

Chapter 3

Apprenticeship - learning period - three years salesperson to Broker's Exam

Associate Broker - broker salesperson

Attorney General's Memo - (AG Memorandum) on back of listing - must give with all listings explains LAD

Attorney Review - 3 days or any agreed upon extension

Back Up Offer - offer tendered after 3 day attorney review period has expired

Branch Office - outside main office - broker salesperson to manage

Broker - broker of record - Person responsible for operation and all agents

Broker Salesperson - has brokers license - works for another broker

Commingling - mixing funds - Illegal blending of accounts

Criminal History Check - performed prior to issuance of license - State Police background check

Cul-de-sac - Street with a turnaround

Dual Capacity - working for both buyer and seller - written permission signed by both.

Employing Broker - your broker with whom you are licensed

Employment Agreement - self explanatory - your contract with the broker

Escrow Account - separate accounts for each transaction

Fiduciary - a position of trust between broker and principal

Fraud - a felony - crime of moral turpitude

Guaranty Fund - bereaved clients or customers can collect for wrongdoing by realtors

Irrevocable Consent - given to NJREC by out of state brokers granting REC to receive process

License Lending - allowing another to use your license, stopping in occasionally, ILLEGAL

Misdemeanor - a crime of lesser consequence

Misrepresentation - a falsehood - minimizing an event

Moral Turpitude - a series of serious offenses - likely to harm the public

Net Listing - Illegal in NJ - seller wants definite amount - you keep the rest - ILLEGAL

Non Resident License - do not have to be a resident in NJ to hold a NJ license

Office Supervisor - broker salesperson or broker

Prospectus - offering statement in booklet form

Real Estate Commission - regulatory agency (NJ Realtors)

Real Estate Sales Full Disclosure Act - regulates out of state subdivisions - less than 100 units and cemetery lots are exempt.

Realtor - members of local Real Estate Boards - usually belong to NAR

Receiver - a court appointed custodian of Real Estate pending a court action

Revoked - recalling, taking away of license, power, agreement

Rules and Regulations of NJAC - New Jersey Administrative Code - enforced by REC

Suspend- taken away for less than full term

Temporary License- upon death of broker salesperson with 3 years experience applies within 30 days.

Given 1 year tempory brokers license- non- renewable.

Chapter 4

Accretion - gradual buildup of land by deposits of sand by water and natural causes

Air Rights - the rights vested by grant to any or all the space above the ground

Alluvion - the increase of soil on a shore or bank as a result of accretion

Avulsion - the sudden tearing away of land and depositing it on another parcel

Bundle of Rights - ownership that embraces possession, use, enjoyment, and disposition

Emblements - trees or annual crops - the right of a tenant to cultivate after tenancy expires

Eminent Domain - Government right to take property for public use upon fair payment

Escheat - reversion of property to State lacking a will, heirs, or abandonment

Improvements - that which is affixed to the land - House, garage, shed, etc...

Land - from the core of the Earth to the surface

Littoral - property bordering a large body of water - ocean, sea, lake

Navigable Waters - bodies of water capable of being used for public transportation

Police Power - Government right to enact laws to promote health, safety, and welfare of public

Real Estate - the land and all improvements thereon

Reliction - gradual recession of water (from the usual watermark)

Riparian - rights of homeowner to use the waters adjacent to his land

Chapter 5

Appurtenance - (Hereditaments) that which is added to and becomes part of the property

Bill of Sale - used to purchase personal effects - a list thereof

Chattel - personal property

Chattel Mortgage - financial instrument used to purchase personalty

Fixture - personal property affixed to realty

Personalty - not Real Estate - Personal Property

Security Agreement - finances personal property

Trade Fixture - used in business and may legally be removed upon termination of lease (cement mixer, barber's chair, etc...)

Chapter 6

Defeasible Fee - imposes certain limitations - has most of the rights of fee simple

Estate - describes the interest and degree and nature one holds in Real Estate - what you own and how you own it

Fee Simple - largest bundle of rights - AKA Absolute Fee

Freehold - an estate which is indefinite and of uncertain duration

Leasehold - a lease

Less than Freehold - a leasehold estate

Life Estate - smallest freehold - not an inheritance - specific duration

Qualified Fee - imposes certain limitations - can be defeated

Remainder - the one in whom an estate reverts back to after termination of prior Estate

Reaminderman - the one in whom an estate reverts to

Reversion - "Goes Back To" Reverts - a reversion feature, the Balance of an Estate

Waste - willful destruction - "a feature of a defeasible fee"

Estate- the measurement of what you own in property- example is a freehold estate- means you own it forever or until you sell.

Freehold Estate- Fee Simple, Fee Simple Defeasible, Life Estate

Fee Simple Absolute	Fee Simple Defeasible	Life Estate
Largest fee in real estate	Also called <u>Qualified Fee</u>	Smallest freehold
Can sell it	Has limits	Cannot be passed on
Can will it	Will come to an end	Exists during a lifetime of 1 or more persons
Can give it away	Reverts back to the Grantor	Takes the income and profit
Keep as long as he/ she wants	Has an ending	Cannot commit wast
Has largest bundle of rights	Also called Fee Simple <u>Dertiminable</u>	Pays the taxes
	Also called Fee Simple <u>Conditional</u>	Can sell, mortgage or lease but only for his life term of the life estate

Remainderman- usually the third party of a life estate

Reversion- the property goes back to the original owner

Non- Freehold- an estate for a specific time. Has an ending. Also called a Lease or Leasehold estate (rental)

Deed- written proof of ownership- like the bill of sale for a car.

Title- evidence of ownership- can't see it, can't feel it (intangible)

Pur Autre Vie- means for the life of another person- The Deed gives you proof of title which tells you the type of estate you own.

