

The Real Estate Business

<p>Absentee owners</p>	<p>Property holders who do not reside on the property and who usually rely on a property manager to supervise the investment.</p>
<p>Agricultural</p>	<p>Defined in Chapter 475, F.S., to mean property zoned as such, consisting of more than 10 acres.</p>
<p>Appraisal</p>	<p>Professional service provided by a registered, licensed, or certified appraiser or real estate licensee to produce an estimate of value.</p>
<p>Business broker</p>	<p>Real estate licensees who engage in the sale, purchase, or lease of businesses.</p>
<p>Business opportunity brokerage</p>	<p>The real estate activity dealing in the sale, purchase, or lease of businesses.</p>

Comparative market analysis (CMA)	An informal estimate of market value performed by a real estate licensee for the seller to assist in arriving at an appropriate listing price, or if working with the buyer, an informal estimate of market value to assist the buyer in arriving at an appropriate offering price.
Counselors	Professionals who analyze existing or potential real estate problems and recommend a course of action.
Dedication	An offer of land for some public use, by an owner, together with acceptance by or on behalf of the public.
Deed restrictions	A property owner may place a deed restriction on a parcel of land to restrict how future property owners may use the property. A deed restriction, for example, may prevent future landowners from selling alcoholic beverages on the site.
Farm area	A selected and limited geographical district to which a salesperson devotes special attention and study; to farm an area or neighborhood.
Follow-up	What a salesperson does after a sale to maintain customer contact and goodwill.

Property management	The leasing, managing, marketing, and overall maintenance of property for others.
Real estate business	A commercial activity in which the sale, purchase, leasing, rental, exchange, or management of real property is conducted by qualified and licensed parties acting either for themselves or for others for compensation.
Residential	Real estate of four or fewer units, vacant land zoned for four or fewer units, or agricultural property of 10 or fewer acres.
Restrictive covenants	Conditions placed by developers that affect how the land can be used in an entire subdivision.
Subdivision plat map	A plan of a tract of land subdivided into lots and showing required or planned amenities.

License Law and Qualifications for Licensure

Broker	Generally, a special agent who acts as an intermediary between two parties and negotiates contracts between them.
Broker associate	An individual who meets the requirements of a broker but who chooses to work in real estate under the direction of another broker.
Caveat emptor	Let the buyer beware!
Compensation	Anything of value or a valuable consideration, directly or indirectly paid, promised, or expected to be paid or received.
License	A privilege granted by the state to operate as a real estate broker, broker-salesperson, or salesperson; a type of time-share interest.

Mutual recognition agreements	A transactional agreement between Florida and another state that provides for the two states to recognize each other's real estate license education.
Owner-developer	An unlicensed entity that sells, exchanges, or leases its own property.
Prima facie evidence	Requiring no further proof; acceptable on the face of.
Real estate services	Real estate activities involving compensation for performing the activities for another.
Reciprocity	The practice of mutual exchanges of privileges. Some states have reciprocal arrangements for recognizing and granting licenses to licensed real estate professionals from other states.
Registration	Authorization by the state to place an applicant on the register (record) of officially recognized individuals and businesses.

<p>Sales associate</p>	<p>A licensed individual who, for compensation, is employed by a broker or owner-developer.</p>
<p>Withhold adjudication</p>	<p>When the court determines that a defendant is not likely to again engage in a criminal act and that the ends of justice and the welfare of society do not require the defendant suffer the penalty imposed by law, the court may withhold adjudication of guilt, stay (stop) the imposition of the sentence, and place the defendant on probation.</p>

License Law and Administration

<p>Canceled</p>	<p>A license ceases to exist, effective as of the date approved by the Commission, and does not involve disciplinary action.</p>
<p>Current mailing address</p>	<p>Where a licensee receives letters and so forth through the U.S. Postal Service.</p>
<p>Executive</p>	<p>Powers delegated to the FREC by the legislature to regulate and enforce the license law.</p>

Group license	A right granted a salesperson or broker-salesperson to work various properties owned by affiliated entities under one owner developer.
Ineffective	Status of a license when suspended.
Involuntarily inactive	The license status that results when a license is not renewed at the end of the license period.
Multiple licenses	Licenses held by a broker in two or more real estate brokerage firms.
Promulgate	The formal act of publishing and officially announcing a new or amended rule or statute.
Quasi-judicial	Responsibilities that include the power to grant or deny license applications, to determine license law violations, and to administer penalties.

