAMPLE. A defined group within the whole that appraisers work with when analyzing statistical data.


 **SANDWICH LEASE.** A leasehold interest which lies between the primary lease and the operating lease.

SANITARY SEWER. The drain line in a house that carries away food and human wastewater to a municipal sewer system or a septic system.

SANTA FE STYLE. A housing style with thick, earth-colored adobe walls and a flat roof with rounded parapets. Windows and heavy wooden doors are set into deep openings. The roof has red clay tile accents, and the enclosed patios add a Spanish influence.

SASH. Wood or metal frames containing one or more window panes.


SATELLITE OFFICE. Small office used for maintaining corporate management offices off-site.

 **SATISFACTION.** Discharge of a mortgage or trust deed from the records upon payment of the debt.

SATISFACTION PIECE. An instrument for recording and acknowledging payment of an indebtedness secured by a mortgage.

SATURATION. In marketing, saturation occurs when a product is widely distributed in the market area as the result of widespread competition to market and sell the same product (supply exceeds demand).


SATURATION ZONE. The area below the water table.

 **SAVINGS AND LOAN ASSOCIATION (S&L).** A depository financial institution, federally or state chartered, that obtains the bulk of its deposits from consumers and holds the majority of its assets as home mortgage loans.


SAW-TOOTH ROOF. A series of single-pitched roofs, resembling the sharp edge of a saw. Usually used in factories, this roof contains windows in each facing to allow maximum lighting. Not used in modern construction.

SBA. *See* Small Business Administration.


SCAB. A gusset plate or other flat brace used for bolting, nailing, screwing, or otherwise connecting two framing components.

 **SCARCITY.** Less availability of a commodity in the marketplace resulting in increased value when demand exceeds supply.

SCATTERED-SITE RENTALS. Rentals that are more time consuming and costly to manage because they are owned by different investors and spread over a large geographic area.

 **SCENIC EASEMENT.** An easement created to preserve a property in its natural state and prevent its development.

SCHEDULED GROSS INCOME (SGI). All of the income a property is scheduled to produce.


 **SCHEDULED RENT.** Rent paid by agreement between lessor and lessee. Also called contract rent.

SCHEMATIC DESIGNS. Renderings of floor plans and the exterior of a house.

SCHOLARLY VOICE. Learning to think and write clearly using specific, concise, and polished language like a scholar.

SCI. The mnemonic for three approaches to value: Sales comparison approach, Cost approach, and Income approach.

SCOPE OF WORK RULE. The SCOPE OF WORK RULE requires the appraiser to do all the analysis necessary to complete the appraisal assignment and provide reliable and credible results. The SCOPE OF WORK RULE requires the appraiser to identify the problem to be solved (Problem Identification), determine and perform the scope of work necessary to develop credible assignment results (Scope of Work Acceptability), and disclose the scope of work in the report (Disclosure Obligations).

 **S CORPORATION.** A corporation that operates like a corporation, but is treated like a partnership for tax purposes.

SCRAP VALUE. The value imputable to components of a structure, such as lumber, copper, roofing materials, or bricks, if they are removed from the existing premises for use elsewhere.

SCRIBING. Fitting woodwork to an irregular surface.

SCRUBBER. An air pollution control device used to remove airborne particulates and water-soluble vapors and gases from gaseous emissions. The process used may be wet scrubbing or dry scrubbing.


SEAL. An impression made to attest the execution of an instrument.


SEALED COMBUSTION. A combustion appliance, such as a furnace, water heater, or fireplace, acquires all air for combustion through a dedicated sealed passage from the outside; combustion occurs in a sealed combustion chamber, and all combustion products are vented to the outside through a separate dedicated sealed vent.

SEASONAL ENERGY EFFICIENCY RATIO (SEER). SEER measures the average cooling efficiency over the entire cooling season for an air conditioner or heat pump. The higher this number the better.


SECOND EMPIRE STYLE. Symmetrical, boxy, vertical two-to- three story houses. Typical ornamentation includes paired columns and elaborate wrought iron along the rooftop, and a high, boxy mansard roof with a trapezoid shape.


 **SECOND MORTGAGE.** Another loan placed upon a piece of property.


 **SECONDARY FINANCING.** A loan secured by a second mortgage or trust deed on real property. These can be third, fourth, fifth, sixth mortgages or trust deeds, on and on “ad infinitum (Latin phrase meaning *to infinity*).”


 **SECONDARY MORTGAGE MARKET.** A market of packaged home loans that are resold as securities to investors. Major players are Fannie Mae and Freddie Mac.


SECONDHAND DATA. Data from reliable sources such as title companies, multiple listing services, and appraiser's files.


 **SECRET PROFIT.** Undisclosed profit made by a broker at his or her principal's expense.

 **SECTION.** Section of land is established by government survey, contains 640 acres and is one mile square.


 **SECTION 8 PROGRAM.** One program of the U.S. Department of Housing and Urban Development (HUD). The Section 8 program subsidizes the rent of low- and moderate-income tenants.


 **SECURED LOAN.** Any loan backed by collateral.

 **SECURED PARTY.** This is the party having the security interest. Thus the mortgagee, the conditional seller, the pledgee, etc., are all now referred to as the secured party. (Uniform Commercial Code)


 **SECURITIZATION.** The pooling of traditional bank assets, loans, mortgages, or other non-tradeable financial transactions for the purpose of converting them into tradeable securities.


 **SECURITY.** A piece of property designated as collateral.

 **SECURITY AGREEMENT.** An agreement between the secured party and the debtor which creates the security interest. (Uniform Commercial Code)

 **SECURITY DEPOSIT.** Refundable deposit of money made to assure performance of an obligation.

 **SECURITY INSTRUMENT.** A legal document, given by the borrower to the lender, pledging the title of the property to the lender as collateral for the loan.


 **SECURITY INTEREST.** A term designating the interest of the creditor in the property of the debtor in all types of credit transactions. It thus replaces such terms as the following: chattel mortgage; pledge; trust receipt; chattel trust; equipment trust; conditional sale; inventory lien; etc., according to Uniform Commercial Code usage.

 **SEISIN (SEIZIN).** Possession of real estate by one entitled thereto.


SELF-CONTAINED APPRAISAL REPORT. Contains the most detailed information. Self-contained means that everything the user of the report needs to understand the appraisal results is contained within the report.

SELF INSURANCE. Another phrase for risk retention.

SELLER BROKER. A seller broker represents the interest of the seller.


 **SELLER CARRY-BACK.** An agreement in which the seller provides financing for a home purchase.

SELLER TAKE-BACK. An agreement in which the seller provides financing for a home purchase.

 **SELLER'S MARKET.** The market condition which exists when a seller is in a more commanding position as to price and terms because demand exceeds supply; a hot real estate market in which sellers have the advantage and multiple offers are common.

SELLER'S STATEMENT. A record of the financial proceeds the sellers will receive, upon the closing of a real estate transaction.

 **SELLING PRICE.** The actual price that a buyer pays for a property.


 **SEMIANNUAL.** Twice per year, at six month intervals.

SEMI-CUSTOM HOME. The buyer of a semi-custom home is free to make some design changes but not to the home's structural plan.

 **SEMIMONTHLY.** Twice a month.

 **SENIOR LOAN.** A real estate loan that has first priority.

SENTIMENTAL VALUE. The value imputable to a property because of a close personal interest or relationship by the owner or potential owner.

 **SEPARATE PROPERTY.** Property owned by a married person in his or her own right outside of the community interest including property acquired by the spouse (1) before marriage, (2) by gift or inheritance, (3) from rents and profits on separate property, and (4) with the proceeds from other separate property.

SEPTIC SYSTEM. A self-contained sewage treatment system that distributes wastewater to an underground storage area and relies on bacterial action to decompose solid waste matter.

SEPTIC TANK. An underground tank in which sewage from the house is reduced to liquid by bacterial action and drained off.

SERVICE ENTRANCE. Electric service components from the point of utility company supply to the service equipment or service panel.

SERVICE INCOME. Income derived from laundry facilities, vending machines, video/DVD/CD rentals, and selling utility services to tenants.


SERVICE OF PROCESS. The official act of notifying a defendant of an upcoming lawsuit, and the delivery of his or her summons. Service is usually performed by the sheriff.


SERVICER. A firm that collects mortgage payments and manages borrowers' escrow accounts.

SERVICING FEE/RATE. The fee earned by a servicer for administering a loan for an investor, usually expressed as a percentage of the unpaid principal balance of the loan and deducted from the monthly mortgage payment.

SERVICING LOANS. Supervising and administering a loan after it has been made. This involves such things as: collecting the payments, keeping accounting records, computing the interest and principal, foreclosure of defaulted loans, etc.

 **SERVIENT TENEMENT.** The property that is burdened by an easement.

 **SETBACK ORDINANCE.** An ordinance requiring improvements built on property to be a specified distance from the property line, street or curb.

 **SETTLEMENT.** Process by which ownership of real property or title to the property is passed from seller to buyer.

SETTLEMENT STATEMENT. A document that details who has paid what to whom.

SETTLOR. One who creates a trust.

 **SEVERALTY OWNERSHIP.** Owned by one person only; sole ownership.

SEVERANCE DAMAGE. In eminent domain actions, the damage to the remainder of a property resulting from a part take of the whole property and the construction of the improvements as proposed.


SEWAGE SYSTEM. Pipelines or conduits, pumping stations, force mains, and all other structures, devices, and facilities used for collecting or conducting wastes to a point for treatment or disposal.


SEWER. A channel or conduit that carries wastewater and storm water runoff from the source to a treatment plant or receiving stream.

SFR. See single-family residence.

SGI. See scheduled gross income.

SHADING COEFFICIENT (SC). The amount by which the window reduces heat gain. The lower the shading coefficient, the less solar heat is admitted.

 **SHAKE.** A thick wooden shingle, hand cut from logs, used for roofing or siding.

 **SHARED APPRECIATION MORTGAGE (SAM).** A loan having a fixed rate of interest set below the market rate for the term of the loan which also provides for contingent interest to be paid to the lender on a certain percentage of appreciation in the value of the property against which the loan is secured upon transfer or sale of the property or the repayment of the loan.


SHARED-EQUITY TRANSACTION. A transaction in which two buyers purchase a property, one as a resident co-owner and the other as an investor co-owner.


SHED CEILING. A shed ceiling pitches upward at one end.

SHED STYLE. This housing style is modern and is characterized by its asymmetrical style and multiple roofs sloping in different directions.


SHED ROOF. A shed roof pitches up longer on one side than the other.

SHELL. Building being leased that has walls, concrete floor, lighting, HVAC, standard plumbing, bathrooms, and electrical outlets.