Grantor- the seller- the Grantee- the buyer

Grantor signature is acknowledged- witnessed by Notary Public

Deed must be delivered and accepted to be valid

Deed must be **recorded** in **County Office** to give **Constructive Notice**

Chain of Title a list of farmers owners

Actual Notice- you know who owns a property

Deed must contain certain elements

1. Must be between competent parties- no minors or insane people
2. Consideration in a deed is the money or other valuable
3. Words of Conveyance the owner grants and conveys (transfers)
4. Description- survey and lot and block number are a legal description
5. Restrictions- notes on a deed any restrictions on use or easements
6. Quantity and Quality of title (Habendum Clause) promises by grantor
7. Signature of the Grantor only- the Grantee doesn't sign it

Habendum Clause- usually is stated as "To Have and To Hold"

Seizin- owners say they are in full possession of property

Quiet Enjoyment- no one former owners can evict you

Freedom from Encumbrances- no liens, encumbrances, or unpaid taxes unless clearly stated on the deed

Further Assurances- ant faults or defects will be corrected by **Grantor**

Right to Convey- Grantor has the right to sell and guarantees possession to you

Covenant of Warranty- Grantor will be responsible for any title defects

Chapter 7

Common Element - common areas used by all the owners

Common Expense - the expenses of the condominium's operation

Common Interest - the percentage of the undivided interest

Condominium - a group of single owners in a common building

Co-Operative - (CO-OP) ownership of shares or stock plus a property lease

Corporation - a vehicle used to carry on business with liability of each owner limited to their stock in the corporation

Horizontal Property Act - laws pertaining to condo ownership - layers of ownership

Joint Tenancy - ownership by 2 or more persons with rights of survivorship

Joint Venture - 2 people in one specific venture

Limited Partnership - both general and limited partners with specific liability

Partition - court action where co-owners seek to sever their relationship

Partnership - 2 or more people - co-owners - share expenses and profits

Proprietary Lease - a lease between a co-op owner and the corporation

Right of Survivorship - deceased co-owners rights go to the other owners

Tenancy by the Entireties - husband and wife ownership with survivorship

Tenancy by Severalty - one owner

Tenancy in Common - 2 or more owners - no right of survivorship to other owners, goes to heirs

Undivided Interest - title owned by 2 or more of the whole parcel. No claims for specific parts allowed

Unities of Title - one deed - all owners on same deed

FOUR FORMS OF OWNERSHIP

SEVERALTY	JOINT TENANCY	TENANCY IN COMMON	TENANCY BY THE ENTIRETIES
One owner	Has right of survivorship to the other owners	<u>NO</u> right of survivorship to <u>other owners</u>	Husband & Wife. In NJ it's automatic! If not stated on the deed it is <u>presumed automatically!</u>
No right of survivorship because there is only <u>one owner!</u>	Survivors become owners Requires 4 Unities: 1. Time 2. Title 3. Interest 4 Possession 1/3 1/3 1/3 1/4 1/4 1/4 1/4 If joint tenancy is broken then new owner is tenant in common. Other owners remain as joint tenants. Undivided interests	Interest in property goes to heirs by: 1. Will 2. Inheritance Still has unity of possession: Undivided Interests	Survivor becomes owner Divorce cancels it and they become tenants in common.

***NOTE* - Survivorship means TO THE OTHER OWNERS**

Chapter 8

Administrator - court appointed (male) - administers to estate of deceased intestate

Administratrix- court appointed (female)- administers to estate of deceased intestate

Alienation - transferring of one persons property to another person

Augmented Estate - 1/3 right to all properties

Bequest - personal property given by a will

Cloud on Title - conditions that impair owners title due to apparent or probable validity

Codicil - a supplement or addition to a will that alters the wills provisions

Curtesy - a husbands right in his wife's estate upon her death

Descent - ownership transferred by means of inheritance

Devise - a gift of realty by will

Dower - a one half interest a wife has in her husband's estate

Elective Share - 1/3 which surviving spouse may claim absent specifics in a will

Escheat - property reverting back to State when no will, heirs, or abandonment occurs

Executor - male named in a will to carry out the disposition of the estate

Executrix- female named in a will to carry out the disposition of the estate

Inchoate - incomplete - no perfected - pending

Intestate - person dies without a will or leaves a defective will

Legacy - usually money by will

Probate - a court action determining the validity of a will

Testate - leaving a will upon death

Testator - one who leave s will in force at his death

Chapter 9

Abandonment - relinquish all right to property

Adjoining Owner - the property owner next to your property

Condition - the physical characteristic - a term of a contract - a clause

Covenant - an agreement to do or not to do an act

Dedication - an offer and acceptance by an owner to a public body

Dominant Estate - a property attached to and benefiting from that situation

Easement - a right or privilege one owner has over another owner

Easement Appurtenant - attached to and runs with the land - cannot be separated

Easement in Gross - Electric or Power company easement (Does NOT attach to land)

Encroachment - a building or fixture intruding on another property (Effects title)

Encumbrance- a lien or claim on another property effects title

Lateral Support - each owner has the right to have his land supported in the natural condition by the land of his neighbor

License - a personal privilege to perform an act on another's property

Party Wall - wall between two properties for use by both owners

Prescription - title earned by possession for prescribed time (NJ is 20 years)

Restriction - clause in deed or other agreement limiting use of property

Runs with the Land - binds all future owners - stays with property

Servient Estate - an easement on the property benefiting another

Chapter 10

Acknowledgement - a formal declaration that the act committed is free and willingly done

Actual Notice - what you have actually seen, heard, read, observed

Bona Fide Purchaser - a real and qualified buyer

Constructive Notice - knowledge presumed by law (on public record)

Donee - person receiving gift

Notary Public - office of the court take signatures and affidavits

Recording - entering records into public files

Chapter 11

Abstract of Title - condensed history of property

ALTA - (American Land Title Association) - for title companies around US

Chain of Title - history of ownership on a property

County Clerks Office- central recording office for deeds, mortgages, etc.

