

**THE  
REAL  
ESTATE  
DICTIONARY**

**MEGA REALTY, INC.**

# A

## **Abatement**

Derived from Latin *battere*, "abatement" a common legal term meaning "the beating down, removal, or diminishment" of something. For example, lead abatement refers to finding and removing lead paint. Abatement usually refers to "Rent Abatement", the incentive offered by a landlord, including free rent, early occupancy, or reduction of fees.

## **Absorption Rate**

The rate at which rentable space is filled, divided into gross absorption and net absorption. Gross absorption is a measure of the total square feet leased over a specified period, with no consideration given to space vacated in the same geographic area during the same time period. Net absorption is equal to the amount occupied at the end of a period, minus the amount occupied at the beginning of a period. Net absorption does take into consideration the space vacated during the period.

## **Abstract of Title**

Abstract of title is a historical summary of the recorded instruments and proceedings on the title of a property.

## **Adjustable Rate Mortgage or ARM**

An ARM is a loan that has a varying interest rate and payment based on an adjustment period. The adjustment is dependent on the variation in a benchmark index, usually the LIBOR or prime rate. This loan is also known as a variable rate mortgage.

## **Adjusted Sales Price**

Adjusted sales price is the price on the contract less all credit concessions by the seller.

**Air Rights**

Air rights are the legal ability to use or control the space above a property. Air rights can be sold, rented or leased to another party.

**Amenities**

Amenities are the enhancements that buildings offer its owners or tenants. These usually include a doorman, health club, garage, children's playroom, common lounge, etc.

**Amortization**

Amortization is the periodic payment of principal and interest on a liability (including a mortgage), or the write-off of a non-depreciable asset over a scheduled term.

**Amortization Schedule**

An amortization schedule is the designation of periodic payments of principal and interest toward the principal to eventually pay off a debt.

**Annual Percentage Rate or APR**

The APR is the actual effective rate of interest charged on a loan expressed on a yearly basis and represents the full cost of all elements associated with obtaining a full mortgage into a single formula. The APR is a useful device for making comparisons between mortgage products.

**Appraisal**

An appraisal is the evaluation of a property by a licensed appraiser on its price based on previous sales of similar properties. The appraised value is used by a bank to determine the lending limit on a given property. A seller may also have a property appraised to determine the offering price during a sale.

**Assessment**

An assessment is a levy against property and can be an extraordinary payment called for by the board of directors of a cooperative or condominium for the purpose of making a capital improvement or to provide some other essential service for which funds in the reserve account are inadequate.

**Asset**

An asset is something that is owned that has value.

**Assignment**

Assignment is the process by which a right or contract is transferred from one party to another. Examples of typical assigned contracts are mortgages, leases and deeds of trust.

**Attorney-in-Fact**

An attorney-in-fact is a person appointed to perform legal acts for another under a power-of-attorney.

**B****Balloon Mortgage**

A balloon mortgage is a short-term mortgage with fixed installments of principal and interest that do not fully amortize the loan. The balance of the mortgage is due in a lump sum at the end of the term.

**Board Approval**

Board approval is a condition in the standard cooperative sales contract requiring that the buyer obtain approval from the board of directors of the cooperative corporation as a prerequisite to completing the sale.

**Bridge Loan**

A bridge loan is a loan for a short duration of time and can be used when one is purchasing one property but is dependent on the equity from another property that has not yet been sold. Once the property is sold then the bridge loan is repaid.

**Broker** (See Real Estate Broker)

**Brownstone**

A brownstone is a townhouse that is usually a 3 to 5 story building, named for traditional "brown stone" used in the façade. It may be a single family building or have been converted into multiple apartments. The original structure was built in the 19<sup>th</sup> or early 20<sup>th</sup> centuries.

**Building Restrictions**

Building restrictions are the requirements in building codes that affect the size and appearance of the building.

**Buy Down**

Buy down is the voluntary paying of discount points by a borrower to reduce mortgage interest rate at the time the loan is made.