 **SHERIFF'S DEED.** Deed given by court order in connection with sale of property to satisfy a judgment.

 **SHERMAN ANTITRUST ACT.** Federal law created to protect consumers from price fixing.

SHINGLE STYLE. An alternative style of Victorian homes that evolved in the late 19th century to simplify the complexity of the traditional Victorian house.

 **SHINGLES.** Thin, wedge-shaped pieces of wood or flat rectangular pieces of slate, mineral fiber, glass fiber or composition asphalt installed on a roof to prevent water seepage.


SHOE MOLDING. An unobtrusive finish trim between the floor and the baseboard designed to hide any irregularities in the seam between the floor and wall or baseboard.

SHOPPING CENTER. A classification of retail stores, characterized by off-street parking and clusters of stores, subject to a uniform development plan. A careful analysis should be made to determine the proper merchant mix for maximum profitability.

SHORELINE. The intersection of the land with the water (mean high water line).

SHORING. The use of timbers to prevent the sliding of earth at a construction site.


SHORT-LIVED. Structural components that are expected to be replaced or repaired on a consistent basis, throughout the life of the structure.


 **SHORT SALE.** A sale of encumbered real property that produces less money than is owed to the lender. The lender essentially decides to accept a loss and release the property from the mortgage or deed of trust, allowing the property to be sold free and clear. This is an alternative to foreclosure.


SHORT-TERM FLUCTUATIONS. Changes in business and economic activity that occur within the year.

SICK BUILDING SYNDROME (SBS). The EPA defines SBS as situations in which building occupants experience acute health and/or comfort effects that appear to be linked to time spent in a particular building, but where no specific illness or cause can be identified. The complaints may be localized in a particular room or zone, or may be spread throughout the building. Occupants experience relief of symptoms shortly after leaving the building.

SIDELIGHTS. Tall, narrow windows that flank the entry door. These windows are characteristic of Greek revival and are found in Neo-Eclectic houses.


 **SIDE YARD SETBACK.** The distance a building must be set back from the lot line at the side of the property.

 **SIDING.** Any variety of materials used as final covering on the exterior of a house. Materials such as aluminum, wood, or vinyl siding eliminate the need for repeated painting.


 **SIGNATURE.** A mark or name upon a document or instrument, in order to make it valid. In real estate, to be acceptable for recordation, a signature generally must be in black ink and be one's full legal name.


SIGNIFICANT DIGITS. Those that go from the first numeral on the left over to the last numeral on the right that is not a zero.


SIGNS. Any printed displays used to advertise the availability of real estate. The REALTOR® Code of Ethics states that signs should be placed on listed property only with the consent of the owner.


 **SILL (MUD SILL).** The lowest horizontal member of the house frame, which rests on top of the foundation wall and forms a base for the studs. It is used to connect the exterior wall studs and floor joists. The term can also refer to the lowest horizontal member in the frame for a window or door.

SILL COCK. An exterior threaded faucet connection for garden hoses that provides water outside a home.

 **SILL PLATE.** A horizontal piece of wood placed on top of the foundation.

 **SIMPLE INTEREST.** Interest computed on the principal amount of a loan only as distinguished from compound interest.


 **SINGLE AGENCY.** The representation of only one party in a real estate transaction.


 **SINGLE-FAMILY RESIDENCE (SFR).** A building that is designed for, and occupied by, one family.

 **SINGLE NET LEASE.** An arrangement whereby the tenant pays the rent, plus utilities, property taxes, and any special assessments on the property.

SINGLE-GLAZED WINDOW. A window frame with only one layer of glass offering very little insulating value, which accounts for considerable heat loss or gain.

SINGLE-HUNG WINDOWS. The bottom portion of the window slides up; commonly found in Ranch and modern style houses.

 **SINKING FUND.** Fund set aside from the income from property which, with accrued interest, will eventually pay for replacement of the improvements.

 **SITE.** Land that has been prepared for use with grading, utilities, and access.


SITE ASSESSMENT. Environmental analysis conducted as a stage in planning to assess a variety of measures from soils, topography, hydrology, environmental amenities such as wetlands, wind direction, solar orientation, animal and plant habitat, connections to community, etc.

SITUS. The position, situation, or location of a piece of land in a neighborhood.

SIX FUNCTIONS OF \$1. Compound interest factors that are used in finance to adjust present or future payments for the time value of money.

SKYLIGHT. A window in a roof that allows natural light to illuminate a room.


SKYSCRAPER. Tall, steel-framed structures that are used for offices, residences, or hotels.

 **SLAB FOUNDATION.** A foundation built directly on soil with no basement or crawl space.

SLANDER OF TITLE. False and malicious statements disparaging an owner's title to property and resulting in actual pecuniary damage to the owner.

SLIDER WINDOW. A window that is composed of two windows, or sashes, that glide open and closed on a metal track.


SLOGAN. A motto expressing the goals or nature of a business.

 **SLOPE.** (1) The degree of roof incline, expressed as the ratio of the rise, in inches, to the run, in feet. (2) The degree to which a piece of land deviates from level. It may be expressed in degrees of an angle, as a ratio of vertical rise to horizontal run, or as a decimal.

SLUDGE. A semi-solid residue from any of a number of air or water treatment processes.

SLUDGE COMPOSTING. Process of composting treated municipal sewage waste with organic matter for use as a soil amendment.

SMA. See Systems Maintenance Administrator.

 **SMALL BUSINESS ADMINISTRATION (SBA).** The federal governmental agency that guarantees loans made by banks to small businesses.

SMALL WIND TURBINE. Wind turbine with 100 kilowatts or less of rated power to meet the demands of a home, farm, or small business.

SMART BUILDING. A type of building that incorporates new technologies and systems in its structural aspects. At the time of construction, builders incorporate energy-saving and technology-ready systems to reduce operating costs and benefit the environment.

SMART GRID. Advanced electricity transmission and distribution network (grid) that utilizes digital information and controls to improve reliability, security, and efficiency.

SMART GROWTH. Reconciling the needs of development with the quality of life. Smart growth focuses on revitalizing older suburbs and older city centers.

SMART METER. Advanced electricity meter that utilizes sensors to provide information on power consumption and price.


SMART OBJECTIVES. Objectives should be specific, measurable, attainable, relevant, and timely.

SMART SPRINKLER CONTROLLER. A water sprinkler control system that automatically adjusts the level of lawn watering based on weather and seasonal conditions.

SMOG. Air pollutants -dust, smoke, factory emissions and vehicle exhausts -usually centered on urban areas. Typical chemical components of smog include ozone, sulfur dioxide, nitrogen dioxide, and carbon monoxide.

SNOB ZONING. Zoning used to reduce residential density, by requiring large building lots.


SODIUM SILICATE. A liquid used in asbestos encapsulation, concrete and mortar waterproofing, and high-temperature insulations (also called water glass). This substance is nontoxic when cured but caustic when wet.

 **SOFFIT.** An external area under the overhang of a roof.

SOFTSCAPE. The planting and maintenance of vegetation around a house to prevent erosion and improve its aesthetic appearance.

 **SOIL.** The upper layer of ground that supports plant life.

SOIL PIPE. A pipe that carries waste from the house to the main sewer line.

 **SOILS TEST.** A test of the subsoil to ensure that foundations can be safely constructed.


SOLAR ACCESS. Access to the sun's rays by, for instance, restricting the location of shade trees or laying out the building so as to maximize the usefulness of solar energy.

SOLAR ALTITUDE. In solar analysis, the vertical angular distance of a point in the sky above the horizon. Altitude is measured positively from the horizon to the zenith, from 0 to 90 degrees.

SOLAR ARRAY. A number of solar modules connected together and appropriately mounted so as to provide a single substantial electrical output from the solar radiation falling on them.

SOLAR AZIMUTH. In solar analysis, the horizontal angular distance between the vertical plane containing a point in the sky (usually the sun) and true south.

SOLAR COLLECTOR. Device which uses the sun's energy to perform some kind of mechanical advantage which would normally be supplied by a non-renewable energy source. Photovoltaic panels (PVs) which convert the sun's energy directly into electricity, and solar hot water panels, which heat pre-heat water before sending it into a hot water heater are two examples.

 **SOLAR EASEMENT.** Easement for the purpose of receiving sunlight across real property of another for any solar energy system.

SOLAR ENERGY. Energy received from the sun in the form of electromagnetic radiation in the wavelength region from 0.3 to 2.7 microns. This includes all visible light as well as some ultraviolet and infrared radiation.

SOLAR HEAT GAIN COEFFICIENT (SHGC). The measure of the amount of solar energy that passes through the window.

 **SOLAR POWER.** Converting sunlight into electricity.

SOLAR RADIATION. The full spectrum of electromagnetic energy including visible light from the sun. When solar radiation strikes a solid surface or a transparent medium such as air or glass, some of the energy is absorbed and converted into heat energy, some is reflected, and some is transmitted. All three of these effects are important for effective passive solar design.

SOLDIER'S AND SAILOR'S RELIEF ACT. A federal law designed to protect persons in the military service from loss of property when their ability to make the payment has been affected by their entering military service.

SOLE PLATE. A horizontal board, usually 2" x 4", on which wall and partition studs rest.


 **SOLE PROPRIETORSHIP.** A business owned and operated by one person.

SOLID WASTE. Non-liquid, non-soluble materials ranging from municipal garbage to industrial wastes that contain complex and sometimes hazardous substances. Solid wastes also include sewage sludge, agricultural refuse, demolition wastes, and mining residues.

SOP. See standard operating procedure.

SPACE LOSS FACTOR. The difference between the number of square feet (SF) in the lease and the actual measurable square footage within the demising walls.


SPALLING. The chipping, scarring, crumbling, or splitting of concrete that is often the result of the rusting of the reinforcing steel in the concrete.

 **SPAN.** The horizontal distance from eaves to eaves.

SPANISH MISSION STYLE. A design that is derived from the original missions established by the Spanish in the Southwest.

SPANISH COLONIAL REVIVAL STYLE. Houses that are rectangular, symmetrical, and two stories. They have low-pitched gable roofs with ceramic tiles, eaves with little or no overhang, stucco walls, wrought iron, and windows and doorways with round arches.


SPECIAL AGENT. A person employed to perform a specific task.

 **SPECIAL ASSESSMENT.** (1) Legal charge against real estate by a public authority to pay cost of public improvements such as street lights, sidewalks, street improvements. (2) In a common interest subdivision, a charge, in addition to the regular assessment, levied by the association against owners in the development, for unanticipated repairs or maintenance on the common area or capital improvement of the common area.

SPECIAL DEPOSIT ACCOUNT. Rehabilitation mortgages require a special deposit account from which restoration and remodeling funds included in the loan are disbursed to the appropriate contractors as work is completed.