Mortgagee Policy- title policy that protects the lender

Owners Policy- title policy that protects the owner

Title Insurance - Insurance policy protects the holder against legal challenges to the property during his ownership

Title Report - search done then title report is issued before title policy is issued

Title Search - a legal review in county recording office

Chapter 12

Agency - legal relationship between agent and principal to perform for principal

Agent - person authorized under agency to act on behalf of principal

Amenities - pleasant things, comfortable things increasing pleasure of ownership

Attorney in fact - one authorized to perform certain acts on behalf of another

Buyers agent- works with the buyer treats all parties fairly

Client - the principal in a Real Estate transaction who employs the agent

Consumer Information Statement (CIS)- provided basic information on the four agency relationships, given out prior to first discussion

Dual Agency- works for buyers and sellers only with signed written permission

Fiduciary - a position of great trust and confidence (i.e. between principal and broker)

Independent Contractor - one retained to act for a broker not subject to direct control

Listing - written agreement between property owner and broker to sell/lease exchange property

Sellers Agent- works for the seller- must treat all parties fairly

Sherman Antitrust- Federal law prohibits price fixing or collusion, highly illegal to fix commission rates

Transaction Broker- works with both buyers and sellers does not represent either. Facilitates closing

Power of Attorney - written agreement authorizing one to act on behalf of another indicated agreement

Principal - the employer of broker or agent, also sum of money owed by debt

Procuring Cause - cause of events leading to a successful sale

Ready, Willing, and Able - prepared person financially able and willing to contract

Special Agent - person authorized to perform only certain acts on behalf of his/her principal

Chapter 13

Commission - a percent of selling price. An agents compensation

Exclusive Agency Listing - written agreement giving one agent rights to sell and get paid with owner reserving the right to sell and pay no commissions

Exclusive Right to Sell Listing - the very best - broker gets paid whoever sells the property

Multiple Listing - an arrangement where brokers pool their listing in a cooperative effort

Net Listing - Illegal in NJ - owner wants specific dollar amount and Realtor keeps rest

Open Listing - a listing given to several brokers with the one selling the property getting the commission

Oral Listing- unforceable due to statute of frauds

Chapter 14

Assignment - a contract or a right is transferred to another person

Binder - an agreement with down payment, receipt of deposit outlining terms

Breach of Contract - a default - non-performance, violation of contract terms

Closing - meeting of parties where a transaction is consummated

Competent Parties - persons qualified and mentally competent to contract

Consideration - a promise or act of legal value. Also love and affection

Contract - legal agreement by competent parties to perform or refrain from an act

Contractual Capacity - 18 or over, mentally able to perform

Counter Offer - a reply - canceling an original offer - a new offer

Damages - that which is recoverable from default or breach of another

Default - failure to meet terms or promise or obligation when due

Deposit - monies given as promise and evidence of good faith for performance

Duress - unlawful force - used force against a person to sign a document

Earnest Money - initial payment in Real Estate as evidence of good faith

Equitable Owner - title given a buyer under Real Estate contract not closed

Executed Contract - a contract fully performed. Closed deal

Executory Contract - a contract not fully performed. Pending

Marketable Title - title free of objectionable liens and encumbrances and defects

Meeting of the Minds - a mutual agreement to perform. Agreement

Offer - a promise to perform - subject to certain acts and terms

Option - a right for consideration to buy or lease property with terms and time clauses

Optionee - the one receiving the right in an option

Optionor - the one granting the right in an option

Parol - oral - verbal - spoken

Rescission - revoking, annulling by agreement or cause "Return to Status Quo"

Specific Performance - a remedy compelling a party to perform contracts terms

Statute of Frauds - a law - Real Estate contracts must be in writing to be in force

Statue of Limitations - period of time law allows to sue a party. Time is of the essence

Unilateral - a contract obligating only one party

Valid - having binding force. Legally sufficient, authorized by law

Void - that having no force or effect

Voidable - capable of being void - no effect - requires action to make void

Chapter 15

Administrators Deed - a deed given by a court - authorized administrator

Alienation - transferring of real property from one to another

Bargain and Sale Deed - a deed used to convey property - may or may not have warranties

Cloud on Title - a condition on the title which may impair clear, clean title

Conveyance - an instrument (deed, etc...) transferring title from one to another

Correction Deed - used to correct a prior deed with errors. A confirmation

Covenant - promises or guarantees in a deed to "do or not to do" certain stipulations

Deed - written instrument by grantor to grantee conveying right or title to property

Deed of Trust - not used in NJ

Deliver and Acceptance - an act transferring an instrument and accepted by another

Exception - those terms, conditions, persons, excluded from the intent

Full Covenant & Warranty Deed - the strongest deed. Gives the greatest protection

Grantor - the seller - person conveying real property

Grantee - the buyer - person receiving real property

Habendum Clause - "Have and to Hold" clause. Explains or limits the estate granted

Involuntary Alienation- transfer of property without consent. Tax sale, foreclosure, also eminent domain or easement by prescription

Quiet Enjoyment - right to use property without interference from grantor or landlord

Quitclaim Deed - contains no warranties - transfers interest "if any"

Realty Transfer Deed - fee paid by seller prior to recording by use of county and state

Reservation - a right retained by a grantor conveying real property

Seisin - in actual possession. Grantors right and capacity to convey good title

Special Warranty Deed - deeds for a special or particular purpose. Limits

Voluntary Alienation- when you sell, lease or will property freely

Warranties - covenants, transfers, stipulations, statements

Warranty Deed - grantor fully warrants good clear title to property

Donor - a person who makes a gift

Donee - the person to whom a gift is made

Vendor - the seller

Vendee - the buyer

Dedication - transfer of certain lands to government with acceptance by the government. No considerations

Hypothecate - to pledge property as security as in a mortgage

Types of Deeds:

General Warranty Deed- Highest and most complete ownership

Special Warranty Deed- Guarantees title since owners owned it and not during previous owners term

Grant Deed- Warranties created by seller

Bargain and Sale Deed- contains no warranties

Quitclaim Deed- No warranties. Gives only whatever interest the grantor has in the property, "IF ANY"

Deed of Trust- Secures payment of a Debt

Gift Deed- used to donate property

Correction Deed- Makes corrections to prior deed (misspellings, etc.)