<p>Quasi-legislative</p>	<p>Responsibilities that include the power to enact administrative rules and regulations and to interpret questions regarding the practice of real estate.</p>
<p>Void</p>	<p>A license is void when it no longer exists.</p>
<p>Voluntarily inactive</p>	<p>The license status that results when a licensee has met all of the requirements for licensure, however the licensee chooses not to engage in the real estate business, and has requested his or her license be placed in this status.</p>

Brokerage Relationships and Ethics

<p>Agent</p>	<p>A representative; one who is authorized to act on behalf of another.</p>
<p>Customer</p>	<p>One with whom the broker or salesperson hopes to be successful in accomplishing the purpose of employment. Per Section 475.01, F.S., a member of the public who is or may be a buyer or seller of real property and may or may not be represented by a real estate licensee in an authorized brokerage relationship.</p>

Designated sales associate	Two real estate licensees designated to represent the buyer and the seller as single agents in a nonresidential transaction. The buyer and seller must have assets of \$1 million or more and sign disclosures stating their assets meet the required threshold.
Dual agent	A broker who represents both the buyer and the seller of a transaction in a fiduciary capacity.
Fiduciary	A person in a position of trust and confidence with respect to another person.
Fraud	The intent to misrepresent a material fact or to deceive to gain an unfair advantage or to harm another person.
General agent	A representative authorized by the principal to perform only acts related to a business or to employment of a particular nature.
Misrepresentation	A false or misleading statement of a material fact; concealment of a material fact.

Principal	The party employing the services of a real estate broker; amount of money borrowed in a mortgage loan, excluding interest and other charges.
Residential sale	The sale of improved residential property of four or fewer units, the sale of unimproved residential property intended for use as four or fewer units, or the sale of agricultural property of ten or fewer acres.
Single agent	Per Section 475.01, F.S., a broker who represents, as a fiduciary, either the buyer or seller but not both in the same transaction.
Special agent	One authorized by a principal to perform a particular act or transaction, without contemplation of continuity of service as with a general agent.
Transaction broker	A broker who provides limited representation to a buyer, a seller, or both in a real estate transaction, but does not represent either in a fiduciary capacity or as a single agent.
Universal agent	A representative authorized by the principal to perform all acts that the principal can personally perform and that may be lawfully delegated to another.

Real Estate Brokerage Operations

Advance fee	A commission or partial compensation received by a broker prior to completing the real estate service.
Arbitration	The act of having a third party render a binding decision in a dispute between two parties.
Blind advertisement	An advertisement of a principal's property providing only a telephone number, a post office box, and/or an address without the licensed name of the brokerage firm.
Commingle	To mix together money or a deposit with personal funds; combine; intermingle.
Conflicting demands	When different parties each make claims that are inconsistent with one another.

Conversion	Unauthorized use or retention of money or property that rightfully belongs to another person.
Corporation	An artificial or fictitious person formed to conduct specified types of business activities.
Deposit	Earnest money or some other valuable consideration given as evidence of good faith to accompany an offer to purchase or rent.
Earnest money deposit	A type of money that a broker may handle for others in the ordinary course of business; also referred to as good-faith deposit or binder deposit.
Escrow account	An account in a bank, title company, credit union, savings association, or trust company used solely for safekeeping customer funds and not for deposit of personal funds; impound account or trust account.
Escrow disbursement order (EDO)	A course of action for determining the disposition of a contested deposit.

General partnership	An association of two or more persons for the purpose of jointly conducting a business, each being responsible for all the debts incurred in the conducting of that business.
Good faith	A party's honest intent to transact business, free from any intent to defraud the other party; each party's faithfulness to one's duty or obligations set forth by contract.
Interpleader	A course of action when two contesting parties cannot reach an arbitrated agreement; a legal proceeding whereby the broker, having no financial interest in the disputed funds, deposits with the court the disputed escrow deposit so that the court can determine who is the rightful claimant.
Kickback	Payment of money from someone other than the buyer or seller associated with real estate business.
Limited liability company (LLC)	An alternative, hybrid business entity with the combined characteristics and benefits of both limited partnerships and S corporations.
Limited liability partnership	A business entity that features protection from personal liability but with fewer legal restrictions compared with other business entities.

Limited partnership	A business entity consisting of one or more general partners and one or more limited partners.
Mediation	The act of having a third party attempt to reconcile a dispute between two parties.
Ostensible partnership	One or more parties cause a third party to be deceived into believing that a business relationship exists when no such arrangement exists.
Point of contact information	Any means by which to contact the brokerage firm or individual licensee including mailing address(es), physical street address(es), e-mail address(es), telephone number(s), or facsimile telephone number(s).
Policy manual	The notebook of written rules and regulations that set desired standards and procedures in an office.
Puffing	Comments or opinions not made as representations of fact and thus not grounds for misrepresentation.

Sole proprietorship	Dealing as an individual in business.
Telephone solicitation	The initiation of a telephone call for the purpose of encouraging the purchase of, or investment in, property, goods, or services.

Complaints, Violations, and Penalties

Administrative complaint	An outline of allegations of facts and charges against the licensee.
Citations	Statements of alleged violations and the penalties to be imposed.
Complaint	Formal allegation or charge.