SPECIAL FLOOD HAZARD AREA. Flood-prone area identified by FEMA. For appraisals, if the subject property is within a flood hazard zone, it needs to be noted in the appraisal report.

SPECIAL INFORMATION BOOKLET. When a potential homebuyer applies for a mortgage loan, the lender must give the buyer a Special-Information Booklet, which contains consumer information on various real estate settlement services.


 **SPECIAL POWER OF ATTORNEY.** A written instrument whereby a principal confers limited authority upon an agent to perform certain prescribed acts on behalf of the principal.

SPECIAL PURPOSE PROPERTY. Properties with unique and limited purposes within a community, such as mini-storage facilities, churches, and schools, making it difficult to convert to other uses.


 **SPECIAL-USE PERMIT.** See conditional-use permit.

 **SPECIAL WARRANTY DEED.** A deed in which the grantor warrants or guarantees the title only against defects arising during grantor's ownership of the property and not against defects existing before the time of grantor's ownership.

SPECIFICATIONS. The written requirements for materials, equipment, construction systems and standards.

 **SPECIFIC LIEN.** A lien placed against a certain property, such as a mechanic's lien, mortgage, and deed of trust, attachment, property tax lien, or lis pendens.


SPECIFIC MARKET. For real estate, the specific markets are residential property and commercial property.

 **SPECIFIC PERFORMANCE.** An action to compel performance of an agreement, e.g., sale of land as an alternative to damages or rescission.

SPECIFIC PLAN. A particular development site or area of the general plan.

SPECTROPHOTOMETER. An instrument for measuring the transmittance and reflectance of surfaces and media as a function of wavelength.

SPECULATION HOME. A home that has been built without a buyer.

 **SPHERE OF INFLUENCE.** A group of individuals whom you already know, who may choose to give you their business, or may refer you to someone who is in need of your services.

SPITE FENCE. Fence exceeding 10 feet in height erected for the purpose of annoying a neighbor.


SPLASH BLOCK. A slanted block used to divert runoff water from a downspout away from the foundation.


SPLIT FINANCING. A method of real estate financing in which land and improvements are financed separately. Often used by developers to obtain more financing than would be available with conventional financing.


SPLIT-FEE FINANCING. Separate financing for land and improvements.

SPLIT-LEVEL STYLE. A home that is a ranch-style house stacked to fit on a smaller lot and perhaps to accommodate a garage.

SPLIT-RUN AD. Two ads, one directory, separate RCF phone number for each ad type. Each ad is designed differently, as a method of testing the number of responses to each type of ad. The phone company sends a list to the advertiser each month of the number of calls resulting from each ad.

 planning context.


 **SQUARE FOOTAGE.** The number of square feet of livable space in a home or building.


 **SQUARE-FOOT METHOD.** A method for calculating reproduction or replacement cost by multiplying the cost per square foot by the building's area in square feet. The most common method used by appraisers and real estate agents to estimate the cost of construction.

SREA. Society of Real Estate Appraisers.

STACK EFFECT. The upward flow of warm air, creating a positive pressure area at the top of a building and negative pressure at the bottom.

STAGING. Preparing a home for maximum appeal to buyers.


 **STANDARD DEPTH.** Generally the most typical lot depth in the neighborhood.

 **STANDARD DEVIATION.** A measure of the extent of variability in a sample, that is, whether the observations are clustered near the mean or scattered throughout the range. Standard deviation is calculated by taking the square root of the sum of the squared differences between each observation and the mean of all observations, divided by the total number of observations.

STANDARD METROPOLITAN STATISTICAL AREA. Areas designated by the U.S. Office of Management and Budget that contain a city of 50,000 or more.


STANDARD OPERATING PROCEDURE (SOP). A procedure that has been established to increase efficiency, whenever specified, regularly occurring events take place.

STANDARD PAYMENT CALCULATION. A calculation that is used to determine the monthly payment necessary to repay the balance of a home loan in equal installments.

 **STANDARD POLICY.** A policy of title insurance covering only matters of record. It does not cover against clouds that are off record, such as encroachments, unrecorded easements, and boundary-line discrepancies.

STANDARDS. There are ten Standards within USPAP, and each Standard includes a series of Standards Rules.

STANDARDS RULES. A series of rules within USPAP that specify what the appraiser must do.

 **STANDARD SUBDIVISION.** A land division with no common or mutual rights of either ownership or use among the owners of the parcels created by the division.

STANDBY COMMITMENT. The mortgage banker frequently protects a builder by a “standby” agreement, under which banker agrees to make mortgage loans at an agreed price for many months into the future. The builder deposits a “standby fee” with the mortgage banker for this service. Frequently, the mortgage broker protects self by securing a “standby” from a long-term investor for the same period of time, paying a fee for this privilege.

STANDBY LOSSES. The loss of heat by conduction through the walls of the storage water tank and through the first few feet of water pipes. To reduce standby losses, insulate the tank, the first two feet of the cold-water inlet pipe, and the first three feet of the hot water outlet pipe.


STARE DECISIS. The legal doctrine that past decisions of courts stand as precedents for future decisions.

STARTER HOME. Homes that fall within the lower price range of a typical first-time buyer.

STARTUP BUDGET. Budget prepared to determine the costs of starting the business.

STARTUP COSTS. One-time costs or expenses for your business- advertising, computer equipment, etc.

STATEMENT OF CASH FLOW. Cash flow is the net spendable dollars remaining after paying all operating expenses. This report shows changes in the cash position of the company over a specific period.

 **STATEMENT OF INFORMATION.** A brief statement of facts relied on by title insurers to assist in the proper identification of persons.

STATEMENTS ON APPRAISAL STANDARDS. Part of USPAP, these statements clarify, interpret, explain, or elaborate on a Rule or Standard.


STATISTIC. A sample.


STATISTICAL SIGNIFICANCE. Degree to which a value is greater or smaller than is expected by chance.


STATISTICS. The science of collecting, classifying, and interpreting information based on the number of things.

SATUS. The legal position of an individual; i.e., adult, minor, etc.


 **STATUTE.** A law.


 **STATUTE OF FRAUDS.** A state law, based on an old English statute, requiring certain contracts to be in writing and signed before they will be enforceable at law, e.g., contracts for the sale of real property, contracts not be performed within one year.

 **STATUTE OF LIMITATIONS.** A statute limiting the period of time during which legal action may be taken on a certain issue. The statute attempts to protect against outdated claims, about which a true and just outcome may be difficult to determine.


 **STATUTORY.** Regarding laws created by the enactment of legislation, as opposed to law created by court decisions.

 **STATUTORY DISCLOSURES.** Disclosures that are required by law.


 **STATUTORY REDEMPTION PERIOD.** A limited period of time in which a debtor, whose property has been foreclosed upon and sold, may repay the debt and regain his or her property.

 **STATUTORY WARRANTY DEED.** A short term warranty deed which warrants by inference that the seller is the undisputed owner, has the right to convey the property, and will defend the title if necessary. This type of deed protects the purchaser in that the conveyor covenants to defend all claims against the property. If conveyor fails to do so, the new owner can defend said claims and sue the former owner.

STEEL FRAMING. A construction method used by commercial and residential builders.


 **STEERING.** The illegal practice of directing people to specific locations for housing accommodations, depriving them of choice. Steering is a violation of fair housing laws.

STEP-RATE MORTGAGE. A loan that allows a gradual increase in the interest rate during the first few years of the loan.

 **STEP-UP BASIS.** For income tax purposes. For capital gains calculations, the taxable gain is the difference between the basis of the property and the sales price. The step-up basis is the new value for a property, at fair market value, at the time of death of a co-owner, not at the time the property was purchased. For example, in community property, upon the death of one spouse, the value of the property becomes market value. Later, when the property is sold, the taxable gain for the entire property is the difference between the sales price and the new market value of the property.

STEP-UP LEASE. Sometimes called a graduated lease. Usually, a long-term lease with smaller payments in the beginning that is stepped-up to larger payments, upon the occurrence of a certain event or passage of a period of time.

STIGMATIZED PROPERTY. Property that buyers or tenants may avoid, for reasons which are unrelated to its physical conditions or features. Also known as psychologically impacted property.

 **STOCK COOPERATIVE.** A common interest development (CID) in which a corporation or trust holds title to the residential property and sells rights of tenancy, through the sale of stock. Stockholders in the corporation receive the right of exclusive occupancy of one of the units. Right of occupancy must be transferred with the stock.


STOCKS. Shares of ownership in a company or corporation.


STOP NOTICE. A notice given a construction lender by an unpaid contributor to a work of improvement for the purpose of intercepting loan funds.


STORAGE CAPACITY. The gallons of hot water a storage water heater can hold in the storage tank.

STORM SEWER. A drain line, which is not connected to the sewer line, removes all other wastewater from a home.


STORM WINDOWS. Sets of windows and screens that are installed on older double-hung windows.

 **STRAIGHT LEASE.** Lease agreement in which rent is a fixed amount that stays the same over the entire lease term.

 **STRAIGHT LINE DEPRECIATION.** A method of depreciation under which improvements are depreciated at a constant rate throughout the estimated useful life of the improvement.


 **STRAIGHT NOTE.** A note in which a borrower repays the principal in a lump sum at maturity while interest is paid in installments or at maturity. *See Interest Only Note.*

STRAIGHT PURCHASE. A transaction in which the buyer gives a new-home builder a deposit to begin building and the balance when the sale of the house closes.


 **STRAW MAN.** One who purchases property for another, in order to conceal the identity of the true purchaser.


STRIKE PLATE. The metal part of a lock that is anchored to the doorframe and holds the door closed.


STRIP CENTER. A small retail center located in the suburbs, containing half-a-dozen to a dozen stores of various kinds.


 **STUCCO.** A mixture of sand and cement used to cover the exterior surface or interior walls of a home or building.


STUDIO APARTMENT. Small self-contained, low rental apartment. Also known as a bachelor or efficiency apartment.


 **STUDS.** The upright pieces of lumber or steel in a wall to which panels, siding, drywall or other coverings are attached.


 **SUB-AGENT.** A person upon whom the powers of an agent have been conferred, not by the principal, but by an agent as authorized by the agent's principal.


 **SUBCONTRACTOR.** Specialty construction companies hired by the general contractor to perform certain tasks.


 **SUBDIVISION.** A legal definition of those divisions of real property for the purpose of sale, lease or financing which are regulated by law. For examples, see California Business and Professions Code Sections 11000, 11000.1, 11004.5; California Government Code Section 66424; United States Code, Title 15, Section 1402(3).