Sheriffs Deed- Used in a foreclosure or debt repayment

Administrators Deed- Deed ordered by Court to sell property

Tax Deed- used by government in case of unpaid taxes

Executors Deed- used to settle estate of deceased persons.

Chapter 16

Adverse Possession - actual, open, continuous, hostile, exclusive for 20 years under claim

"Before & After" Method - appraisal technique in a partial taking in Eminent Domain

Color of Title - appear to be but is not good title as in defective deed

Condemnation - process of taking property under Eminent Domain with just compensation

Condemnee - one whose property is condemned

Ejectment - action to retain possession with damages for unlawful retention

Eminent Domain - Government right to acquire property for public good upon payment of just compensation

Just Compensation - fair payment for property under Eminent Domain

Marketable Title - title free and clear of objectionable liens or encumbrances

Partial Taking - government taking a portion of property thru condemnation

Quiet Title - court action to remove clouds on a title

Tacking - continuous occupation by different parties under adverse possession - last occupant gets title

Chapter 17

Acceleration Clause- if a mortgage is in default entire balance is due

Adjustable Rate Mortgage- mortgage interest rate fluctuates up or down

Alienation Clause- if a home is sold- entire mortgage must be paid off

Amortization- the gradual paying off of a loan in periodic installments

Assignment of Mortgage- transfer of one mortgagee to another

Assumption of Mortgage- buyer takes owner liability for an existing mortgage

Balloon Mortgage- a loan where the final payment is larger than regular ones

Blanket Mortgage- covers many parcels of land- used by builders, etc.

Bridge Loan- short term financing between sale of one property and purchase of another

Construction Mortgage- loan with funds given out during construction stages

Conventional Mortgage- a loan not insured by government agency

CRV- the appraisal in a VA loan- certified of reasonable value

Defeasance Clause- right to pay- off and cancel of record a mortgage

Deficiency Judgement- an action for balance of loan left after foreclosure

Discount Points- a point is 1% of a loan with a value of 1/8%

Due on Sale Clause- an alienation clause- if home is sold mortgage is due in full

Estoppel Certificate- I owe that amount at the rate- "Certificate of Defense"

FHA Insured Loan- Federal Housing Administration insures the loan³

Graduated Payment Mortgage- starts with lower payments and then increases

Hypothecate- to pledge property as security as in a mortgage

Junior Mortgage- second mortgage in priority to another mortgage

Loan to Value Ratio- difference between the loan amount and the value

Mortgage- written instrument that creates a lien on property

Mortgage Insurance Premium (MIP)- insurance premium paid by borrower in FHA loan

Mortgagee- the lender- Bank, etc...

Mortgagor- the borrower

Novation- substituting persons or a new obligation for an old one

Open End Mortgage- allows borrower to get additional money over original mortgage amount

Package Mortgage- mortgages on property and appliances together

Prepayment- paying off an obligation before it is due

Principal- your employing broker or the sum of money in a debit

Private Mortgage Insurance (PMI)- insures top 20% of loan- paid by borrower

Promissory Note- creates personal liability in a mortgage

Purchase Money Mortgage- mortgage given by a seller to a buyer

Release Clause- clause in a blanket mortgage allows borrower to pay off certain parcels of land and have them released

Reverse Annuity Mortgage- bank gives no check to property owner

Second Mortgage- a junior mortgage- behind another

Subordination Clause- a clause stating rights are second to another

Usury- illegal high interest rates

VA Guaranteed Loan- vets administrative guarantee loan for veterans

Wrap Around Mortgage- wraps a new loan around an existing one

Chapter 18

Assessment - a charge against property by government to cover improvement costs

Attachment - taking property by judicial order and placing with the courts

Deficiency Judgment - judgment for the balance of a debt due and still owing

Equity - owners value over debt amount. Courts of Equity form remedied justice

Equity of Redemption - owners right to reclaim property before sold by payment of debt

Foreclosure - pledged property sold to repay debt in cases of default

General Lien - a lien that attached to all property of debtor

Involuntary Lien - lien imposed with no consent. Taxes, assessment, Federal liens, etc...

Judgment - final determination as to rights and liabilities by the courts

Lien - an encumbrance or a right whereby a creditor may satisfy a debt from proceeds of sale of personal or real property

Lis Pendens - a pending legal action giving constructive notice

Mechanics Lien - a lien against property by persons providing work or materials

Notice of Intention - former requirement to file mechanics lien - abolished

Soldiers & Sailors Civil Relief Act - postpones foreclosure due to military service

Specific Lien - lien that attaches to one piece of property

Statutory Right of Redemption - right to redeem foreclosure or tax liens

Writ of Execution - enforces court order allowing Sheriff to seize and sell property

Chapter 19

Federal Home Loan Mortgage Association "Freddie Mac" - buys loans from commercial banks and Federally insured S&L's. Doesn't make loans

Federal National Mortgage Association "Fannie Mae" - a part public, part private corporation that buys and sells mortgages in the secondary market

Government National Mortgage Association "Ginnie Mae" - a Federal agency providing special assistance for the Federal housing programs

Institutional Lender - S&L's, commercial banks, mutual savings banks, and insurance companies