**Buyer's Broker**

A buyer's broker is a broker who represents the buyer in effectuating a purchase. Normally in residential real estate transactions, the buyer's broker shares the commission received by the listing broker, who represents the seller.

### **By-Laws**

By-laws are the rules by which the cooperative corporation or condominium operates, including those regulating elections, officers, and authorizations.

## **C**

### **Capital Expenditure**

A capital expenditure is an improvement that will have a life of one year or more and will increase the value of the property.

### **Capital Gain**

Capital gain is the seller's gain on an asset used in a trade or business or for investment, including real estate. This gain is taxed at varying rates depending on whether the asset was held for more or less than one year.

### **Capital Improvement**

Capital improvement is an item that adds value to the property, adapts the property to new uses, or prolongs the life of property. Maintenance is not a capital improvement.

### **Capitalization Rate**

The percentage of the investment the investor will receive back each year from the net income from the property.

### **Caps**

Caps are percentage restrictions on an ARM which limit the amount the interest rate may change per year and over the life of the loan.

**Carry-Cost Rule**

The carry-cost rule is used by banks to evaluate borrowers for loans. It gives the maximum percentage of a borrower's income that the bank will find acceptable to carry the loan and related housing costs. This rule is used in conjunction with the debt/equity ratio.

**Cash Flow**

Cash flow is the income produced by an investment property after deducting operating expenses and debt.

**Cash Reserve**

In a mortgage commitment, some lenders require that the borrower have on deposit in their bank accounts at the time of the closing an amount equal to a predetermined number of months of the cost of principal, interest, taxes, and insurance, which is referred to as a cash reserve.

**Caveat**

Caveat is a warning or caution that may be an amendment to a contract of sale.

**Caveat Emptor**

Caveat emptor in Latin means "let the buyer beware", which applies in most real estate transactions.

**Certificate of Occupancy (C of O)**

The Certificate of Occupancy is a certificate issued by a local governmental entity responsible for the use of land in the community where the property is located stating that the structures on the property or any improvements made to these structures comply with the codes, ordinances and regulations of that governmental entity and that they may be occupied.

**Certificate of Title Opinion**

Certificate of Title Opinion is a report based on a title examination, which states the examiner's opinion of the quality of a title to real property.

**Cession Deed**

A cession deed is used to relinquish real property to a municipality for a road or other public work project.

**Chain**

A chain in land measurement is a distance of 66 feet.

**Chain of Title**

Chain of Title is a successive conveyance of title to a specific parcel of land.

**Chattel**

Chattel is personal property.

**Civil Rights Act of 1866**

The Civil Rights Act of 1866 is a federal law that prohibits all discrimination on the basis of race.

**Civil Rights Act of 1964**

The Civil Rights Act of 1964 is a federal law that prohibits discrimination in many instances, but in Title VI it prohibits discrimination on the ground of race, color, or national origin under any program or activity receiving federal financial assistance.

**Civil Rights Act of 1968 (See Fair Housing Act of 1968)**



**Closing**

The closing is when the transfer of ownership of a property from the seller to the buyer occurs according to the sales contract.

**Closing Costs**

Closing costs are the expenses incurred in the purchase and sale of real property paid at the time of settlement or closing. Some examples of closing costs are title insurance, attorney fees, appraisal fees, recording fees and taxes.

**Closing Statement**

A closing statement is an accounting of the funds received and distributed in a real estate transaction.

**Cluster Zoning**

Cluster zoning is a form of zoning that provides for several different types of land use within a zoned area.

**Coastal Zone Management Program**

The Coastal Zone Management program is a program coordinated by DOS to preserve and protect New York's coastline.

**Co-Broke**

Co-broke is an arrangement between two brokerage firms to share a commission. Normally used when one broker is the seller's exclusive listing agent and the other broker represents the buyer.

**Code of Ethics**

The Code of Ethics is a standard of conduct required by license laws and by the National Association of Realtors.

**Codicil**

A codicil is a supplement or an appendix to a will either adding or changing a bequest.