Formal complaint	An outline of the charges against a licensee that must be answered within the statutory time limit.
Legally sufficient	A complaint that contains facts indicating that a violation has occurred of a Florida statute, a DBPR rule, or a FREC rule.
Notice of noncompliance	Issued by the DBPR in the case of a minor rule violation that does not endanger the public health, safety, and welfare.
Probable cause	Reasonable grounds or justification for prosecuting.
Recommended order	A determination by an administrative law judge that includes findings and conclusions as well as other information required by law or agency rule to be in a final order.
Stipulation	An agreement as to the penalty reached between the attorneys for the DRE and the licensee or licensee's attorney.

<p>Subpoena</p>	<p>A writ or order commanding the person named to appear and testify in a legal proceeding.</p>
<p>Summary suspension</p>	<p>Emergency or immediate action against of a license to protect the public.</p>

Federal and State Housing Laws

<p>Annual percentage rate (APR)</p>	<p>Total yearly cost of credit.</p>
<p>Blockbusting</p>	<p>The illegal practice of inducing homeowners to sell their property by making misrepresentations regarding the entry or prospective entry of minority persons in order to cause a turnover of properties in the neighborhood; discriminatory acts against sellers.</p>
<p>Civil Rights Act of 1866</p>	<p>A federal act that prohibits any type of discrimination based on race in any real estate transaction (sale or rental) without exception.</p>

Fair Housing Act	An act contained in Title VIII of the Civil Rights Act of 1968 that created protected classes of people and prohibits discrimination when selling or renting residential property when based on race, color, religion, sex, national origin, familial status, or handicap status.
Good faith estimate	Lists the charges the buyer is likely to pay at closing.
Redlining	Discriminatory financing by a lending institution.
Servicing disclosure statement	A disclosure statement that informs borrowers whether the lender intends to service the loan or transfer it to another lender or servicing company.
Special information booklet	The Real Estate Settlement Procedures Act requires lenders to give a booklet containing consumer information regarding closing costs to loan applicants.
Steering	Discriminatory acts against buyers.

Property Rights: Estates, Tenancies, and Multiple Ownership Interests

Bylaws	Rules that govern the administration of the condominium.
Concurrent ownership	Ownership by two or more persons at the same time, such as joint tenants, tenants by the entirety, or tenants in common.
Condominium	A multiunit project consisting of individual ownership of a dwelling unit and undivided ownership of common areas.
Cooperative	A multiunit project consisting of individual dwelling units owned by the corporation in which the individual apartment tenants own stock rather than owning their respective units.
Declaration	The legal document that the developer of a condominium must file and record in order to create a condominium under state law.

Elective share	An estate defined as consisting of 30 percent of the decedent's personal property and Florida real property, except homestead exempt property and claims.
Estate for years	A tenancy measured from a starting date to a termination date (may be for a few days or longer than any natural life; e.g., a leasehold is an estate for years).
Estate in severalty	Ownership of property that is held by one person alone, also known as sole ownership.
Fee simple estate	The most comprehensive and complete interest one can hold in real property; freehold estate. Also known as fee or fee simple absolute.
Fixtures	Objects that were once considered to be personal property but have become real property because of attachment to, or use in, improvements to real property.
Freehold estate	A tenancy in real property with no set termination date that can be measured by the lifetime of an individual or can be inherited by heirs.

Homestead	Term used to describe three separate but related situations: (1) a tax exemption, (2) a tract of land limited in size, and (3) a statutory condition designed to protect the interests of a spouse and lineal descendants.
Joint tenancy	An estate or interest owned by more than one person, each having equal rights to possession and enjoyment; the interest a deceased tenant conveys to surviving tenants by specific wording in the deed establishing the joint tenancy.
Land	The surface of the earth and everything attached to it by nature.
Leasehold estate	A tenancy in real property held under a lease arrangement for a definite number of years; nonfreehold estate.
Life estates	Tenancies whose durations are limited to the life of some person; freehold estates.
Littoral rights	Associated with land abutting tidal bodies of water such as an ocean, sea, or lake.

Marital assets	Real and personal property acquired during marriage.
Personal property	Tangible and movable property (transferred by bill of sale); property not classified as real property. Also known as personalty or chattel.
Proprietary lease	A written agreement between the owner-corporation and the tenant-stockholder in a cooperative apartment.
Real estate	Land, including the air above and the earth below, plus any permanent improvements affecting the utility of the land; real property; property that is not personal property.
Real property	Any interest or estate in land, including leaseholds, subleaseholds, business opportunities and enterprises, and mineral rights; real estate.
Remainderman	The party designated to receive an estate at the end of a life estate.