Land Contract - an installment sale. Title stays with seller until terms are perfected. Buyer has equitable title

Mortgage Banker - a corporation or firm that makes, delivers and services mortgages

Mortgage Broker - person or firm acting as intermediary between lender and borrower

Non-Institutional Lender - loan correspondents, credit unions, pensions, private persons (i.e. land sales contract)

Primary Mortgage Market -- source of loan funds to borrowers for both 1st and 2nd mortgages

Redlining - unlawful - refusing to lend in certain areas

Secondary Mortgage Market - the market place for the sale and purchase of existing mortgages

FEDERAL NATIONAL MORTGAGE ASSOCIATION

- FNMA - Nicknamed "Fannie Mae"
- Created in 1938
- Provides secondary market to investors
- Doesn't loan money
- Guarantees payment of interest and principal

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

- GNMA - Nicknamed "Ginnie Mae"
- Created in 1968
- Doesn't loan money
- Guarantees low to moderate and high risk mortgages
- Assists in providing funds in "low-cost" housing and "capital-defecit" areas
- Guarantees payment of principal and interest on "Pass Through Certificates"
- Tandem plan is close cooperation with Fannie Mae

FEDERAL HOME LOAN MORTGAGE CORPORATON

- FHLMC - Nicknamed "Freddie Mac"
- Created in 1970
- Does NOT guarantee payment
- Provides a secondary market to saving & loans
- Doesn't loan money
- Buys conventional loans (mortgages), pools them and sells them as mortgage Participation Certificates (PC's) and Guarantee Mortgage Certificates (GMC's)
- Allows mortgages to be converted to cash and use the cash to make new mortgage loans

Chapter 20

Annual Percentage Rate (APR) - the effective rate of interest per year

Arranger - a liaison - in between contact - broker

Creditor - person giving credit

Finance Charge - actual costs

Regulation Z - consumer information credit disclosure

RESPA - Real Estate Settlement Procedures Act. The closing statement

Right of Rescission - the right to cancel or take back

Total of Payments - total dollar amount including interest and other charges

Truth in Lending - Federal law implemented under Regulation Z requiring certain disclosures and allowable rescission

Chapter 21

Affidavit of Title- A signed sworn statement by seller revealing liens, facts, judgements not revealed by title search

Arrears- that which is late, or overdue payments

Debit- casts or charges against buyer or seller at closing

Closing- process and meeting where title is transferred

Closing Statement- Standardized summary of all the details of the transaction

Credit- an asset- something of value- amount given to buyer or seller at closing

Homebuyers Guide to Settlement Cost- A HUD prepared booklet describing settlement process and charges

HUD1- Uniform settlement statement (RESPA statement) a standardized form of closing and transaction cost

Probation- to divide or distribute funds proportionately- a distribution of monies between buyer and seller.

RESPA- Real Estate Settlement Procedures Act- the act under HUD standardizing closing form

Settlement- Actual settlement if transfer of Deed- the closing day

Chapter 22

Actual Eviction - removal of tenant by law

Assignment of Lease - transfer of lease to another person for remaining term

Commercial Lease - lease involving commercial, not residential property

Constructive Eviction - Landlords' acts depriving tenant quiet enjoyment of premises

Demise - conveyance of estate by lease

Dispossess Proceedings - Landlords' legal remedy to regain apartment due to tenant breach

Escalation Clause - periodic rent adjustments

Estate for Years - lease for a definite, fixed period of time

Eviction - landlords' remedy to regain possession due to tenants breach

Graduated Lease - step-up periodic adjustments usually in Ground Leases

Gross Lease - flat rental fee- landlord pays all regular property costs

Ground Lease - a tenancy for years - long duration - for the land

Holdover Tenancy - tenant stays in possession after expiration of lease

Lease - contract - landlord transfers use and possession for specified term

Lessor - the owner (i.e. - landlord)

Net Lease - tenant pays rent and all expenses including taxes, insurance and repairs

Notice to Quit - notice to a tenant to vacate

Percentage Lease - usually minimum rent plus percentage of gross sales

Periodic Tenancy - tenancy of indefinite duration terminated by either party

Recapture Clause - in a percentage lease allowing landlords cancellation due to lack of volume

Security Deposit - lessee's deposit to insure lease performance

Step-Up Lease - lease with gradual increases or step-ups in rent

Sub Lease - a lease for the portion of a property or a portion of the term

Summary Possession - landlords' process for termination due to tenant's breach

Surrender - mutual consent of landlord and tenant to cancel and end lease

Tenancy at Sufferance - where tenant holds over after lease expiration

Tenancy at Will - possession and occupancy terminable by either party

Waste - willful destruction of property by parties in possession

Chapter 23

Certified Property Manager- CPM- the IREM designation

Operating Expenses- the amount paid to run the operation, but does not include income taxes or debt services.

Property Management- managing the property on a daily bases

Resident Manager- Property manager lives on site

Effective Gross Income- rents actually collected

Chapter 24

Blockbusting - exploiting a minority move into a residential area

Civil Rights Act of 1866- Federal law prohibited discrimination based on race

Civil Rights Act of 1964- Federal law prohibited discrimination in housing and federal loans

Complainant - injured party

Discrimination - decisions based on race, color, etc...

Federal Fair Housing - national policy of fair housing

Racial Steering - steering certain races to a particular area

Redlining- lenders excluding certain areas from loans- illegal

Respondent - accused

Chapter 25

Ad Valorem - tax according to value

Assessment Taxes - tax charges (i.e. - sidewalk, curbs, etc...)

Assessed Valuation - value by tax assessor

Basis - after deductions

Capital Gains Tax - tax on money profits

Depreciation - an allowable deduction on income producing property

Installment Sales Tax Rule - pay taxes when the funds are received

Passive Losses - non-active income

Personal Residence Tax Rule - expenses of portion of your home being used to conduct business may be deducted

Real Property Taxes - actual taxes

Special Assessments - sidewalks, curbs, etc...