 **SUBDIVISION DEVELOPMENT METHOD.** A method of valuing land used for subdivision development. It relies on accurate forecasting of market demand, including both forecast absorption (the rate at which properties will sell) and projected gross sales (total income that the project will produce). Also called the land development method.


 **SUBDIVISION SYSTEM.** Also known as a recorded map system. See lot, block, and tract system.

 **SUBFLOORING.** The sheathing, usually made of plywood, placed on top of floor joists and covered by flooring.

 **SUBJACENT SUPPORT.** Absolute right of the property owner to have his or her land supported from beneath its surface.


 **SUBJECT PROPERTY.** The property that is being appraised.


 **SUBJECT TO A MORTGAGE.** When a grantee takes title to real property subject to a mortgage, grantee is not responsible to the holder of the promissory note for the payment of any portion of the amount due. The most that grantee can lose in the event of a foreclosure is grantee's equity in the property. In neither case is the original maker of the note released from primary responsibility. If liability is to be assumed, the agreement must so state.


 **SUBJECT TO CLAUSE.** A buyer takes over existing loan payments or an encumbrance but does not assume personal liability therefore.


SUBJECTIVE-PROBABILITY. Individual personal judgment about how likely a particular event is to occur. Also known as opinion probability.

SUBJECTIVE-VALUE. Value given for personal reasons.


 **SUBLEASE.** A lease given by a lessee.


 **SUBLESSEE.** New person who has possession of a leased property.

 **SUBLESSOR.** The original tenant of a leased property. They are still primarily liable for paying the rent to the owner for the sublease.


 **SUBLETTING.** The process by which an original tenant gives up use or possession of all or part of the property to another, but receives payment from the sub-lessee and remains fully responsible to the landlord for all lease payments .


SUBMARKET. Geographic, economic, or specialized subdivision of a specific market.

 **SUBORDINATE.** To make subject to, or junior or inferior to.


 **SUBORDINATE LIEN.** A lien on a property, whose priority is inferior to another lien on the same property.


 **SUBORDINATE LOAN.** A second or third mortgage.

 **SUBORDINATION AGREEMENT.** An agreement by the holder of an encumbrance against real property to permit that claim to take an inferior position to other encumbrances against the property.


 **SUBORDINATION CLAUSE.** A clause in a contract, in which the holder of a deed of trust permits a subsequent loan to take priority.


SUBPOENA. A legal order to cause a witness to appear and give testimony.


 **SUBPRIME LOANS.** Loans that do not meet the borrower credit requirements of Fannie Mae and Freddie Mac. Also known as B and C paper loans.

 **SUBROGATION.** Replacing one person with another in regard to a legal right or obligation. The substitution of another person in place of the creditor, to whose rights he or she succeeds in relation to the debt. The doctrine is used very often where one person agrees to stand surety for the performance of a contract by another person.


SUBSIDY BUYDOWN. Funds provided usually by the builder or seller to temporarily reduce the borrower's monthly principal and interest payment.

 **SUBSTITUTION.** The appointment of a person to act in the place and stead of another.

 **SUBSTITUTION OF LIABILITY (NOVATION).** The substitution by agreement of a new obligation for an existing one. Also known as novation.


 **SUBSTITUTION, PRINCIPLE OF.** Affirms that the maximum value of a property tends to be set by the cost of acquiring an equally desirable and valuable substitute property, assuming no costly delay is encountered in making the substitution.

SUBSTRUCTURE. In construction, the structural support materials of a building, usually located underground. Refers to all the below grade improvements. Examples include piers, footings, beams, and slabs.


 **SUBSURFACE RIGHTS.** Rights to the natural resources, such as minerals, oil, and gas below the surface.

SUBURBAN HOTELS. Hotels on the outskirts of the downtown district.


SUBURBS. The area within reasonable driving distance of a city's downtown.

 **SUCCESSION.** The legal transfer of a person's interest in real and personal property to his or her named heirs or beneficiaries, under the laws of descent.

SULPHUR DIOXIDE. A colorless, irritating gas that is a primary cause of acid rain. It is a by-product of coal combustion.


 **SUM OF THE YEARS DIGITS.** An accelerated depreciation method.

SUMMARY APPRAISAL REPORT. The most commonly used appraisal report option. It fulfills the minimum requirements for lenders to process their loans.


 **SUMMATION.** A method of determining the capitalization rate in which various risk factors are weighted and combined.

SUMMONS. Written request that establishes the plaintiff's position in filing a complaint and calls for the defendant to answer or appear in court.

SUMP PUMP. A pump that moves water from a basement sump pit.

 **SUPERADEQUACY.** A type of functional obsolescence caused by a structural component that is too large or of a higher quality than that which is needed to obtain the highest and best use of the property. An item whose cost exceeds its value. Also called an over-improvement.

SUPERFUND. Officially known as the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), passed by Congress in 1980. It established two trust funds to help finance the cleanup of properties that have been impacted by the release of hazardous wastes and substances.


 **SUPERIOR LIEN.** A lien on real property, whose priority is superior to another claim on the same property.

SUPERSTRUCTURE. Refers to all the above-grade improvements.


SUPERWINDOWS. Double or triple-glazed window sandwiches which contain a center sheet of coated mylar low-emissivity film and are filled with argon or krypton gas.


SUPPLY. The total amount of a given type of property for sale or lease, at various prices, at any given point in time.


SUPPLY AIR. The total quantity of air supplied to a space of a building for thermal conditioning and ventilation. Typically, supply air consists of a mixture of return air and outdoor air that is appropriately filtered and conditioned.

 **SUPPLY AND DEMAND, PRINCIPLE OF.** In appraising, a valuation principle stating that market value is affected by intersection of supply and demand forces in the market as of the appraisal date.


SURETY. One who guarantees the performance of another; guarantor.


 **SURFACE RIGHTS.** The rights to use the surface of land, including the right to drill or mine through the surface when subsurface rights are involved.

 **SURFACE WATER.** Open expanses of water, such as rivers, lakes, reservoirs, ponds, streams, seas, estuaries, wetlands, springs, and wells.

 **SURPLUS PRODUCTIVITY, PRINCIPLE OF.** The net income that remains after the proper costs of labor, organization and capital have been paid, which surplus is imputable to the land and tends to fix the value thereof.

 **SURRENDER.** When a tenant voluntarily gives up a lease, before the expiration of its term.


 **SURVEY.** The process by which a parcel of land is measured and its area is ascertained; a precise measurement of a piece of property by a licensed surveyor.


 **SUSPEND.** Temporarily make ineffective. A real estate license may be suspended for violation of the licensing law.

SUSTAINABLE AGRICULTURE. Farming methods that conserve the environment by minimizing damage to soil, water sources, species habitat, and other natural resources .


SUSTAINABLE DEVELOPMENT. Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

SUSTAINABLY-SOURCED MATERIALS. Materials that are acquired in an environmentally sound manner emphasizing efficient and appropriate use of natural resources.

 **SWEAT EQUITY.** The non-cash value put into a piece of property by the owner, such as do-it-yourself home improvements.

 **SWING LOAN.** A short-term loan used to enable the purchaser of a new property to buy that property on the strength of the equity from the property the purchaser is selling. Also known as a bridge loan.

SWOT ANALYSIS. Developed in the 1960s, by Albert Humphrey of Stanford University, it is a simple way to analyze a company's Strengths, Weaknesses, Opportunities, and Threats.


 **SYNDICATE.** A partnership organized for participation in a real estate venture. Partners may be limited or unlimited in their liability. *See* Real Estate Syndicate.


SYSTEM. A combination of interacting or interdependent components, assembled to carry out one or more functions.

SYSTEM CAPACITY. System capacity is a measurement of the total amount of heat or cooling a furnace, heat pump, or air conditioner can produce in one hour.

SYSTEMS MAINTENANCE ADMINISTRATOR (SMA). A property management designation offered by the Building Owners and Managers Institute (BOMI), with emphasis on supervision of systems and personnel.


SYSTEMS MAINTENANCE TECHNICIAN (SMT). A property management designation offered by the Building Owners and Managers Institute (BOMI), with emphasis on the technical maintenance of various systems, such as heating and air conditioning.

 **1031 EXCHANGE.** As permitted in the Internal Revenue Code, exchanges of like-kind properties that postpone the payment of taxes on capital gains. The properties must be held for business use or as an investment.

 **TAKE-OUT LOAN.** The loan arranged by the owner or builder developer for a buyer. The construction loan made for construction of the improvements is usually paid in full from the proceeds of this more permanent mortgage loan.

TAKEOVER. Property Management Company takes over an owner's property.

TANDEM PLAN. An investment plan that provides low-interest rate mortgages to low-income, qualified buyers. The Federal National Mortgage Association (FNMA) purchases low interest rate mortgages at a discount from the Government National Mortgage Association (GNMA).

 **TANGIBLE PROPERTY.** Physical items, such as equipment, land, buildings, and minerals.

TANKLESS WATER HEATER. A water heater that heats water before it is directly distributed for end use as required. Tankless water heaters include demand water heaters and tankless coil water heaters.


TAP FEES. Most companies charge a tap fee for hooking up utilities.


TARGET MARKET. Group of people who are most likely to seek your services or buy your product.

TARGET MARKETING. Marketing to a precise group of consumers.

 **TAX.** Enforced charge exacted of persons, corporations and organizations by the government to be used to support government services and programs.

TAX AND INSURANCE PARTICIPATION CLAUSE. Lease clause that requires the tenant to pay rent, plus a pro rata share of both the property taxes and the insurance.


 **TAX DEDUCTION.** A tax break given by the government. Mortgage interest, loan points and property taxes can be deducted.

 **TAX DEED.** The deed given to a purchaser at a public sale of land held for nonpayment of taxes. It conveys to the purchaser only such title as the defaulting taxpayer had.

 **TAX-DEFERRED EXCHANGE.** See 1031 exchange.

TAX DELINQUENT PROPERTY. Property that has unpaid taxes.


TAX-EXEMPT BONDS. Bonds issued to finance public or private improvements. The interest derived from the bonds may be exempt from federal, state, and local income taxes.


 **TAX-FREE EXCHANGE.** The trade or exchange of one real property for another without the need to pay income taxes on the gain at the time of trade.


TAX-FREE GIFTS. Gifts that are free from federal gift taxes.

TAX INCREMENT FINANCING. Financing established to stimulate community growth and generate increased tax revenue. State and local industrial development boards arrange the financing.

 **TAX LIEN.** An impediment placed against a property, such as back taxes.


 **TAX RELIEF ACT OF 1997.** A law enacted in 1997 that decreased the capital gains tax rate, thereby decreasing the high taxes charged to people after selling their investment or personal property.

