

SECTION IV.

GLOSSARY OF TERMS AND GLOSSARY OF NUMBERS FOR THE STATE EXAM

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Glossary of Exam Terms

ABSTRACT OF TITLE - a written summary of the chain of title.

ACCELERATION CLAUSE - any clause in a loan requiring the loan be paid off upon the occurrence of a certain event. An alienation clause is an example of an acceleration clause.

ACCESSION - the acquisition of property by its being added to other property.

ACCRETION - the process of gradual or imperceptible additions to land bordering a river or stream.

ACKNOWLEDGMENT - the declaration before a notary by a person who executed a document stating that he did in fact sign the document. A deed must be acknowledged to be recorded. Once acknowledged, it is accepted as prima facie evidence in court.

ACRE - 43,560 square feet, or 4,840 square yards, or about 209 feet by 209 feet (if square).

ACTUAL AUTHORITY - the authority that a principal actually confers on the agent.

ACTUAL GAIN (profit) - for tax income purposes, it is determined by subtracting the adjusted cost basis from the exchange value of a property.

ACTUAL NOTICE - when a person actually knows something, such as when an agent knows someone has taken possession of a property.

AD VALOREM (according to value) - a property tax is an ad valorem tax.

ADJUSTED COST BASIS - for income tax purposes, it is the cost basis plus capital improvements, plus existing assessment liens assumed by the buyer, minus depreciation, minus gain(s) deferred from prior transactions.

ADJUSTED SELLING PRICE - for income tax purposes, it is the selling price minus the expenses of the sale.

ADVERSE POSSESSION - acquiring title by five years of exclusive, notorious, and open possession of a property (contrary to the best interests of the true owner) under a claim of right or color of title. When property is acquired by adverse possession, a quiet title action would be used to perfect title.

AGENCY - an agent is a person authorized to represent a principal in business dealings with other parties. Paying consideration is not required to create an agency relationship.

AGENCY DISCLOSURE LAW - as of January 1, 1988, the California Agency Disclosure Law requires agents to disclose agency relationships as soon as their relationship with a buyer or seller becomes more than casual. This applies to transactions concerning the sale, or a lease (for more than one year), of four or less residential units. The three steps to agency disclosure are disclose, elect, and confirm.

ALIENATE - to sell, transfer or convey. Both real and personal property may be alienated.

ALIENATION (DUE ON SALE) CLAUSE - an alienation clause in a loan requires the borrower to pay off the loan when title is transferred. The opposite of alienation is acquisition.

ALL INCLUSIVE TRUST DEED (AITD, wrap around trust deed, hold harmless trust deed, overriding trust deed) - a junior lien which is subordinate to, yet includes, the liens to which it is subordinated. AITD's are commonly used with land contracts.

ALLUVION (Alluvium) - the soil deposited by accretion.

ALQUIST-PRIOLO ACT - requires the disclosure of earthquake fault lines on a map.

AMENITY PROPERTY - a home. Amenity properties are appraised by the Market Data Approach.

AMERICANS WITH DISABILITIES ACT (ADA) - the federal law which requires equal access to public buildings for handicapped persons.

AMORTIZATION - the liquidation of a financial obligation, such as a loan.

AMORTIZATION TABLES - used to determine monthly payments.

AMORTIZED INSTALLMENT NOTE - a promissory note which calls for periodic payments of both principal and interest.

ANGLES - a change in geographic direction is often referred to by using an angle expressed in degrees, minutes and seconds; it is often described as "so many degrees from the North or South points of the compass."

ANNUAL NET INCOME - used in the Capitalization Approach to appraisal and determined by this formula: Gross Income - Vacancies - Expenses = Annual Net Income.

ANNUAL PERCENTAGE RATE (APR) - the relative cost of credit expressed in percentage terms and disclosed under the Truth-In-Lending Law (also called Reg. Z).

APPRAISAL - an opinion of the value of a specific property on a given date; it is valid for that date only.

APPROPRIATION - occurs when the government gives permission to a non-riparian owner to take water from a public waterway.

APPURTENANCES - things used with the land for its benefit. Appurtenances are real property.

APPURTENANT EASEMENT - benefits the land of a dominant tenement. The buyer of the dominant tenement automatically receives the appurtenant easement.

ARBITRATION CLAUSE - a clause in a contract in which the parties agree to arbitrate a dispute rather than go to court.

ASSESSMENT LIEN - a lien which is recorded by a local government when a property owner fails to pay for street improvement within 30 days of receipt of the bill.

ASSESSMENT ROLL - establishes the tax base. Property is assessed every year at 100% of its taxable value (100% of fair market value or 100% of full cash value). If sold, property is reassessed during the year.

ASSIGNMENT - a contract is usually assignable. Leases can be assigned; when a lease holder assigns a lease, the person who acquires the lease (the assignee) becomes the tenant. Listings cannot be assigned because a listing is a personal service contract calling for the personal performance of the broker.

ASSUMED ASSESSMENT LIEN - a preexisting assessment lien which is assumed (taken over) by a buyer of real property.

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