**Collateral**

Collateral is the security put up in exchange for a loan, which can be taken by the bank if the loan goes unpaid. In the case of a mortgage loan, the collateral is the property.

**Combination**

Refers to when an owner combines two adjoining apartments into one to enhance the value and the space.

**Commercial Zones**

Commercial zones allow usage for retail stores, restaurants, hotels and service businesses.

**Commingling**

Commingling is the mixing of money or property of others with personal or business funds or other property.

**Commission**

The commission is the payment to the broker for his or her efforts on marketing and selling the property, and is usually a percentage of the total purchase price.

**Commission Split**

A commission split is the sharing of commissions between the listing agent and the broker of the buyer.

**Commitment Fee**

The commitment fee is a fee paid to the lender for processing, underwriting and originating the mortgage. It is also known as an origination fee.

**Commitment Letter**

A letter issued by the lender to the applicant that states funds will be provided subject to written terms and conditions.

**Common Area or Common Elements**

The common area is the area in the property or in the building that is available for use by all owners and tenants.

**Common Charge**

The monthly charge levied by a condominium to cover the cost of maintaining the common areas and services.

**Common Law**

Common law is the law set by judicial precedent or tradition as contrasted with a written statute.

**Common Law Dedication**

Common law dedication is an act by an owner allowing the public use of a property.

**Community Planning**

Community planning is a master plan for the orderly growth of a city or country to result in the greatest social and economic benefits to the people.

**Comparables (Comps) or Comparative Market Analysis**

Comps are used in assessing or establishing the fair market value of a property, a property which has been sold recently that is similar in size, condition, location and amenities.

**Compensatory Damage**

Compensatory damage is the amount of money actually lost, which will be awarded by a court in case of a breached contract.

**Competent Parties**

Competent parties are persons or organizations legally qualified to manage their own affairs, including entering into contracts.

**Complete Performance**

Complete performance is the execution of a contract by virtue of all parties having fully performed all terms.

**Condemnation**

Condemnation is the exercise of the power of eminent domain or taking private property for public use.

**Condemnation Value**

Condemnation Value is the market value of condemned property.

**Condition**

A condition in a contract is any fact or event which, if it occurs or fails to occur, automatically creates or extinguishes a legal obligation.

**Condominium**

A condominium is a building in which ownership has been partitioned into unit interests. Each apartment owner receives a unit deed and owns an individual unit, but common areas are shared with the other unit owners of the building.

**Condominium Declaration**

Condominium declaration is the document that, when recorded, creates a condominium. It is also called a master deed.

**Conforming Loan**

A conforming loan is a mortgage issued within the framework of FNMA/FHLMC (Fannie Mae/Freddie Mac) guidelines in terms and amount. In general, any loan which does not meet these guidelines is a non-conforming loan. A loan which does not meet guidelines specifically because the loan amount exceeds the guideline limits is known as a jumbo loan. The Office of Federal Housing Enterprise Oversight (OFHEO) set the criteria on what constitutes a conforming loan limit that Fannie Mae and Freddie Mac can buy. Criteria include debt-to-income ratio limits and documentation requirements. The maximum loan amount is based on the October-to-October changes in median home price, above which a mortgage is considered a jumbo loan, and typically has higher rates associated with it.

**Conformity**

Conformity is the homogeneous uses of land within a given area which results in maximizing land value.

**Consent Decree**

A consent decree is a compromise in civil lawsuits where the accused party agrees to stop the alleged illegal activity without admitting guilt or wrongdoing.

**Consideration**

Consideration is anything of value, as recognized by law, offered as an inducement to contract.

**Construction Loan or Mortgage**

A construction loan is a short-term loan to obtain funds to construct an improvement.

**Constructive Eviction**

Constructive eviction results from some action or inaction by the landlord that renders the premises unsuitable for the use agreed to in a lease or other rental contract.

**Constructive Notice**

Constructive notice occurs when one of any affected parties are bound by the knowledge of a fact even though they have not been officially notified of such fact.

**Consumer Price Index (CPI)**

CPI is an index indicating the change in prices of various commodities and services, providing a measure of the rate of inflation.