Right of survivorship	A situation by which the remaining joint tenant succeeds to all right, title, and interest of the deceased joint tenant without the need for probate proceedings.
Riparian rights	Associated with land abutting the banks of a river, stream, or other watercourse.
Separate property	Non-marital assets that includes property each spouse owned separately prior to the marriage and property acquired during the marriage by inheritance or gift.
Tenancy at sufferance	An estate lawfully acquired for a temporary period of time but retained after a period of lawful possession has expired; nonfreehold estate.
Tenancy at will	An estate that may be terminated by either party at any time upon proper notice; nonfreehold estate.
Tenancy by the entirety	An estate created by husband and wife jointly owning real property with instant and complete right of survivorship.

Tenancy in common	A form of ownership by two or more persons each having an equal or unequal interest and passing the interest to heirs, not to surviving tenants.
Tenants in common	A form of ownership by two or more persons, each having an equal or unequal interest and the interest passing to each tenant's heirs and not to the surviving tenants.
Time-share	An individual interest in a real property unit together with a right of exclusive use for a specified number of days or weeks per year.
Trade fixture	An article that is attached by a commercial tenant as a necessary part of the tenant's business and is personal property.
Undivided interest	An interest in the entire property, rather than ownership of a particular part of the property.

Title, Deeds, and Ownership Restrictions

<p>Abstract of title</p>	<p>Condensed history of title to real property consisting of a summary of the links in the "chain of title" extracted from documents bearing on the title status.</p>
<p>Acknowledgment</p>	<p>Formal declaration before an authorized official, by the person who executed the instrument, that it is a free act.</p>
<p>Actual notice</p>	<p>Information a person has actually learned by reading, seeing, or hearing.</p>
<p>Adverse possession</p>	<p>A method of obtaining title to real property by occupying it in an open and hostile manner contrary to the interests of the owner.</p>
<p>Alienation</p>	<p>The act of transferring ownership, title, or an interest or estate in real property.</p>

Chain of title	A successive listing of all previous holders of title (owners) back to an acceptable starting point.
Construction lien	A claim based on the principle of “unjust enrichment”; favors parties who have performed labor or delivered materials or supplies for the repair or building of an improvement to real property.
Constructive notice	The recording of a document or an instrument in the public records designed to give adequate notice to all.
Deed	A type of conveyance; a written instrument to transfer title to real property from one party to another.
Easement	A right, privilege, or interest in real property that one individual has in lands belonging to another; a legal right to trespass; right of way authorizing access to or over land.
Easement appurtenant	An easement that runs with the land and that benefits an adjacent parcel of land.

Easement by necessity	An easement created by a court of law in cases where justice and necessity dictate it, such as when property is landlocked.
Easement by prescription	A right acquired by an adverse user to use the land of another created through a court of law after longtime uninterrupted use.
Easement in gross	A type of easement that benefits an individual or business entity and is not related to a specific adjacent parcel, for example, utility easements.
Eminent domain	The constitutional right given to a unit of government to take private property involuntarily if taken for public use and a fair price is paid to the owner.
Encroachment	Unauthorized use of another person's property.
Enforceable contract	A legally binding contract that the law will recognize.

Escheat	Reversion of property to the state when an owner dies without leaving a will or any known heirs.
Further assurance	A provision in a deed containing a covenant or warranty to perform any further acts the grantee (buyer) might require to perfect title to the property.
General lien	A claim that may affect all of the properties of a debtor.
General warranty deed	An instrument of conveyance containing the strongest and most comprehensive promises of further assurance possible for a grantor (seller) to convey to a grantee (buyer).
Grantee	Party who receives a deed or grant; buyer.
Granting clause	The provision in a deed that specifies the names of the parties involved, the words of conveyance, and a description of the property.

Grantor	Party who signs and gives a deed; seller.
Gross lease	An agreement for the tenant to pay a fixed (base) rent and the landlord pays all of the expenses associated with the property.
Ground lease	An agreement for the tenant to lease the land only and erect a building on the land.
Habendum	A provision in a deed to real property that stipulates the estate or interest the grantee is to receive and the type of title conveyed.
Intestate	Without a will.
Lender's policy	Title insurance issued for the amount of mortgage debt to protect the lender (mortgagee).

Lien	A claim on property for payment of some obligation or debt.
Lis pendens	A notice of pending legal action; it is filed before initiating a lawsuit.
Net lease	An agreement for the tenant to pay fixed rent plus property costs such as taxes, insurance, and utilities.
Opinion of title	An attorney's opinion of whether the seller has a marketable title, including a list of any defects or clouds on the title.
Owner's policy	Title insurance issued for the total purchase price of the property to protect the property owner (mortgagor).
Percentage lease	An agreement for the tenant to pay rent based on the gross sales received by doing business on the leased property.