 **TAX ROLL.** A list of all taxable property, showing the assessed value of each parcel. The tax roll establishes the tax base. Also called an assessment roll.


 **TAX SALE.** The public sale of a property by the government for nonpayment of taxes.


TAX SHELTER. A term often applied to real estate investment and refers to various tax advantages.


TEAR-DOWN CONDITION. A house that requires the entire interior to be rebuilt.


 **TEASER RATE.** A low, short-term rate offered on a mortgage to entice the borrower.

TEMPERATURE. The degree of hotness or coldness.


 **TENANCY.** (1) The interest of a person holding property by any right or title. (2) A mode or method of ownership or holding title to property.


 **TENANCY AT SUFFERANCE.** The interest of a tenant has when he or she continues to occupy the property after the expiration of a lease.


 **TENANCY AT WILL.** A written or oral agreement, allowing a tenant to use or occupy property with the permission of the owner. The term of the tenancy is unspecified and the tenant may leave at any time, or at the request of the owner.

 **TENANCY BY THE ENTIRETY.** When a married couple owns a home, it is usually considered tenancy by the entirety. If the property must be sold to pay the debts of one spouse, both must agree.


 **TENANCY FOR LIFE.** A life estate.

 **TENANCY FOR YEARS.** A tenancy created by a lease for a fixed period of time. If the tenancy is for more than one year, the agreement must be in writing according to the statute of frauds in most states.

 **TENANCY IN COMMON.** Co-ownership of property by two or more persons who each hold an undivided interest, without right of survivorship; interests need not be equal.

 **TENANCY IN PARTNERSHIP.** Ownership by two or more persons, who form a partnership for business purposes.


 **TENANCY IN SEVERALTY.** Ownership of property by one person alone.


 **TENANT.** The party who has legal possession and use of real property belonging to another.

TENANT MIX. The composition of tenants and the range of goods and services they provide.

TENANT MIX REPORT. Used primarily for commercial properties.


TENANTS BY THE ENTIRETIES. Under certain state laws, ownership of property acquired by a husband and wife during marriage, which property is jointly and equally owned. Upon death of one spouse it becomes the property of the survivor.


 **TENDER.** An unconditional offer to pay a debt or to perform an obligation.

 **TENEMENT.** Traditionally, tenement refers to real property rights, which pass with the land, such as buildings and improvements. In modern times, tenement may refer to run-down apartment buildings in urban areas.

TENTATIVE MAP. The Subdivision Map Act requires subdividers to submit initially a tentative map of their tract to the local planning commission for study. The approval or disapproval of the planning commission is noted on the map. Thereafter, a final map of the tract embodying any changes requested by the planning commission is required to be filed with the planning commission.


 **TENURE IN LAND.** The mode or manner by which an estate in lands is held. All rights and title rest with owner.

 **TERM.** The time duration of a lease or of a loan also, any provision of a contract or lease.

 **TERM LOAN.** A loan for a specific period of time, usually two to ten years, repaid by regular installments, with the entire principal amount due at the end of the term.

TERMINATION OF LISTING. The cancellation of a broker-principal contract.

TERMINUS. The ending point in a metes and bounds survey that returns to the point of beginning. By terminating the boundary line at the point of beginning, the surveyed land area is enclosed.

 **TERMITE.** Ant-like insect which feed on wood and are highly destructive to wooden structures.

TERMITE INSPECTION. A visual inspection of a property for the presence of termites. A licensed exterminator usually performs the inspection. Buyers may include a special condition in a sales contract that requires the sellers to provide a clean termite report.

TERMITE REPORT. A report of an inspection for wood-destroying pests by a person licensed by the state.


TERMITE SHIELD. A shield, usually of non-corrodible metal, placed on top of the foundation wall or around pipes to prevent passage of termites.


TERRACE. A terrace can be several things: an unroofed paved area right next to a house; a roofed balcony; a veranda; or a raised bed of earth constructed to enhance a landscape.

TERRAZZO. Flooring made by embedding small pieces of marble or granite into cement and polishing to a high gloss.


TERRITORIAL STYLE. A housing style that is a more angular, with square corners. In addition, the windows of are framed with straight, unpainted, wooden moldings, and brick detailing is present in the parapets.

 **TESTAMENT.** True declaration of a person's last will.

 **TESTAMENTARY TRUST.** A trust created by the last will and testament of a decedent.

 **TESTATE.** A person who dies leaving a valid will.

 **TESTATOR/TESTATRIX.** One who makes a will.

 **THE 72-HOUR CLAUSE.** When a buyer has a house to sell before they can purchase another home, most sellers insist on a 72-hour clause. In the event of a better offer coming in before the contingency is settled, this clause entitles the seller to give the buyer 72 hours to remove the contingency or lose the house.

THERM. The basic unit for measuring natural gas use.

THERMAL BOUNDARY. The border between conditioned and unconditioned space where insulation should be placed.

THERMAL BREAK. A material that does not transmit heat well, such as plastic, sandwiched inside the metal parts of the frame. This reduces the heat being transferred through the frame. Thermal breaks can be used in the spacer between panes of glass in multi-pane windows as well as in the main body of the frame.


THERMAL ENERGY. The vibration and movement of the atoms and molecules within substances.

THERMAL RESISTANCE (R). An index of a material's resistance to heat flow. See R and RSI.


THERMAL WINDOW. An insulating window or two panes of glass with air between.


THERMO-SOLAR ENERGY. Electricity generated from the heat of the sun, and not, as photovoltaic panels do, from sunlight.

THERMOSTAT. Temperature sensitive control device that signals a heating or cooling system to operate if the temperature in the building reaches a preset limit.


 **THIRD PARTY.** Persons who are not parties to a contract which affects an interest they have in the object of the contract.

THIRD-PARTY ORIGINATION. In a third-party origination transaction, the lender has another institution originate all or part of a mortgage.

 **THREE-DAY NOTICE TO PAY OR QUIT.** The initial notice given to a tenant to begin the eviction process, in the event of non-payment of rent. The tenant must pay the amount owed, or vacate the property.

 **THRESHOLD.** A strip of wood or metal beveled on each edge and used above the finished floor under outside doors.

TIDAL POWER. The power available from the rise and fall of ocean tides.

 **TIDELANDS.** Lands that are covered and uncovered by the ebb and flow of the tide.

TIER. A row of townships running east and west parallel to and north or south of a designated base line.


TIGHT BUILDINGS. Buildings that are designed to let in minimal infiltration air in order to reduce heating and cooling energy costs. In actuality, buildings typically exhibit leakage that is on the same order as required ventilation; however, this leakage is not well distributed and cannot serve as a substitute for proper ventilation.

TIGHT MONEY. An economic situation in which the supply of money is limited, and the demand for money is high, as evidenced by high interest rates.

TILA. See Truth-in-Lending Act.


TIME. The duration of a loan.

TIME ADJUSTMENT. A term usually applied to adjustments made because of changing market conditions (not merely the passage of time).

 **TIME IS OF THE ESSENCE.** A condition of a contract expressing the essential nature of performance of the contract by a party in a specified period of time.

TIME MANAGEMENT PLAN. The written plan scheduling all of the required activities necessary to reach goals.


TIME-PRICE DIFFERENTIAL. The difference between the purchase price of a property and the higher total price the same property would cost if purchased on an installment basis. Under the Truth-in-Lending laws, lenders must disclose the time-price differential in any kind of installment contract.


 **TIMESHARE.** Ownership that involves the acquisition of a specific period of time, or that percentage of interest, in a vacation home or resort.

TIME-SHARE ESTATE. A right of occupancy in a time-share project (subdivision) which is coupled with an estate in the real property.

TIME-SHARE PROJECT. A form of subdivision of real property into rights to the recurrent, exclusive use or occupancy of a lot, parcel, unit, or segment of real property, on an annual or some other periodic basis, for a specified period of time.

TIME-SHARE USE. A license or contractual or membership right of occupancy in a timeshare project which is not coupled with an estate in the real property.


 **TIME, TITLE, INTEREST, POSSESSION (TTIP).** A joint tenancy is a special form of co-ownership. It requires that all co-owners take title to the property at the same time, by the same document. In addition, each must have an equal share of the property. These four unities of a joint tenancy, which can be remembered by the word *TTIP* are: **T** - unity of *time*; **T** - unity of *title*; **I** - unity of *interest*; **P** - unity of *possession*.

 **TIME VALUE OF MONEY.** The financial principle that a dollar in the present is worth more than a promised dollar in the future because of the present dollar's interest earning capability.


TIMMUR. The mnemonic for fixed and variable operating expenses of real property: Taxes, Insurance, Management, Maintenance, Utilities, and Reserves. Fixed expenses include property taxes, insurance, and utilities. Variable expenses include management and maintenance.


TINTED GLAZING. Tinted glass and tinted window films reduce the amount of the sun's heat entering the building.

T-INTERSECTION LOT. A lot that is fronted head-on by a street. The noise and glare from headlights may be detractors from this type of lot.

 **TITLE.** Indicates fee position of lawful ownership and right to property. "Bundle of Rights" possessed by an owner. Combination of all elements constituting proof of ownership.

TITLE COMPANY. Firms that ensure that the title to a piece of property is clear and provide title insurance.

 **TITLE EXCEPTION.** An item listed in a title insurance policy that is not covered by that policy.


 **TITLE INSURANCE.** Insurance to protect a real property owner or lender up to a specified amount against certain types of loss, e.g., defective or unmarketable title.

TITLE PLANT. The storage facility of a title company, in which it has accumulated complete title records of properties in its area.


TITLE POLICY. A contract indemnifying against loss resulting from a defect in the title to the interest or lien in real property insured.

TITLE REPORT. A report which discloses condition of the title, made by a title company preliminary to issuance of title insurance policy.

TITLE RISK. Possible impediments to the transfer of a title from one owner to another.

 **TITLE SEARCH.** A check of public title records to ascertain that the seller is the legal owner and that there are no claims or liens against the property.

TITLE THEORY. Mortgage arrangement whereby title to mortgaged real property vests in the lender. Some states give greater protection to mortgage lenders and assume lenders have title interest. Distinguished from Lien Theory States.


 **TO LET, TO DEMISE.** These phrases mean the same as to rent.

TOPOGRAPHY. Nature of the surface of land; topography may be level, rolling, mountainous. Variation in earth's surface.


TOP PRODUCER. A real estate industry term that refers to agents and brokers who sell a high volume of homes.


TOP SOIL. The top layer of soil that is removed when lots are graded in preparation for construction.


TORRENS TITLE. System of title records provided by state law (no longer used in California)

 **TORT.** Any wrongful act (not involving a breach of contract) for which a civil section will lie for the person wronged.