Straight Line Depreciation - 27.5 years for residential and 39 years for commercial

Tax Sale - sale of Tax Lien Certificates. 12-18% return

Chapter 26

Qualified Intermediary- acquires the relinquished property and transfers the relinquished and replacement properties

Realized Gain- the difference in value between the relinquished and the replacement property

Relinquished Property- the property given up

Replacement Property- the property received in an exchange

Dealer Property- property held only for resale- not for income or appreciation (non-exchangeable)

Identification Period- 45 days of relinquished property

Exchange Period- 180 days replacement property must be received

Adjusted Basis- Original cost minus depreciation taken plus improvements added

Chapter 27

Accrued Depreciation - preset appraised value minus cost of new replacement

Appraisal - an estimate of value with supporting documentation

Basis - original cost - plus added improvements - minus depreciation taken

Capitalization - process of converting future income into current equivalent value

Capitalization Rate - rates of net income to value - a reasonable rate of return

Comparable - similar properties - somewhat alike in elements, AKA Comps

Cost - the costs therein...most notably the price of goods or services

Cost Approach - land and cost of replacement minus depreciation - upper limits of value

Depreciation - value loss due to physical, functional deterioration or economic obsolescence

Deterioration - loss due to wear and tear

Economic Life - time period over which a property may be used profitably

Economic Obsolescence - when land value exceeds improvement value

Effective Gross Income - gross annual income minus vacancy factor

Functional Obsolescence - lack of desirability - poor floor plan, etc...

Gross Income Multiplier - rate used times Gross Income less vacancies

Highest and Best Use - that which yields highest net return over time

Income Approach - amount of net income reasonably produced over economic life

Market Data Approach - uses sales data of similar properties sold within 6 months

Market Value - willing buyer - willing seller - no duress

Net Income Gross - income less vacancy, expenses, reserves

Physical Depreciation - usually caused by wear and tear (i.e. - termites, rat, etc...)

Price - the cost or amount paid for goods, services, property

Recapture Rate- a rate of return on an investment

Reproduction Cost - used in the cost approach

Value - worth of something - goods, etc at a certain time

Economic Rent - market rent indicated if vacant

Contract Rent - present rent

Progression Principal - lower valued home seeks higher value when placed in higher value area

Regression Principal - higher valued home drops in value when placed in lower valued area

Chapter 28

Acre - 43,560 square feet

Benchmark - determines elevation

Chain - 66 feet in length

Front Foot - One foot wide extending to depth of property

Lot & Block Number - on recorded map either in sub-division map and on tax assessors map

Legal Description - legally defined under law that will definitely locate and identify property

Metes & Bounds - metes are length; bounds are boundaries; type of property description

Monuments - fixed objects and points established by surveyors

Point of Beginning (POB) - where a survey starts and ends - part of metes and bounds survey

Survey - process measuring land and areas ascertained

Tax Map Key - on tax maps - delineates info on map

In reading rectangular descriptions – you read backwards

For example a tract of land described as:

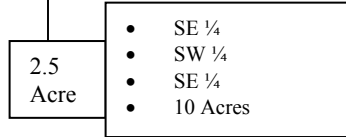
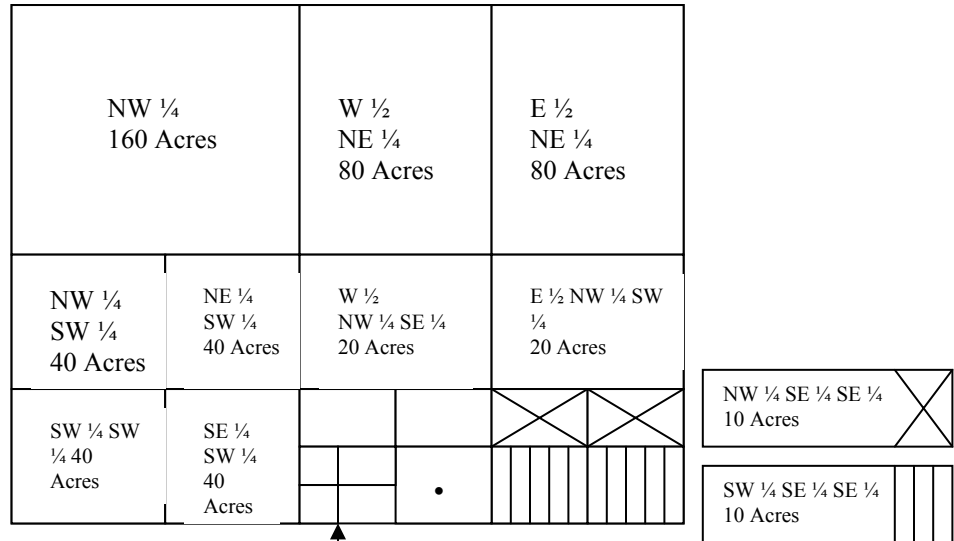
SE $\frac{1}{4}$, SW $\frac{1}{4}$, SE $\frac{1}{4}$ would be identified by reading from right to left (backwards)- first identifying the southwest quarter of the entire section then the southwest quarter of that quarter, then finally the southeast quarter of the quarter- quarter section. Thus, the SE $\frac{1}{4}$, SW $\frac{1}{4}$, SE $\frac{1}{4}$ - Contains 10 acres

A Section Contains 640 Acres

Northwest Corner

North

Northeast Corner



2.5 Acre

Southwest Corner

Southeast Corner

South

The reading in example

Chapter 29

Buffer Zone- land separating different uses- such as residential from commercial

Building Ordinances- town regulations and codes in building plans

Master Plan- 5 year zone plan- guides growth

Non Conforming Use- an allowable use conflicting with local laws- usually “grandfathered”