Police power	The authority of government to protect the property, life, health, and welfare of its citizens.
Quiet enjoyment	A provision in a deed guaranteeing that the buyer may enjoy possession of the property in peace and without disturbance by reason of other claims on the title by the seller or anyone else.
Quitclaim deed	A type of deed that will effectively convey any present interest, claim, or title to real property that the seller (grantor) may own.
Restrictive covenants	Conditions placed by developers that affect how the land can be used in an entire subdivision.
Seisin (seizin)	A covenant in a deed that warrants that the grantor (seller) holds the property by virtue of a fee simple title and has a complete right to dispose of same. Also known as seizin clause.
Specific liens	Claims that affect only the property designated in the lien instruments or agreements.

Testate	Having left a will.
Title insurance	A contract that protects the policyholder from losses arising from defects in the title.
Title search	An examination of all of the public records to determine whether any defects exist in the chain of title.
Variable lease	An agreement for the tenant to pay specified rent increases based on a predetermined index (CPI) at set future dates.
Warranty forever	A provision in a deed guaranteeing that the seller will for all time defend the title and possession for the buyer.

Legal Descriptions

Base lines	Imaginary lines running east and west and crossing a principal meridian at a definite point; used by surveyors for reference in locating and describing land under the government survey system.
Check	A square measuring 24 miles on each side and representing the largest unit of measure in the government survey system.
Government survey system	A type of land description, developed by the federal government for subdividing lands utilizing surveying lines.
Legal description	A series of boundary lines on the earth's surface.
Lot and block	A type of legal description of land.

Metes-and-bounds description	A method of legal description that identifies a property by specifying the shape and boundary dimensions of the parcel. A metes-and-bounds description starts at the point of beginning and follows the boundaries of the land by compass direction and linear measurements and returns to the point of beginning.
Monument	Man made or natural object used to establish boundaries of land.
Patent	The instrument that conveys real property from the state or federal government to an individual.
Point of beginning (POB)	The starting (and ending) place in a land survey using the metes-and-bounds method of property description.
Principal meridians	Imaginary lines running north and south and crossing a base line at a definite point; used by surveyors for reference in locating and describing land under the government survey system.
Range	In the government survey system of land description, a vertical strip of land six miles wide located between two consecutive submeridians or range lines.

<p style="text-align: center;">Section</p>	<p>One of the primary units of measurement in the government survey system of land description. A section is one mile square and contains 640 acres.</p>
<p style="text-align: center;">Township</p>	<p>A square tract of land measuring six miles on each side and including 36 sections (formed by the crossing of range and township lines).</p>

Real Estate Contracts

<p style="text-align: center;">Assignment</p>	<p>Written instrument that serves to transfer the rights or interests of one person to another.</p>
<p style="text-align: center;">Bilateral contract</p>	<p>An agreement wherein both parties are legally obligated to each other to perform.</p>
<p style="text-align: center;">Buyer brokerage agreement</p>	<p>An employment contract with a purchaser.</p>

Competent	A party to a contract who possesses the legal capacity to enter into a binding contract.
Contract	An agreement between two or more competent parties to do, or not do, some legal act for a legal consideration.
Equitable title	The beneficial interest in real estate that implies that an individual will receive legal title at a future date.
Exclusive-agency listing	Employment contract given to one real estate broker as the sole agent for the sale of an owner's property.
Exclusive-right-of-sale listing	An employment contract given to one real estate broker as the sole agent for the sale of an owner's property, with the commission going to that broker regardless of who actually sells the property during the employment contract period.
Good consideration	A promise that cannot be measured in terms of money, such as love and affection.

Liquidated damages	The amount of valuable consideration specified in an agreement as a penalty for default.
Meeting of the minds	The point when two people, thinking of the same thing, reach an agreement through an offer and acceptance.
Net listing	An agreement or contract to sell or rent a property for a specified minimum net amount for the owner.
Novation	The substitution of a new party and/or new terms to an existing obligation.
Open listing	An employment contract given to any number of brokers who work simultaneously to sell the owner's property.
Option contract	A right or privilege to purchase or lease real property at a specified price during a designated period based on a sufficient consideration.

Parol contract	An agreement that is not in writing.
Statute of frauds	A statute that was adopted to prevent a person from claiming to have entered a contract that was fictitious or that differed in its terms from those alleged.
Statute of limitations	Designates the period of time during which the terms of a contract may be enforced.
Unenforceable	A contract that was valid when made but either cannot be proved or will not be upheld by a court.
Unilateral contract	An agreement in which only one party promises to perform without receiving a reciprocal promise to perform from the other party.
Valid	Sufficient to be legally binding; enforceable.

Valuable consideration	The money or a promise of something that can be measured in terms of money.
Vendee	The buyer or purchaser of real property under an agreement of sale.
Vendor	The seller of real property in an agreement of sale.
Void	Invalid; without force; no longer effective.
Voidable	A contract that because of the manner or method in which it was brought about, one of the parties is allowed to avoid his or her contractual duties.