**Contingency**

Contingency is a condition in a contract relieving a party of liability if a specified event occurs or fails to occur.

**Contract**

A contract is a legally binding agreement between two parties, and in order to have a valid Contract of Sale in real estate there must be: an offer, an acceptance, competent parties, consideration, legal purpose, written documentation, description of the property, and signatures of the principals.

**Contract Buyer's Policy**

Contract Buyer's Policy is title insurance that protects the contract buyer against defects in contract seller's title.

**Contract for Deed**

Contract for deed is a contract of sale and a financing instrument wherein the seller agrees to convey title when the buyer completes the purchase price installment payments. It is also called installment land contract and installment plan.

**Contract Rent**

Contract rent is the amount agreed to in a lease.

**Contract Vendee Sale**

A contract vendee sale is a transaction in which a seller transfers beneficial rights, including the right of possession and obligations of ownership, to the purchaser and agrees to close at a future date under definite terms. Ownership can be transferred for tax purposes prior to the transfer of title.

**Conventional Mortgage Loan**

A conventional mortgage loan is a loan in which the federal government does not insure or guarantee payment to the lender, but is under the amount of a jumbo mortgage.

**Conversion**

A conversion is a change in ownership status. For example, rental housing may be converted to cooperative or condominium ownership. Such changes must conform to guidelines determined by the laws of New York State.

**Convertible Apartment**

A "convertible apartment" is a one or two bedroom apartment that has space to make another bedroom. The other bedroom can be made from the construction of a wall; however the new bedroom must have a window in order for it to be legally considered an additional room.

**Conveyance**

Conveyance is the transfer of title to real property.

**Cooling-off Period**

A cooling-off period is a three-day right of rescission for certain loan transactions.

**Cooperative (Co-op)**

A cooperative is a building owned by a corporation in which each apartment is allocated shares of stock as well as a proprietary lease. The amount of shares owned is determined by the value and size of the apartment. The cooperative building owns all of the units and the purchaser is buying stock in the corporation or the building.

**Co-ownership**

Co-ownership occurs when title to real property is held by two or more persons at the same time; also called concurrent ownership

**Corporation Franchise Tax**

A corporation franchise tax is a tax calculated on the net profit of the corporation.



**Cost Approach**

Cost approach is an appraisal method for estimating the value of properties that have few, if any, comparables and are not income-producing.

**Counter-offer**

A counter-offer is a new offer made by either the buyer or seller when rejecting a previous offer.

**Covenant**

A covenant is a promise made in writing.

**Covenant Against Encumbrances**

A covenant against encumbrances is a promise in a deed that the title does not cause encumbrances except those set forth in the deed.

**Covenant for Further Assurances**

Covenant for further assurances is a promise in a deed that the grantor will execute further assurances that may be reasonable or necessary to perfect the title in the grantee.

**Covenant of Quiet Enjoyment**

A covenant of quiet enjoyment is a promise in a deed or lease that the grantee or lessee will not be disturbed in the use of the property because of a defect in the grantor's or lessor's title or lease.

**Covenant of Right to Convey**

A covenant of right to convey is a promise in a deed that the grantor has the legal capacity to convey the title.

**Covenant of Seisin**

A covenant of seisin is a promise in a deed ensuring the grantee that the grantor has the title being conveyed.

**Covenant of Warranty**

A covenant of warranty is a promise in a deed that the grantor will defend the title against lawful claimants.

**Credit Score**

A credit score is a numerical rating provided on a credit report that establishes creditworthiness based upon a person's past credit/payment history and their current credit standing.

**Cubic-foot Method**

The cubic-foot method is a means of estimating reproduction or replacement cost, using the volume of the structure.

**Cumulative-use Zoning**

Cumulative-use zoning is a type of zoning permitting a higher priority use even though it is different from the type of use designated for the area.

**Curtesy**

Curtesy is a husband's interest upon the death of his wife in the real property of an estate that she either solely owned or inherited provided they bore a child capable of inheriting the estate.