Planned Unit Development- hi density dwellings maximum space “PUDS”

Police Power- government right to zone properties

Setback- distances on all 4 sides of a lot from which construction is allowed

Sub- division- land divided into lots

Variance- permission to build a forbidden structure or allow a non conforming use

Zoning- authorized police power regulating land use

Chapter 32

Bulk Transfer Act- requires seller to give 10 days notice to vendors and suppliers regarding pending sale of business

Covenant Not to Compete- limits time and territory a seller can return to the same business

Goodwill- an asset derived from good reputation in the sale of a business

Stock in Trade- equipment and inventory

Uniform Commercial Code- standardizes commercial closings

Grantor- Owner- seller (signs the deed)

Grantee- Buyer- records the deed

Optionor- Person giving the option

Optionee- Person receiving the option

Lessor- Landlord

Lessee- Tenant

Assignor- Original buyer turns contract over to new buyer (assignee)

Assignee- Second buyer taking a contract from the original buyer (assignor)

Vendor- Seller in a land sales contract (Installment sale)

Vendee- Buyer in a land sales contract (Installment sale)

Mortgagor- Borrower (Buyer)

Mortgagee- The Lender (Bank)

Sub- Lessor- Original tenant giving a sub- lease

Sub- Lessee- 2nd Tenant- gets a portion of the original lease

In a loss problem you subtract the % of the loss from 100%. Then divide the selling price by that percent.

Example:

A house sold for \$125,000.00. This was a 25% loss. What did the owner pay for the house?

$$100\% - 25\% = 75\%$$

$$\$125,000.00 / (\text{divide}) 75\% = \$166,666 \text{ is what he paid}$$

In a profit or appreciation problem you add the % of profit to 100% and then divide that % into the selling price.

Example:

A house sold for \$125,000.00 this was a 25% profit (or gain). What did he originally pay for the house?

$$100\% + 25\% = 125\%$$

$$\$125,000 / (\text{divide}) 125\% = \$100,000.00 \text{ is what he paid}$$

**** ALWAYS USE 100 ****

Property Appraisal- Three Approaches

Sales Comparison Approach	Income Approach	Cost Approach
<ul style="list-style-type: none"> • Also called market data approach • Compares the “Subject Property” to other recent <u>SOLDS</u>- 6 months to 1 year • Uses three comparables- “Comps”. Adjustments are made to the comps- <u>Not</u> the subject property. • This is not a CMA- that is done by realtors • Used in 1- 4 family residential properties • The most common approach is the sales comparison approach. • Also used in vacant lots 	<ul style="list-style-type: none"> • Used on income producing and investment properties • Uses gross rent multiplier called GRM. Also uses the Gross Income Multiplier, called GIM • All determines <u>NOI</u> “Net Operating Income” • Takes the potential Gross Income minus the vacancy factor to <u>EGI</u> = Effective Gross Income. Then EGI minus operating expenses and reserves = Net Operating Income <u>NOI</u> • “Capitalizes Income” means converts future income into present value. 	<p>Uses 4 Methods:</p> <ol style="list-style-type: none"> 1. Quantity survey method <ul style="list-style-type: none"> • Most detailed- used by contractors. Measures cost of hinges, screws, nails, parts and labor. • Used in special purpose buildings Churches, Library, Schools, New Construction 2. Unit- In- Place- Component <ul style="list-style-type: none"> • Parts, a Kitchen, a Bath, Etc... 3. Square Foot- Length X Width <ul style="list-style-type: none"> • L X W X Cost per Sq. Foot 4. Cubic Foot L X W X H <ul style="list-style-type: none"> • Length X Width X Height X Cost per Cubic Foot uses replacement and reproduction costs by Insurance Companies. • Most appropriate method for a new home.

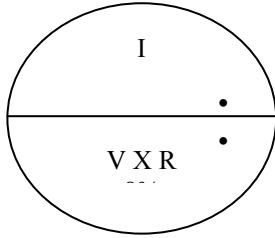
REMEMBER: Replacement cost uses material and designs available today.

Reproduction cost means re- creating the building EXACTLY as it was.

Determining Value of Income Property

1. If quarterly interest payments are \$150.00 on a \$12,000.00 loan, what is the annual interest rate?

Answer: 1500.00×4 (quarters) = \$600



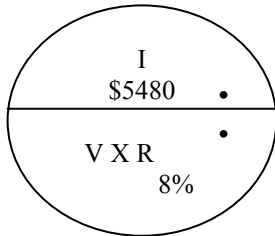
The loan value is \$12,000.00
So \$12,000.00 the value divided into the \$600 (the interest) =
 $\$600.00 / (\text{divided}) 12000.00 = 5\%$

On your calculator you get .05. Move the decimal to the right 2 spaces and drop the % sign to get the 5%

Rule to change a decimal to a percent move the decimal 2 places to the right and drop the % sign.

2. A property has a net annual income of \$5480.00. That represents an 8% return on the investment. What is the value?

Answer: Divide the income by the rate to get value.

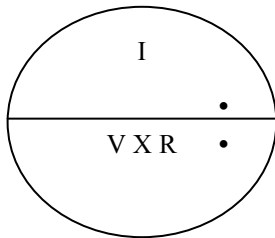


$\$5480 / (\text{divide}) 8\% = 68,500$ the value
(Income) (Rate) (Value)

3. A property is valued at \$350,000 and returns 12% on investment. What is the amount of the income produced?

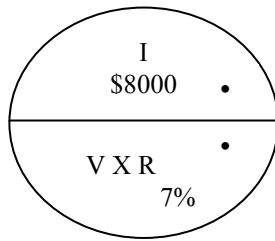
Answer: Value X Rate = Income

Value \$350,000 X Rate 12% = Income \$42,000



NOTE: In the questions they always give you two of the three parts you need. The numonic tells you exactly what to do.