Real Estate Finance

Acceleration clause	Authorizes the mortgagee to accelerate or advance the due date of the entire unpaid balance and call the entire debt due and payable if the mortgagor defaults.
Adjustable-rate mortgage	A financing technique in which the lender can raise or lower the interest rate according to a set index.
Amortized mortgage	A loan characterized by payment of a debt by regular installment payments.
Assignment of mortgage	A legal instrument that states that the mortgage assigns (transfers) the mortgage and promissory note to the purchaser.
Balloon payment	A single, large payment made at maturity of a partially amortized mortgage to pay off the debt in full.

Biweekly mortgage	A mortgage loan amortized the same way as other loans with monthly payments, except that the borrower makes a payment every two weeks.
Blanket mortgage	One debt instrument covering two or more parcels.
Contract for deed (or land contract)	A financing method in which the title to the real property remains with the seller until the loan is repaid.
Deed in lieu of foreclosure	A friendly foreclosure (a nonjudicial procedure) in which the mortgagor gives title to the mortgagee.
Defeasance clause	A provision in a mortgage that specifies the terms and conditions to be met in order to avoid default and thereby defeat the mortgage.
Due-on-sale clause	A provision in a conventional mortgage that entitles the lender to require the entire loan balance to be paid in full if the property is sold.

Equity of redemption	The right of a mortgagor, before a foreclosure sale, to reclaim forfeited property by paying the entire indebtedness.
Estoppel certificate	A written statement that bars the signer from making a claim inconsistent with the instrument (commonly used with a mortgage assumption).
Home equity loan	A mortgage secured by a personal residence. It provides a line of credit available for draws when needed by the homeowner. It is sometimes used as a home improvement loan.
Hypothecation	The pledging of property as security for payment of a loan without surrendering possession of the property.
Loan-to-value (LTV) ratio	Relationship between amount borrowed and appraised value (or sale price) of a property.
Mortgage	A written agreement that pledges property as security for payment of a debt.

Mortgage insurance premium (MIP)	Fee paid by FHA borrowers to obtain a loan (up-front and annual).
Mortgagee	A lender who holds a mortgage on specific property as security for the money loaned to the borrower.
Mortgagor	A borrower who gives a mortgage on his or her property in order to obtain a loan from a lender.
Note	Legal evidence of a debt that must accompany a mortgage in Florida; a legally executed pledge to pay a stipulated sum of money.
Novation	The substitution of a new party and/or new terms to an existing obligation.
Package mortgage	A loan covering both real and personal property.

Partial release clause	Stipulates the conditions under which the mortgagee will grant freeing building lots from a mortgage lien upon payment of a certain amount of money.
Prepayment clause	A provision in a mortgage that allows the mortgagor to pay the mortgage debt ahead of schedule without penalty.
Prepayment penalty	The amount set by the creditor that the debtor is charged for retiring the debt early.
Purchase-money mortgage (PMM)	Any new mortgage taken as part of the purchase price of real property by the seller.
Receivership clause	A clause that is included in most mortgages for income-producing property; requires that income from the property be used to make mortgage payments in the event of default.
Satisfaction of mortgage	A certificate issued by the lender when the debt obligation is paid in full.

<p>Subordination clause</p>	<p>A provision in a mortgage in which the lender voluntarily permits a prior or subsequent mortgage to take priority over the lender's otherwise superior mortgage; the act of yielding priority.</p>
<p>Wraparound mortgage</p>	<p>Envelops an existing mortgage and is subordinate (junior) to it; the existing mortgage stays on the property and the new mortgage wraps around it.</p>

The Mortgage Market

<p>Conforming loan</p>	<p>A standardized conventional loan written on uniform documents that meet the purchase requirements of Fannie Mae and Freddie Mac.</p>
<p>Demand deposits</p>	<p>Checking accounts; payable on demand by holder.</p>
<p>Discount points</p>	<p>A method for increasing a lender's yield.</p>

Discount rate	The amount of interest the Federal Reserve charges to lend money to its eligible banks.
Disintermediation	A disengagement process when depositors withdraw money from savings for direct investment in stocks, money market funds, and other securities.
Intermediation	The process whereby financial middlemen consolidate many small savings accounts belonging to individual depositors and invest those funds in large, diversified projects.
Monetary policy	The actions undertaken by the Fed to influence the availability and cost of money and credit.
Mortgage bankers	Individuals (or companies) who make mortgage loans with the expectation of reselling them to institutional lenders.
Mortgage broker	One who finds a lender for a potential borrower, and vice versa.