# D

## **Damages**

Damages is the amount of financial loss incurred as a result of another's action.

## **Debt-to-Equity Ratio**

The debt-to-equity ratio, also referred to as the loan-to-value ratio, is a rule used by banks requiring that a borrower invest a minimum amount of equity cash (usually 10% to 25% of the purchase price) as a condition to obtaining a mortgage. The rule is used in conjunction with the carrying-cost rule to determine how much money a bank will lend. A ratio of 1 means 100% leverage of a property, and higher than 1 means negative equity.

## **Debt Service**

Debt Service is the cost of carrying a loan, usually through monthly payments, including the payment of interest and principal.

## **Debt-to-Income Ratio or Debt-Service Ratio**

The debt-to-income ratio is the relationship of a borrower's monthly payment obligation on long-term debts divided by gross monthly income, expressed as a percentage. It is also known as bottom ratio.

## **Declaration**

Declaration is the master deed containing legal description of the condominium facility, a plat of the property, plans and specifications for the building and units, a description of the common areas, and the degree of ownership in the common areas available to each owner.

**Declaration of Restrictions**

Declaration of restrictions is the instrument used to record restrictive covenants on the public record.

**Dedication**

Dedication is an appropriation of land or an easement therein by the owner to the public.

**Dedication by Deed**

Dedication by deed is the deeding of a parcel of land to a municipality.

**Deductible Expenses**

Deductible expenses are the costs of operating property held for use in business or as an investment. These expenses are subtracted from gross income to arrive at net income.

**Deed**

A deed is a written instrument transferring an interest in real property when delivered to the grantee.

**Deed in Lieu of Foreclosure**

Deed in lieu of foreclosure is the conveyance of title to the mortgagee by a mortgagor in default to avoid a record of foreclosure.

**Deed Restriction**

A deed restriction is a limitation on land use appearing in a deed.

**Default**

An act performed by the buyer, seller, tenant or landlord that breaches the contract of sale or lease and permits a claim for damages.

**Defeasance Clause**

A defeasance clause is a statement in a mortgage or deed of trust giving the borrower the right to redeem the title and have the mortgage lien released at any time prior to defaulting by paying the debt in full.

**Defeasible Fee**

A defeasible fee is a title subject to being revoked if certain conditions occur.

**Deficiency Judgment**

Deficiency judgment is a court judgment obtained by a mortgagee for the amount of money a foreclosure sale proceed was deficient in fully satisfying the mortgage debt.

**Delivery and Acceptance**

Delivery and acceptance occurs when the transfer of a title by deed is given by the grantor to the grantee.

**Demise**

Demise is to convey an estate for years (leasing or letting).

**Department of Housing and Urban Development (HUD)**

See U.S. Department of Housing and Urban Development.

**Depreciation**

Depreciation is the expensing of the original cost of an asset, plus any qualified improvements, over its scheduled life as defined by the IRS. Depreciation deductions are permitted only for assets held by the production of income or used in a trade or business. The current term for depreciating residential real estate is 27.5 years.

**Descent**

Descent is the distribution of property to qualified heirs of one who has died intestate.

**Description by Monument**

Description by monument is a legal description of multiple-acre tracts of land and may refer to permanent objects such as a stone wall, large trees or boulders.

**Description by Reference**

Description by reference is a description on a deed that refers to a plat of subdivision or other legal document.

**Devise**

Devise is a gift of real property by will.

**Disclosure and Informed Consent**

Disclosure and informed consent is a real estate agent explaining his position in the agency relationship and the verbal and written consent of the relationship by the client.

**Disclosure Statement**

The disclosure statement is an accounting of all financial aspects of a mortgage loan required of lenders to borrowers in residential mortgage loan as regulated by the Federal Reserve Board.

**Discount Points**

Discount points are a one-time payment by the borrower to the lender at closing to obtain a lower interest rate on the mortgage loan. One point equals 1% of the loan amount; therefore, two points on a \$100,000 mortgage would cost \$2,000. It is also referred to as points.