4. What is the loan amount of the interest is \$8000.00 and they give you the rate 7%?



They give you the interest \$8000.00 and they give you the rate 7%.

$8000 / (\text{divide}) 7\% = \$11,4285.71$ is the answer!

The loan amount is \$114,285.71

Simple Interest

Interest = Principal (loan amount) X Rate (the %) X Time (# years)

Example: What is the amount of interest paid on a loan of \$20,000.00 at 8% for 5 years?

(Interest = Principal X Rate X Time)

$\$20,000.00 \times .08 \times 5$ years

$\$20,000.00 \times .08 = 1600. \times 5 = \$8000.$ Answer is \$8000.00 interest

Compound Interest

To calculate compound interest we add interest onto interest

Example: How much would \$500.00 grow to in 2 years at 10% yearly compound interest?

Answer: $\$500. \times 10\% = \50.00 so the 1st years interest would be:

$\$550. + \$55.00 = \$605.00$ 1st years interest (2nd year interest) Answer: \$605.00

Calculating Interest Cost

Mr. Smith wants to borrow \$4300.00 to expand his business. He gets a rate of 6%. He paid it off in 8 months. How much interest did he pay?

Answer: $\$4300 \times 6 = \258 interest for a year

$\$258 / (\text{divide}) 12$ months = \$21.50 per month

$\$21.50 \times 8$ months = \$172.00 interest he paid

Depreciation Loss

1. A property is now worth \$168,000.00. It has depreciated 8% yearly for the past 2 years.

What did the property originally cost?

Answer: $8\% \times 2$ year = 16%

$100\% - 16\% = 84\%$

$\$168,000.00 / (\text{divide}) 84\% = \$200,000.00.$ The original cost was \$200,000.00

2. A home has a present value of \$227,500.00. It has depreciated 9% yearly for the past 3 years.

What was its original cost?

Answer: $9\% \times 3$ years = 27%

$100\% - 27\% = 73\%$

$\$227,500.00 / (\text{divide}) 73\% = \$311,643.83$ (the original cost)

3. A home sold for \$124,000.00. This was a loss of 20% for the owner. What did he originally pay?

Answer: $100\% (\text{cost}) - 20\% (\text{loss}) = 80\%$

$\$124,000 / (\text{divide}) 80\% = \$155,000.00$ (he paid)

Appreciation Profit

4. A home was sold for \$121,000. This was a gain of 10% for the owner. What did the owner pay for the home?

Answer: $100\% (\text{cost}) + 10\% \text{ profit} = 110\% (\text{selling price})$

$\$121,000.00 / (\text{divide}) 110\% = \$110,000.00$ (original cost)

5. A \$200,000.00 home appreciated at the rate of 2.5% yearly for 3 years. It increases each succeeding year. What is the value after 3 succeeding years?

Answer: $\$200,000.00 \times 2.5\% = \5000.00 appreciation the 1st year.

So $\$200,000.00 + \$5000.00 = \$205,000.00$ value after 1st year

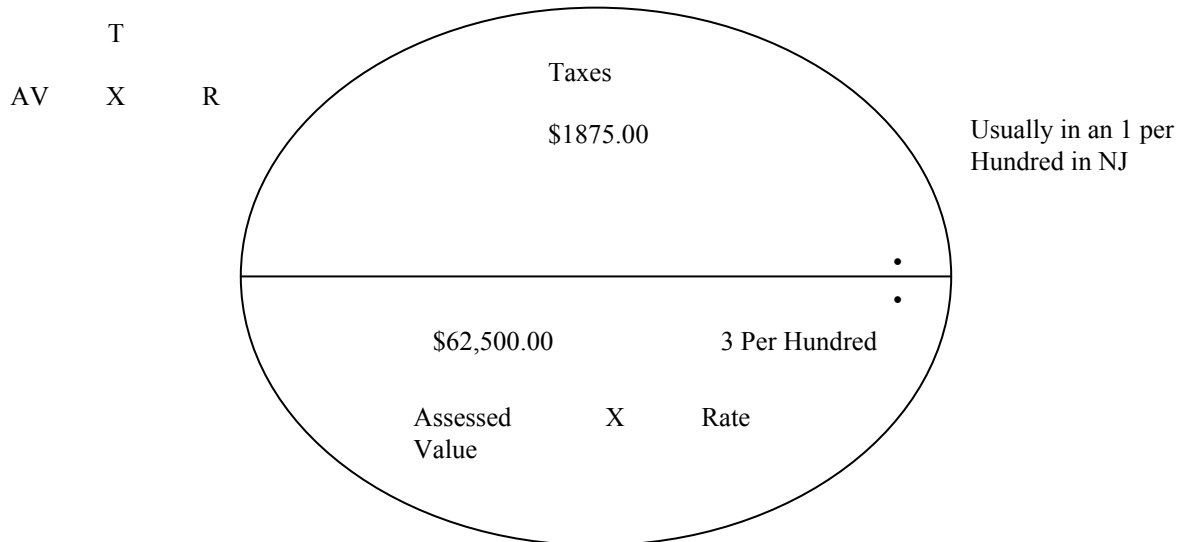
Then $\$205,000.00 \times 2.5\% = \5125.00 appreciation the 2nd year

So $\$205,000.00 + \$5125.00 = \$210,125.00$ value after 2nd year

Then $\$210,125.00 \times 2.5\% = \5253.13 appreciation the 3rd year

So $\$210,125.00 + \$5253.13 = \$215,378.13$

Answer: The home is worth \$215,378.13



NOTE:

Divide Assessed value by 100 then multiply X Rate to get Taxes