Mortgage company	A mortgage loan company that originates, services, and sells loans to investors.
Office of thrift supervision (OTS)	A branch of the U.S. Treasury Department that replaced the Federal Home Loan Bank Board as regulator of the thrift industry.
Open market operations	The purchase and sale of U.S. Treasury and federal agency securities.
Primary market	A source for the purchase of a mortgage loan by a borrower.
Reserve requirements	The amount of funds that an institution must hold in reserve against deposit liabilities.
Secondary market	A source for the purchase and sale of existing mortgages.

Computations and Title Closing

Arrears	The state of being behind in the discharge of an obligation; paid at the end of the period for which due (the opposite of in advance).
Credit	As a verb, to make an entry on the right or credit side of an account; as a noun, payment or value received.
Debit	As a verb, to make an entry on the left or charge side of an account; as a noun, a charge or expense.
Level-payment plan	A method for amortizing a mortgage whereby the borrower pays the same amount each month.
Pre-closing inspection	The final walk-through with the sales associate to verify that repairs have been completed and that the property is left in good condition.

Principal	The party employing the services of a real estate broker; amount of money borrowed in a mortgage loan, excluding interest and other charges.
Profit	The amount one makes over and above one's cost.
Prorate	To divide or assess proportionate shares of charges and credits between the buyer and the seller according to their individual period of ownership.

Estimating Real Property Value

Appraisal	Professional service provided by a registered, licensed, or certified appraiser or real estate licensee to produce an estimate of value.
Assemblage	The combining of two or more adjoining properties into one tract.

Cost-depreciation approach	A method for estimating the market value of a property based on the cost to buy the site and to construct a new building on the site, less depreciation.
Curable	When the correction of a defect results in as much added value as the cost to correct the defect.
Depreciation	A loss in value for any reason; a deduction for tax purposes.
Economic life	The period of time a property may be expected to be profitable or productive; useful life.
Effective gross income (EGI)	The resulting amount when vacancy and collection losses are subtracted from potential gross income.
Gross income multiplier (GIM)	The ratio between a property's gross annual income and its selling price; can include income from sources other than rental income (based on annual income).

Gross rent multiplier (GRM)	A rule of thumb for estimating the market value of income-producing residential property; the ratio to convert rental income into market value.
Highest and best use	A principle of value that focuses on the most profitable legal use to which a property can be put.
Income capitalization approach	A method for estimating the market value of a property based on the present and future income the property can be expected to generate.
Incurable	When the cost to correct a defect is greater than the value added by the cure.
Investment value	The worth of a property to a particular investor based on his or her desired rate of return, risk tolerance, etc.
Market value	The most probable price a property will bring from a fully informed buyer, willing but not compelled to buy, and the lowest price a fully informed seller will accept if not compelled to sell.

Net operating income (NOI)	The resulting amount when all operating expenses are subtracted from effective gross income.
Overimprovement	An addition or change to property not in line with its highest and best use, or a betterment that exceeds that justified by local conditions.
Plottage	The added value as a result of combining two or more properties into one large parcel.
Potential gross income	The total annual income a property would produce with 100 percent occupancy and no collection or vacancy losses.
Principle of substitution	An economic law of value: no prudent buyer will pay more for a property than the cost of an equally desirable replacement property.
Progression	The principle, which states that the value of an inferior property is enhanced by its association with superior properties of the same type.

Reconciliation	The process of weighting the estimates of value derived from the sales comparison, cost, and income approaches to arrive at a final estimate of market value.
Regression	The principle, which states that the value of a superior property is adversely affected by its association with an inferior property of the same type.
Replacement cost	The amount of money required to replace a structure having the same use and functional utility as the subject property, but using modern, available, or updated materials.
Reproduction cost	The amount of money required to build an exact duplicate of the structure.
Sales comparison approach	A method for estimating the market value of a property by comparing similar properties to the subject property.
Situs	Relationships and influences created by location of a property that affect value (e.g., accessibility, personal preference).

<p>Subject property</p>	<p>The real property under discussion or appraisal.</p>
<p>Vacancy and collection losses</p>	<p>A deduction from potential gross income for (1) current or expected future space not rented due to tenant turnover and (2) loss from uncollected rent due from delinquent tenants.</p>

Product Knowledge

<p>Corner lot</p>	<p>Bounded with streets on two sides (intersecting).</p>
<p>Cul-de-sac lots</p>	<p>Occur where a street is open at one end only and the street has a circular turnaround at the other end.</p>
<p>Dormer</p>	<p>A projection built out from the slope of a roof, used to house windows on the upper floor and to provide additional light and ventilation.</p>

Double-hung	A window consisting of two sashes that move up and down in a pair of channels and are held open by tension springs.
Flag lot	Characterized by a long access road or driveway leading back to the main part of the lot.
Flat roof (or built-up roof)	Nearly flat and constructed in layers of tar and gravel.
Gable	A roof design that peaks at the center ridge and extends downward on two opposite sides.
Gambrel	Roof also known as the American barn style roof.
Hip	Pitched roof with sloping sides and ends.