**Distribution Box**

A distribution box is part of a septic system that distributes the flow from the septic tank evenly to the absorption field or seepage pits.

**Dominant Tenement**

Dominant tenement is land benefiting from an easement appurtenant.

**Double-Declining-Balance Depreciation**

A depreciation technique whereby the asset is divided by its useful life and this sum is doubled. Thereafter, in each succeeding year the accumulated depreciation is deducted from the original asset value to recompute depreciation for the succeeding period. It is not available for real estate, but it is permissible for tangible property.

**Down Payment**

The down payment is the amount of money a buyer pays upfront in order to purchase a property. It is usually paid at the signing of the contract in the form of a certified check. The amount is typically 10% of the sales price.

**Dower**

Dower is the part of or interest in the real estate of a deceased husband given by law to his widow during her life.

**Dual Agent**

A dual agent is a broker or salesperson who represents both the buyer and seller in the same transaction.

**Due Diligence**

Due diligence is the investigation and review of a property to determine any legal liability.

**Duplex Apartment**

A duplex apartment consists of two levels.

# E

**Earnest Money Deposit**

Earnest money deposit is the deposit a buyer makes at the time of submitting an offer to demonstrate the true intent to purchase. It is also called a binder or good faith deposit.

**Easement**

An easement is a non-possessory right of the use of land.

**Easement Appurtenant**

Easement appurtenant is a right of use in the adjoining land of another that moves with the title to the property benefiting from the easement.



**Easement by Condemnation**

Easement by condemnation is exercising the right of eminent domain.

**Easement by Grant**

Easement by grant is created by the express written agreement of the landowners, usually in a deed.

**Easement in Gross**

Easement in gross is a right of use of the land of another without the requirement that the holder of the right own adjoining land.

**Eave**

The eave is the lowest part of the roof that projects beyond the walls of the structure.

**Economic Depreciation**

Economic depreciation is the physical deterioration of property caused by normal use, damage caused by natural or other hazards, and failure to adequately maintain property.

**Economic Life**

The economic life is the period of time during which property is financially beneficial to an owner.

**Effective Interest Rate**

Effective interest rate is the actual rate of interest paid on a loan.

**Egress**

Egress is the exit from a building or parcel of land.

**Enabling Acts**

Enabling acts are laws passed by state legislatures authorizing cities and counties to regulate land use within their jurisdictions.

**Encroachment**

Encroachment is the trespassing on the land of another by a structure or other object.

**Encumbrance**

An encumbrance is a claim, lien, charge or liability attached to and binding upon real property.

**Environment Impact Statement (EIS)**

The environment impact statement is a requirement of the State Environmental Quality Review Act prior to initiating or changing a land use that may have an adverse effect on the environment.

**Environmental Protection Agency (EPA)**

The EPA is a federal agency that oversees land use.

**Equal Credit Opportunity Act (ECOA)**

ECOA is a federal law prohibiting discrimination in consumer laws.

**Equitable Title**

Equitable title is an interest in real estate such that a court will take notice and protect the owner's rights.

**Equity**

Equity is the difference between what something is worth and any loan secured by the asset (i.e. the value of a property less the outstanding mortgage). For example, if a home is worth \$100,000 and the owner/borrower owes \$65,000 on the mortgage loan secured by the borrower's home, then the borrower's equity is \$35,000 or 35% equity in the home.

**Equity of Redemption**

The equity of redemption is the borrower's right to redeem the title pledged or conveyed in a mortgage or deed of trust after default and prior to a foreclosure sale by paying the debt in full, accrued interest and the lender's costs.

**Erosion**

Erosion is the wearing away of land by water, wind or other processes of nature.

**Escheat**

Escheat is the right of the government to take title to property left by a person who dies without leaving a valid will (intestate) or qualified heirs.

**Escrow**

A state where consideration, benefits, legal rights, document, or a sum of money is held by one person in trust for another, for the purpose of assuring performance under an agreement. Normally in a residential real estate sale, the attorney for the seller is the escrow agent for the deposit money securing the deal until closing. The money is held in an escrow account.