TOTAL EXPENSE RATIO. The percentage of monthly debt obligations relative to gross monthly income.

 **TOWNHOUSE.** One of a row of houses usually of the same or similar design with common side walls or with a very narrow space between adjacent side walls; an attached home that is not a condominium.

 **TOWNSHIP.** In the survey of public lands of the United States, a territorial subdivision six miles long, six miles wide and containing 36 sections, each one mile square, located between two range lines and two township lines.

 **TOWNSHIP LINES.** Used in the Public Land Survey System, imaginary lines drawn every six miles north and south of the base line to form a horizontal row or tier of townships.

TOXIC CHEMICAL. Any chemical listed in EPA rules as "Toxic Chemicals Subject to Section 313 of the Emergency Planning and Community Right-to-Know Act of 1986."


TOXIC CLOUD. Airborne plume of gases, vapors, fumes, or aerosols containing toxic materials.

TOXIC POLLUTANTS. Materials that cause death, disease, or birth defects in organisms that ingest or absorb them. The quantities and exposures necessary to cause these effects can vary widely.

TOXIC SUBSTANCE. A chemical or mixture that may present an unreasonable risk of injury to health or the environment.

TOXIC SUBSTANCES CONTROL ACT (TSCA). Law passed by Congress in 1976, which allows the EPA to determine which substances are hazardous to the health of human beings or to the environment.


TOXIC WASTE. A waste that can produce injury if inhaled, swallowed, or absorbed through the skin.

 **TRACT.** A large specified area of land in an unimproved state.

TRACT HOME. Another term for a production home, a mass-produced house constructed by one builder in a project.

TRADE ASSOCIATION. A voluntary, non-profit organization of independent and competing business units engaged in the same industry or trade, formed to help solve industry problems, promote progress, and enhance service.

TRADE EQUITY. Other real estate or assets a buyer gives to a seller as part of the down payment.

 **TRADE FIXTURES.** Articles of personal property annexed by a business tenant to real property which are necessary to the carrying on of a trade and are removable by the tenant.

TRADE-IN. An increasingly popular method of guaranteeing an owner a minimum amount of cash on sale of owner's present property to permit owner to purchase another. If the property is not sold within a specified time at the listed price, the broker agrees to arrange financing to personally purchase the property at an agreed upon discount.


TRADE NAME. See fictitious business name.

TRADE REFERENCES. Names of vendors or merchants from whom supplies, materials, and products are regularly purchased by the tenant for a business operation.


TRADING DOWN. A reference to buyers who purchase a home that is less expensive than their current house.

TRADING ON EQUITY. The practice of agreeing to purchase a property and then assigning the purchase agreement to another buyer before the sale closes. The original purchaser turns a profit by selling the paper.


TRADING UP. A reference to buyers who purchase a home that is more expensive home than their current house.


 **TRANSACTION COORDINATOR.** People at a brokerage who keep the files of each transaction or listing current and active.


TRANSACTION SIDES. Each real estate transaction has two sides (buyer side and seller side).

 **TRANSFER FEE.** A charge made by a lending institution holding or collecting on a real estate mortgage to change its records to reflect a different ownership.

TRANSFER OF OWNERSHIP. Any legal means by which a piece of real estate changes hands.

 **TRANSFER TAX.** An assessment by state or local authorities at the time a piece of property changes hands.

 **TRANSFERABILITY.** The ability to transfer ownership of an item from one person or entity to another.

 **TRANSITION.** Change in use, such as farm to residential to commercial.

TRANSIT-ORIENTED DEVELOPMENT. A mixed-use community within an average 2,000-foot walking distance of a transit stop and core commercial area that mixes residential, retail, office, open space, and public uses in a way that makes it convenient for residents and employees to travel by transit, foot, bike, etc.


TRANSMISSION LINE. An electrical conductor/cable that carries electricity from a generator to other locations for distribution.

TRANSOM WINDOW. A small hinged window directly above a door.

TRANS-UNION. Trans-Union Corp. is one of the “Big Three” credit-reporting bureaus that operate nationwide. Address: 760 Sproul Road, P.O. Box 390, Springfield, PA 19064-0390. Phone: (312) 408-1400.


TRAVERSE WINDOW. A window popular in modern construction, having sashes that open horizontally, sliding on separate grooves past each other.

TRAY CEILING. A tray ceiling has edges that slant toward the middle from the walls.

 **TREASURY BILLS.** Securities issued by the Treasury Department that have the full backing of the U.S. government.

TREASURY BOND. A bond issued by the U.S. Treasury with a maturity date from five to ten years after the issue date.


TREASURY INDEX. An index used to determine interest rate changes for adjustable rate mortgages.

 **TREASURY NOTE.** A promissory note issued by the U.S. Treasury with a maturity date from one to five years after the issue date.


TRELLIS. A decorative landscape structure made of thin strips of wood or plastic.


TREND. A change in the market in a consistent direction that occur over a long-term period.


TREND ANALYSIS. Analysis that uses an arrangement of statistical data in accordance with its time of occurrence, usually over a period of years.


 **TRESPASS.** Intentional and unauthorized entry upon another's real property.


TRIM WORK. The finishing of doors, doorways, window frames and floors.

 **TRIPLE NET LEASE.** A lease requiring the tenant to pay rent as well as part or all of the taxes, insurance, repairs, and other ownership expenses. Also known as an absolute net lease.

 **TRUSS.** A prefabricated framework of girders, struts and other items used to support a roof or other load-bearing elements.


 **TRUST.** A legal arrangement, in which property or money is transferred from the grantor (trustor) to a trustee, to be held and managed by that person for the benefit of a third party, or beneficiary.


 **TRUST ACCOUNT.** An account separate and apart and physically segregated from broker's own funds, in which broker is required by law to deposit all funds collected for clients.


 **TRUST DEED.** Just as with a mortgage this is a legal document by which a borrower pledges certain real property or collateral as guarantee for the repayment of a loan. However, it differs from the mortgage in a number of important respects. For example, instead of there being two parties to the transaction there are three. There is the borrower who signs the trust deed and who is called the trustor. There is the third, neutral party, to whom trustor deeds the property as security for the payment of the debt, who is called the trustee. And, finally, there is the lender who is called the beneficiary, the one who benefits from the pledge agreement in that in the event of a default the trustee can sell the property and transfer the money obtained at the sale to lender as payment of the debt.


TRUST FUND ACCOUNT. A bank account set up, generally by the broker, into which all the money involved in a real estate transaction is deposited. Also called an earnest money or escrow account.


TRUST FUNDS. Money or other things of value received from people by a broker to be used in real estate transactions.

 **TRUSTEE.** One who holds property in trust for another to secure the performance of an obligation. Third party under a deed of trust.

 **TRUSTEE'S DEED.** A deed given to a buyer of real property at a trustee's sale (foreclosure).


 **TRUSTEE'S SALE.** The forced sale of real property, by a lender, to satisfy a debt. The sale is the final step in the foreclosure process.

 **TRUSTOR.** One who borrows money from a trust deed lender, then deeds the real property securing the loan to a trustee to be held as security until trustor has performed the obligation to the lender under terms of a deed of trust.

 **TRUTH-IN-LENDING ACT (REG Z).** The name given to the federal statutes and regulations (Regulation Z) which are designed primarily to ensure that prospective borrowers and purchasers on credit receive credit cost information before entering into a transaction. A federal law that protects consumers in a variety of ways. One of its key provisions allows a consumer to cancel a home-improvement loan, second mortgage or other loan if the home was pledged as security (except for a first mortgage or first trust deed) until midnight of the third business day after the contract was signed.

TSCA. See Toxic Substances Control Act.

T-SHAPED. A T-shaped center has two linear groups of stores forming the shape of the letter T. Anchor stores are located at each of the three ends, with parking on all sides.

 **TTIP (TIME, TITLE, INTEREST, POSSESSION).** A joint tenancy is a special form of co-ownership. It requires that all co-owners take title to the property at the same time, by the same document. In addition, each must have an equal share of the property. These four unities of a joint tenancy, which can be remembered by the word *TTIP* are: **T** - unity of *time*; **T** - unity of *title*; **I** - unity of *interest*; **P** - unity of *possession*.

TUCK-POINT. The process of removing old mortar from between bricks and replacing it with new mortar.

 **TURNKEY PROJECTS.** Investor s purchase projects that are ready for occupancy.


TURNOVER RATE. The rate at which personnel enter and leave a company.

TWO-STEP MORTGAGE. An adjustable mortgage with two interest rates, one for the first five or seven years of the loan, and the other for the remainder of the loan term.

TWO-TO-FOUR-FAMILY PROPERTY. A piece of property that is owned by one person but provides housing for up to four households.


TYPE OF CONSTRUCTION. Building classification, based on a structure's basic frame, wall, and floor construction.

UCC. See Uniform Commercial Code.


 **UMBRELLA INSURANCE POLICY.** Supplemental insurance that covers the amount of loss above the limits of a basic liability policy.

UNBALANCED IMPROVEMENT. An improvement that is not the highest and best use of the land. It may be an over- improvement or an under-improvement.

UNDERGROUND STORAGE TANK (UST). A tank located all or partially underground that is designed to hold gasoline or other petroleum products or chemical solutions.


 **UNDERIMPROVEMENT.** An improvement which, because of its deficiency in size or cost, is not the highest and best use of the site.


UNDERLAYMENT. A layer of wood between the subfloor and the floor.


 **UNDERWRITING.** Insuring something against loss; guaranteeing financially; the process that lenders go through to evaluate the risks posed by a particular borrower and to set appropriate conditions for the loan.

UNDISCLOSED HEIR. A person who claims the right to a piece of property after the death of an owner without a will.

UNDISCLOSED SPOUSE. An unidentified marital partner who can claim the right to a piece of property.

 **UNDIVIDED INTEREST.** Co-ownership of property, in which an interest is held under the same title by two or more people or entities, whether their rights are equal or unequal in value or quantity.

 **UNDUE INFLUENCE.** Use of a fiduciary or confidential relationship to obtain a fraudulent or unfair advantage over another's weakness of mind, or distress or necessity.


 **UNEARNED INCREMENT.** An increase in value of real estate due to no effort on the part of the owner; often due to increase in population.

UNEMPLOYMENT RATE. The percentage of people classified as unemployed, as compared to the total labor force.


 **UNENFORCEABLE CONTRACT.** A contract that was valid when made, but either cannot be proved or will not be enforced by a court.


UNFAIR AND DECEPTIVE PRACTICES. Sales practices that do not necessarily involve deception, but are still considered illegal by the Federal Trade Commission (FTC). A sales practice is unfair if it offends public policy, is immoral, unethical, oppressive, unscrupulous, or causes injury to consumers. An example of an unfair and deceptive practice is pressuring buyers, using intimidation and scare tactics.