Interior lot	Bounded on either side by another lot (lots in the middle of the block—not on the corner).
Key lot	Long skinny lot similar to the shaft of a key that is often bounded by as many as five or six lots (the term also refers to a lot that has added value because of its strategic location).
Mansard	Roof with shingles extending down over the top floor.
R-value	A special rating or method of judging the insulating effectiveness of insulation products.
Salt box	Roof characterized by what appears to be a gable roof that then slopes steeply on one side.
Shed	Roof consisting of a single step plane.

Single-hung	A window characterized by a movable lower sash.
T-intersection lot	Interior lot that suffers from its location at the end of a T-intersection (a street ends in front of the lot).

Real Estate Investment Analysis and Business Opportunity Brokerage

Appreciation	An increase in the worth or value of property.
Asset	Anything of value.
Balance sheet	A financial report that shows the company's financial position at a stated moment in time.

Cash flow	The total amount of money generated from an investment after expenses have been paid.
Equity	An investor's own funds in a real estate investment property (the interest that an owner has in property over and above any indebtedness).
Going concern value	The worth of a business, including real estate, goodwill, and earning capacity.
Goodwill	An intangible asset (value) of a business.
Income statement	A summary of all income and expenses of a business for a stated period of time.
Investment value	The worth of a property to a particular investor based on his or her desired rate of return, risk tolerance, etc.

Leverage	The use of borrowed funds to finance the purchase of an asset; the use of another's money to make more money.
Liquidity	The ability to convert noncash assets into cash quickly; refers to a firm's cash position and its ability to meet obligations.
REIT	A method of pooling investment money using the trust form of ownership.
Replacement cost	The expenditure of constructing a building with current materials and techniques that has the same functional utility as the structure being appraised.
Reproduction cost	Amount required to duplicate the property exactly.
Risk	The chance of loss of all or a part of an investment; the uncertainty of financial loss.

Taxes Affecting Real Estate

Ad valorem	According to the value; in proportion to worth.
Adjusted basis	The owner's original cost plus buying expenses plus capital improvements.
Assessed value	Worth established for each unit of real property for tax purposes by a county property appraiser.
Capital gain	Profit from the sale of property.
Exempt	Property that has been decreed to be excluded from taxation or claim by others.

Green belt law	Designed to protect farmers from having taxes increased just because the land might be in the path of urban growth.
Immune	Real property that is owned by a unit of government and is not subject to taxation.
Just value	The fair market value.
Mill	A unit of money used to specify a property tax rate (\$1 for each \$1,000 of taxable value).
Partially exempt property	Subject to taxation, but the owner is partially relieved of the burden.
Special assessments	Taxes levied against properties to pay for all, or part of, improvements that will benefit the properties being assessed.

<p style="text-align: center;">Tax shelter</p>	<p>Shielding income or gain from payment of income taxes.</p>
<p style="text-align: center;">Taxable value</p>	<p>The assessed value less allowable exemptions resulting in an amount to which the tax rate is applied to determine property taxes due.</p>

The Real Estate Market

<p style="text-align: center;">Buyer's market</p>	<p>The supply of available properties exceeds the demand.</p>
<p style="text-align: center;">Demand</p>	<p>The quantity of goods or services wanted by consumers.</p>
<p style="text-align: center;">Household</p>	<p>One individual, or a group of individuals, living in one dwelling unit.</p>

Seller's market	The demand for available properties exceeds the supply.
Supply	The quantity of goods or services offered for sale to consumers.
Vacancy rate	The percentage of rental units that are not occupied.

Planning and Zoning

Base industries	Businesses that attract outside money into the area; primary.
Buffer zone	A strip of land separating one land use from another.

Building codes	Government ordinances regulating construction practices and materials.
Certificate of occupancy	An occupancy permit issued by the local government after construction is completed and the final inspection is approved.
Concurrency	Provision in Florida's Growth Management Act mandates that the infrastructure, such as roads and water and waste treatment facilities needed to support additional population, be in place before new development is allowed.
Economic base studies	An analysis of employment in the primary industries of a region.
Health ordinances	Regulate maintenance and sanitation of public spaces.
Nonconforming use	Continuing land use that is not in compliance with zoning ordinances.

Planned unit development (PUD)	A residential project with mixed land uses and high residential density.
Service industries	Businesses that attract local money (e.g., grocery stores, retail shops).
Special exception	An individual ruling in which a property owner is granted the right to a use otherwise contrary to law.
Variance	An exception to zoning regulations or ordinances granted to relieve a hardship.
Zoning ordinances	Classification of real property for various purposes; the government power to control and supervise the utilization of privately owned real property (actually, the exercise of police powers).