**Estate**

Estate refers to the collection of all assets of a deceased person. It is also the extent of interest a person has in real property.

**Estate at Sufferance**

Estate at sufferance is the continuation to occupy property after legal authorization has expired.

**Estate at Will**

Estate at will is a leasehold condition that may be terminated at any point by either party.

**Estate for Life**

This is the interest of real property that ends with the death of a person.

**Estate for Years**

Estate for years is a leasehold condition of definite duration.

**Estate from Year-to-Year**

Estate from year-to-year is a leasehold state that automatically renews itself for consecutive periods until terminated by notice by either party; also called estate from period-to-period or periodic tenancy.

**Estate in Real Property**

Estate in real property is an interest sufficient to provide the right to use, possession, and control of land. It also establishes the degree and duration of ownership.

**Estoppel Certificate**

An estoppel certificate is a document executed by a mortgagor or mortgagee setting forth the principal amount. The executing parties are bound by the amount specified.

**Express Agency**

An express agency is a relationship created by an oral or written agreement between a principal and an agent.

**Eviction**

An eviction is a landlord's action that interferes with the tenant's use or possession of the property. Eviction may be actual or constructive.

**Exclusive Agency Agreement (Exclusive Listing)**

An exclusive agency agreement is between a broker and a seller designating the broker as the seller's sole agent for the purpose of selling his or her property. This agreement does not preclude the owner from effectuating a sale on his own.

**Exclusive Right To Sell Agreement**

An exclusive right to sell agreement is between a broker and a seller designating the broker as the seller's sole representative for the purpose of selling property. In contrast to an exclusive-agency agreement, under an "exclusive-right-to-sell agreement", a commission is due to the broker even if the apartment is sold directly by the owner.

**Exclusive Use Zoning**

Exclusive use zoning is a type of zoning in which only the specified use may be made of property within the zoned district.

**Executed Contract**

An executed contract is an agreement that has been fully performed.

# F

## **Fair Housing Act of 1968**

The Fair Housing Act of 1968 is a federal act prohibiting discrimination in the sale, rental or financing of housing on the basis of race, color, religion, gender or national origin.

## **Fair Housing Act of 1988**

This federal act prohibits discrimination in the sale, rental, financing, or appraisal of housing on the basis of race, color, religion, gender, national origin, handicap, or familial status.

## **Fair Housing Amendments Act of 1988**

An amendment to the Fair Housing Act that prohibits discrimination based on a mental or physical handicap, or family status.

## **Fair Market Value**

The fair market value is the price for a property agreed upon between a buyer and seller in a competitive market.

## **Fannie Mae**

Fannie Mae is the nickname for the Federal National Mortgage Association (FNMA), a privately owned corporation that purchase FHA, VA, and conventional mortgages.

## **Fascia**

The fascia is the area facing the outside of a soffit in house construction.

### **Federal Housing Administration (FHA)**

The Federal Housing Administration is a federal agency that is part of the Department of Housing and Urban Development (HUD) that sets policy for mortgage underwriting and provides insurance for residential mortgages.

### **Fee Simple Absolute**

Fee simple absolute is the inheritable estate in land providing the greatest interest of any form of title.

### **FHA Insured Loan**

An FHA insured loan is a mortgage insured by the Federal Housing Administration.

### **Finance Charge**

The finance charge is the amount imposed on the borrower in a mortgage loan, consisting of origination fee, service charges, discount points, interest, credit report fees, and finders' fees.

### **Financing**

A loan secured by personal property, such as real estate property. The stock and lease of a cooperative corporation also constitute such personal property, and a loan secured by these instruments is referred to as a financing loan. Generally, real estate brokers refer to these financing loans as mortgages because they operate in the same manner, even though technically they are not.

### **First Mortgage**

A first mortgage is a mortgage whose lien is superior to the lien of any other mortgage on the same property. This lien is superior either because it was recorded prior to all other mortgages or because the mortgagee of another mortgage which had been recorded ahead of this mortgage has agreed to have a lien subordinated to the lien of this mortgage.