UNFINISHED AREAS. The areas of a home that do not have flooring, insulation, etc., similar to the rest of the house.


 **UNIFORM COMMERCIAL CODE (UCC).** Establishes a unified and comprehensive method for regulation of security transactions in personal property, superseding the existing statutes on chattel mortgages, conditional sales, trust receipts, assignment of accounts receivable and others in this field.


UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR). The standard form which is used for reporting the appraisal of a dwelling and provides numerous checklists, definitions, and certifications.


 **UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP).** Developed in 1986 by the Ad Hoc Committee on Uniform Standards and copyrighted in 1987 by the Appraisal Foundation, USPAP forms the guidelines followed by every licensed and certified real estate appraiser in the United States. The purpose of these standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review, and appraisal consulting.

 **UNILATERAL CONTRACT.** A contract where a party promises to perform, without expectation of performance by the other party.


UNILATERAL INSTRUCTIONS. The buyer signs one set of instructions and the seller signs another.


 **UNILATERAL RESCISSION.** Legal action taken to repeal a contract by one party, when the other party has breached a contract.


 **UNIMPROVED.** Not improved, as not used, tilled, cultivated, or built upon.

 **UNIT.** (1) A single object. (2) A standard of measure by which other quantities are evaluated.


 **UNIT COST.** The cost in money of a standard quantity (e.g., a square foot or a cubic yard) of a particular item.

 **UNITIES.** The essential elements of a common law joint tenancy. i.e., unities of time, title, interest, and possession.


 **UNIT-IN-PLACE METHOD.** The cost of erecting a building by estimating the cost of each component part, e.g., foundations, floors, walls, windows, ceilings, roofs, etc., (including labor and overhead).


 **UNIT OF COMPARISON ADJUSTMENT.** A sales analysis tool, wherein the sales prices of the comparables are converted to price per physical or economic unit that is found to be closely related to selling price or value. The value of the subject property is suggested by multiplying its number of units by the price per unit of comparison properties found to be typical or appropriate.

UNIT OF MEASUREMENT. The particular measurement being used. The two most commonly used are square foot (area) and cubic foot (volume).

 **UNJUST ENRICHMENT.** The situation where a person has received and keeps money or goods that belongs to another. A lawsuit may be necessary to get back the property.

 **UNLAWFUL DETAINER ACTION.** The legal remedy for recovery of possession of real property.

 **UNRECORDED DEED.** An unrecorded deed transfers ownership from one party to another without being officially recorded.

 **UNSECURED LOAN.** Any loan that is not backed by collateral.

UP DESK. Handling calls from prospects, while at the front desk or reception area. A passive lead-generation technique used to answer calls about ads or questions about the purchase or sale of property.

UPGRADES. Options than the standard carpeting, lighting, finish carpentry and other amenities offered to all buyers in a new-home project.

UPTEE. The mnemonic for the five ownership rights in the Bundle of Rights: Use, Possess, Transfer, Encumber, and Enjoy.

UPZONING. The process in which a property is zoned from a lower to a higher use.

URANIUM. A radioactive, silvery-white metallic element with the atomic number 92.


URAR. See Uniform Residential Appraisal Report.

URBAN GROWTH BOUNDARY. A boundary which identifies urban and urbanizable lands needed during a specified planning period to be planned and serviced to support urban development densities, and which separates these lands from rural lands.

URBAN MALL. Multi-level shopping center covering one or more city blocks.


URBAN PROPERTY. City property; closely settled property.

URBAN RENEWAL. A process in which older or substandard housing areas are improved and modernized, or demolished and replaced.

 **URBAN RUNOFF.** Storm water from city streets and adjacent domestic or commercial properties that may carry pollutants of various kinds into the sewer systems and/or receiving waters.


URBAN SPRAWL. The unplanned expansion of development over a large area.

URBANIZATION. The clustering of people around big city areas for work and living.

 **USABLE AREA.** (1) That portion of the gross area of a site that can be built on or developed. Also known as useful area. (2) The area of the building is the actual occupied space by the tenant.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD). A federal agency that oversees the Federal Housing Administration and a variety of housing and community development programs.


USE CLAUSE. A clause in a lease designating which parties are authorized to use the property and for what purpose.

 **USEFUL LIFE.** The time frame when an asset (e.g., a building) is expected to remain profitable to the owner. See economic life.

USE VALUE. The value of a property under a given use. Also known as value in use.


U-SHAPED. The U-shaped center has a group of linear stores forming the shape of the letter U. Anchors are found in the center or on the two ends, with parking inside the U.


USONIAN STYLE. This housing style cost much less to build, because there are no basements or attics and very little ornamentation. These houses were built from the Depression until the mid-1950s, becoming the model for early tract housing.

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USUFRUCTUARY RIGHT. Right that allows the reasonable use of property that belongs to another.


 **USURY.** On a loan, claiming a rate of interest greater than that permitted by law.


 **UTILITIES.** Refers to services rendered by public utility companies, such as water, gas, electricity, telephone.


 **UTILITY.** The ability to give satisfaction and/or excite desire for possession. An element of value.

UTILITY VALUE. The usefulness of the property to its owner.


U-VALUE. A measurement of heat flow through a square foot of window in an hour for every degree Fahrenheit difference in temperature across the window. The lower the U-value the more slowly the material transfers heat in and out of a structure.


 **VA. (VETERANS ADMINISTRATION).** An independent agency of the federal government, created in 1930. The VA home loan guaranty program is designed to encourage lenders to offer long-term, low down payment mortgages to eligible veterans by guaranteeing the lender against loss.


 **VACANCY FACTOR.** The percentage of a building's space that is not rented over a given period.

 **VACANCY LOSS.** Loss of potential income, due to vacancies.

VACANCY REPORT. List of units that are unoccupied and available for lease. Units being remodeled or repaired (due to extensive damage) are not counted as vacant.


 **VACANT LAND.** Land or site that is unimproved and does not have any structures.


 **VALID.** Having force, or binding force; legally sufficient and authorized by law.

 **VALID CONTRACT.** A contract with all required elements and is therefore binding and enforceable.


VALLEY. The internal angle formed by the junction of two sloping sides of a roof.

VA LOAN. A loan made to qualified veterans for the purchase of real property wherein the Department of Veteran's Affairs guarantees the lender payment of the mortgage.


 **VALUABLE CONSIDERATION.** Something of value such as money, property, or personal services. Each party to a contract must give up something of value to make the agreement binding.


 **VALUATION.** Estimated worth or price; estimation. The act of valuing by appraisal.

VALUATION DATE. The date on which the opinion of value applies. The date of appraisal is not necessarily the same as the date the report is written. Also called the date of value or date of appraisal.

 **VALUE.** Present worth of future benefits arising out of ownership to typical users/investors.

VALUE CONCLUSION. See final value estimate.


 **VALUE IN EXCHANGE.** The value of property in the marketplace. See market value.


 **VALUE IN USE.** The subjective value of an item or object to a particular user. See use value.


VALUE-ORIENTED MALL. Large shopping center characterized by low-end, discount, and outlet stores.


VANILLA BOX. A leased space having only walls, concrete floor, lighting, HVAC, standard plumbing, bathrooms, and electrical outlets.

VARIABLE EXPENSES. Operating expenses that change, depending on level of occupancy.

 **VARIABLE INTEREST RATE (VIRs or VMRs [Variable Mortgage Rates])** An interest rate in a real estate loan which by the terms of the note varies upward and downward over the term of the loan depending on money market conditions; a loan rate that moves up and down based on factors including changes in the rate paid on bank certificates of deposit or Treasury bills.

 **VARIABLE RATE.** An interest rate that changes with fluctuations in such indexes as the U.S. Treasury bill index.


 **VARIABLE RATE MORTGAGE.** A loan with an interest rate that hinges on factors such as the rate paid on bank certificates and Treasury bills.

 **VARIANCE.** An exception granted to existing zoning regulations to allow the building of a structure or a use that is not otherwise acceptable under current zoning law.

VARIANCE ANALYSIS. An analysis of reports, provided by software programs, which offers an explanation for variances from the budget.

VARIATE. In statistics, a single random variable with a numerical value within a particular sample.

VAULTED CEILING. An elongated half-cylinder that arches above the floor.

 **VENDEE.** A purchaser; buyer.


 **VENDOR.** A seller.

VENEER. Thin sheets of wood.

VENN DIAGRAM. Relationship between numbers in a set or groups of objects that share something in common (although the commonality might be that they have nothing in common).


VENTILATION. The controlled movement of air into or out of a building, by circulation through a series of vents or an air conditioning system.

VENTURE CAPITAL. Unsecured money used for investing. Due to the risks involved, venture capital usually commands the highest rate of return for its investment.

 **VERIFICATION.** Sworn statement before a duly qualified officer to correctness of contents of an instrument.


VERIFICATION OF DEPOSIT. Part of the loan process, in which a lender will ask a borrower's bank to sign a statement verifying the borrower's account balances and history.

VERIFICATION OF EMPLOYMENT. Part of the loan process, in which a lender asks the borrower's employer for confirmation of the borrower's position and salary.

 **VERIFY.** Make sure information presented in the appraisal is correct.


VERNACULAR STYLE. vernacular buildings are seen as the opposite of whatever is academic, or high style. The traditional architecture of a region. Often times, traditional architecture is a result of response to the regional climate and land conditions.


 **VESTED.** Bestowed upon someone; secured by someone, such as title to property.

 **VESTED INTEREST.** (1) Having an absolute right or title, without contingency. (2) Having the right to use a portion of an investment fund, such as the right to withdraw from an individual retirement fund.

 **VESTEE.** Present record owner.

VESTIBULE. A small entrance hall or room.

 **VETERANS ADMINISTRATION (VA).** An independent agency of the federal government, created in 1930. The VA home loan guaranty program is designed to encourage lenders to offer long-term, low down payment mortgages to eligible veterans by guaranteeing the lender against loss.

 **VICARIOUS LIABILITY.** Liability that does not result from an individual's personal actions, but from his or her relationship to the party creating the liable situation. For example, brokers are vicariously liable for the actions of associate licensees working for them, even if the broker has done nothing wrong personally.

VICTORIAN STYLE. An architectural style that dates from the mid-19th century.

VIGAS. Roof beams that protrude through the walls and help support the roof.

VILLA. A one-story residence, usually built as a condominium. Villas are typically built in units of two or four and include parking and a small yard.

VINYL-CLAD WINDOWS. Wood windows sheathed in vinyl on the outside.


VIRTUAL OFFICE. A company with no physical office.


VIRTUAL TOUR. An online open house for a property, offering sweeping views of the interior and exterior of the property.


VISIBLE LIGHT TRANSMITTANCE (VLT). The measure of the amount of light that comes through the window.

VISION STATEMENT. A mental image of what you want to happen in the future.

 **VOID.** To have no force or effect; that which is unenforceable.

 **VOIDABLE.** That which is capable of being adjudged void, but is not void unless action is taken to make it so.


 **VOIDABLE CONTRACT.** An agreement that is valid and enforceable on its face, but may be rejected by one or more of the parties.

 **VOID CONTRACT.** A contract that has no legal effect, due to lack of capacity of one of the parties to the contract or an illegal subject matter.


VOLATILE ORGANIC COMPOUNDS (VOCs). Chemical compounds that have a high vapor pressure and low water solubility. VOCs are often components of petroleum fuels, hydraulic fluids, paint thinners, and dry cleaning agents.


VOLUME. Measurement of the amount of space that a three-dimensional object occupies. In real estate, volume is normally measured in cubic feet or cubic yards.

VOLUNTARY CONVEYANCE. A deed that conveys mortgaged property that is in default to the lender. An alternative to a foreclosure action. It is also called a deed in lieu of foreclosure.

 **VOLUNTARY LIEN.** Any lien placed on property with consent of, or as a result of, the voluntary act of the owner.

WAINSCOTING. Wood lining of an interior wall; lower section of a wall when finished differently from the upper part; wood paneling, tongue-and-groove boards or similar material installed between a baseboard and a chair rail.

 **WAIVE.** To relinquish, or abandon; to forego a right to enforce or require anything.

 **WAIVER.** A voluntary relinquishing of certain rights or claims.

WALK-IN. Prospects who have sought out a brokerage, due to advertising, such as newspaper ads or a brokerage sign on the building.


WALK-OUT BASEMENT. A feature that allows a door to open onto ground level.

WALK-THROUGH. A buyer's final inspection of the home to determine if conditions in the purchase agreement have been satisfied.

WALK-UP. An apartment building of more than one story that does not have an elevator.


WALL. A vertical divider of framing, sheathing, and plaster or wallboard, which is used to partition a building into rooms by surrounding certain areas.


WAREHOUSE. Type of industrial property primarily used for storing products and maintaining inventory.


 **WAREHOUSING.** The process of assembling a number of mortgage loans into one package and holding them for a period of time, prior to selling them to an investor. They are held while waiting for a lower discount.

WARM CALLING. The practice of making unsolicited calls to people you know, in order to get new business.

 **WARRANTY.** A legally binding promise to do something in the future.

 **WARRANTY OF AUTHORITY.** A representation by an agent to third persons that the agent has and is acting within the scope of authority conferred by his or her principal.

 **WARRANTY DEED.** A deed used to convey real property which contains warranties of title and quiet possession, and the grantor thus agrees to defend the premises against the lawful claims of third persons. It is commonly used in many states but in others the grant deed has supplanted it due to the modern practice of securing title insurance policies which have reduced the importance of express and implied warranty in deeds.

 **WASTE.** The destruction, or material alteration of, or injury to premises by a tenant.

WASTEWATER. Water that carries wastes from homes, businesses, and industries; a mixture of water and dissolved or suspended solids.

WASTEWATER TREATMENT PLANT. A facility containing a series of tanks, screens, filters, and other processes by which pollutants are removed from water.

WASTO. The acronym for five ways to acquire or convey property: Will, Accession, Succession, Transfer, or Occupancy.

WATER. Water on the surface flowing in a stream or underground (percolating) is real property. If it is taken and bottled, then it becomes personal property.

WATER BUDGET. The estimated water use within a facility. Flow rates of fixtures and appliances, occupancy, and landscape needs are calculated.

WATER CONTAMINATION. Impairment of water quality to a degree that reduces the usability of the water for ordinary purposes or creates a hazard to public health through poisoning or the spread of diseases.


WATER HARVESTING. Collection of both runoff and rainwater for various purposes, such as irrigation or fountains.

WATER POLLUTION. Presence of harmful material, such as industrial waste or sewage, in water in sufficient concentrations to make the water unusable.

WATER PRESSURE TEST. Water pressure can be tested by turning on all faucets and flushing all toilets at the same time.


WATER QUALITY. Chemical, physical, and biological characteristics of water with respect to its suitability for a particular use.

WATER RECLAMATION. Reuse of effluent from wastewater treatment facilities through irrigation, land application, or other recycling methods.

 **WATER RIGHTS.** The right of an owner of land to use water adjacent to or below the surface of the land.

WATERSHED. Area of land that, as a result of topography, drains to a single point or area.


WATER SUPPLY SYSTEM. The collection of pipes and valves that deliver potable (drinkable) water to a building.

 **WATER TABLE.** Distance from surface of ground to a depth at which natural groundwater is found.

WATER TREATMENT. Removing undesirable chemical substances from a water supply through aeration and conditioning.

WATT. The measurement of the actual amount of electrical force available to do work.

WAVE POWER. Creating power from the energy by ocean surface waves.

 **WEAR AND TEAR.** Depreciation of an asset due to ordinary usage.

WEATHERSTRIPPING. Material used around windows and doors to prevent drafts.

WEB PAGE. A single page of data as a part of a website.

WEBSITE. A grouping of web pages, images, or other digital information that is hosted by a web server.

WEB TRAFFIC. The amount of data sent and received by visitors to a website.

WEEP HOLES. Openings that allow trapped water to escape and for ventilation of brick.


 **WEIGHTED AVERAGE TECHNIQUE.** A method of averaging, used in appraisal.

WEIGHTED RATE. A method of determining overall capitalization.


WETLANDS. Watery areas such as swamps, marshes and floodplains.

WHITE NOISE. Sound that has constant energy per frequency.

WHOLE-HOUSE FAN. A fan typically centrally located in the ceiling of a house that draws fresh outside air into the living space, flushes hot air up to the attic and exhausts it to the outside.

 **WHOLESALE PRICE INDEX (WPI).** It measures changes in prices in the manufacturing and distribution sector of the economy and tends to lead the consumer price index by 60 to 90 days. The index is often quoted separately for food and industrial products.

 **WILD DEED.** An improperly recorded deed.

 **WILL.** A written, legal declaration of a person expressing his or her desires for the disposition of that person's property after his or her death.

WILLINGNESS TO PAY. Relates to a person's character and is associated with a person's credit history.

WIND ENERGY. Conversion of wind energy into a useful form of energy, such as electricity, using wind turbines.

WIND FARM. A cluster of wind turbines (up to several hundred) set up in areas where there is a nearly steady prevalent wind, either on land or offshore.

WINDOW LIGHT. An individual pane of glass.

WINDOW SEAT. A bench built under an interior window.

WINDOW-TO-FLOOR RATIO. The ratio of total, unobstructed window glass area to total floor area served by the windows, expressed as a percentage. This value can also be further subdivided by solar orientation (such as south-facing window-to-floor ratio).

WINDOW WELL. A curved, corrugated steel insert used to isolate basement windows from moisture if they're below the soil line.

WINDOW WELL COVERS. Curved plastic covers designed to be installed on top of a window well to cover the opening.

WITNESSED WILL. Will usually prepared by an attorney and signed by the maker and two witnesses.

WOOD ROT. Damage to wood, caused by fungi.

WORKERS' COMPENSATION INSURANCE. Injury compensation insurance that employers are required to provide to the employees of the company.


WORKFILE. Appraiser's records that contain all the documentation necessary to support the appraiser's analyses, opinions, and conclusions conveyed in the appraisal report.


WORKING CAPITAL. Amount of money available to carry out daily activities. It is the amount available after deducting current liabilities from current assets.


WORKING CAPITAL FUND. Amount of money needed to meet immediate obligations and is generally equal to one month's expenses.


WORKOUTS. Methods of resolving borrower financial problems and avoiding foreclosure, such as lengthening loan terms and reducing payments.

WPI. *See* Wholesale Price Index.

 **WRAP AROUND MORTGAGE.** A financing device whereby a lender assumes payments on existing trust deeds of a borrower and takes from the borrower a junior trust deed with a face value in an amount equal to the amount outstanding on the old trust deeds and the additional amount of money borrowed.


 **WRIT OF ATTACHMENT.** The document recorded in the public record, by which the court holds the real or personal property of a defendant as security for a possible judgment, pending the outcome of a lawsuit.

 **WRIT OF EXECUTION.** A legal document issued by a court, forcing the sale of a property to satisfy a judgment.


 **WRIT OF POSSESSION.** A document that is executed at an eviction hearing that authorizes the sheriff's office to evict the tenant.


WROUGHT IRON. An easily-molded form of iron, used for decorative railings, gates, furniture, etc. The term is loosely used to describe steel or aluminum used in the same manner.

X


 **X.** An individual who cannot write may execute a legal document by affixing an X (his or her mark) where the signature normally goes. Beneath the mark a witness then writes the person's name and signs his or her own name as witness.


XERISCAPE™. A patented name for landscaping that conserves water, by using a wide variety of plants appropriate to the natural environment.

 **YARD.** A unit of measurement three feet long.

 **YEAR-TO-YEAR TENANCY.** A tenancy that continues from one period to the next automatically, unless either party terminates it at the end of a period. Also known as periodic tenancy.


 **YIELD.** The interest earned by an investor on an investment (or by a bank on the money it has loaned). Also, called return.

 **YIELD CAPITALIZATION.** A capitalization method that discounts future benefits at appropriate yield rates, producing a value that reflects the income pattern, value change, and yield-rate characteristics of the investment.


 **YIELD RATE.** The yield expressed as a percentage of the total investment. Also, called rate of return.

ZENITH. The point on the sky dome directly overhead, the 90-degree solar altitude angle.

ZERO ENERGY BUILDING (ZEB). Zero energy buildings produce as much energy as they consume. ZEBs are autonomous from the energy grid supply and produce energy on-site.


 **ZERO LOT LINES.** Houses built without space between them and with little or no yard.


ZEROSCAPING. The use of rock and hardscape, with only a few sparse plants. This is a type of low water landscaping. Since it uses so much rock and hardscape, zeroscaping tends to be hot.

 **ZONE.** The area set off by the proper authorities for specific use; an area subject to certain restrictions or restraints.

ZONED SYSTEM. A system of heating or air-conditioning that maintains different temperatures or conditions in different areas or zones in a house.

 **ZONING.** Act of city or county authorities specifying type of use to which property may be put in specific areas.

 **ZONING LAW.** A type of law that regulates land use, executes master plans, and controls the mix of properties in a particular area. Also known as a zoning ordinance.

 **ZONING VARIANCE.** A one-time modification of existing zoning law.