**Fixed Lease**

A fixed lease is when the rental amount remains the same for the entire lease term; also called flat, straight or gross lease.

**Fixed-Rate Mortgage**

A loan secured by real estate that has a fixed interest rate and payment amount for the term of the loan (normally 15 or 30 years).

**Fixture**

A fixture is an item (appliance, light fixture, etc.) that is permanently attached to a property.

**Flashing**

Flashing is a metal material used in parts of the roof or walls to prevent water from penetrating the structure.

**Flip Tax**

A levy issued on the transfer of ownership by a cooperative corporation or condominium association against the seller, typically, though it may be against the buyer.. The flip tax is usually a percentage of the purchase price.

**Floating Rate**

A type of loan where the interest rate is not fixed over the term but is allowed to vary according to the change in a specified index, and is also referred to as an ARM (Adjustable Rate Mortgage).



**Floating Slab**

A floating slab is a type of foundation constructed by pouring the footing first and then pouring the slab after the footing has set.

**Footing**

The footing is the concrete base below the frost line that supports the foundation of the structure.

**Foreclosure**

Foreclosure is an enforcement process in which the lender under a defaulted mortgage takes title to the property for the purposes of selling it to recoup moneys owed under the mortgage.

**Four-Twenty-One-A**

The 421-a tax incentive program was created in 1971 to encourage housing development. Under the program, developers of apartment buildings on vacant or underutilized lots throughout the five boroughs receive a temporary exemption from property tax on the value added to the site by new construction. Condominiums can be sold at any price and the tax savings are passed on to the individual owner.

**Freddie Mac**

Freddie Mac is the nickname for Federal Home Loan Mortgage Corporation (FHLMC), a corporation wholly owned by the Federal Home Loan Bank System that purchases FHA, VA, and conventional mortgages.

**Frieze Board**

Frieze board is the wooden member fastened under the soffit against a wall.

**Front Foot**

A front foot is a linear foot of property frontage on a street or highway.

**Full Bath**

A full bath is a bathroom that consists of a sink, toilet, and a bathtub or shower.

**Fully Amortizing Mortgage**

A fully amortizing mortgage is a mortgage with scheduled uniform payments that will fully pay-off the loan over the term of the mortgage.

**Functional Obsolescence**

Functional obsolescence is a flawed or faulty property that is rendered inferior because of advances or changes.

# G

**General Agent**

A general agent refers to the entity that has full authority over a property of the principal, such as a property manager.

**General Lien**

A general lien is a lien that attaches to all of the property of a person within the court's jurisdiction.

**General Warranty Deed**

A general warranty deed is a deed denoting an unlimited guarantee of title.

**Ginnie Mae**

Ginnie Mae is the nickname for Government National Mortgage Association (GNMA), a U.S. government agency that purchases FHA and VA mortgages.

**Girder**

A girder is the main beam in a structure that spans the distance from one side of the foundation to the other.

**Good Faith Estimate**

A Good Faith Estimate is an estimate of the fees a mortgage borrower will be required to pay at closing. It is required by Federal law that the lender provides the Good Faith Estimate within three business days of the initial loan application.

**Grace Period**

In a mortgage, the grace period refers to a specified time frame in which payment may be made without the borrower being in default.

**Graduated Lease**

A graduated lease is a lease in which the rent changes from period to period over the lease term. This type of lease is usually used by a new business tenant whose income will increase over time.

**Graduated Payment Mortgage (GPM)**

A graduated payment mortgage has payments that are lower in the early years but increase on a scheduled basis until they reach a level of amortization.

### **Grandfather Clause**

A "grandfather clause" allows an activity to continue that was once considered acceptable or legal, but has since had the rules or laws changed. An example of this is when a building once allowed pets, but subsequently changed the House Rules to not allow pets. The existing tenants or owners are allowed to keep their pets, but new occupants to the building are not allowed to bring them in. The existing pets and owners are "grandfathered".

### **Grant**

A grant is a transfer of title to real property by deed.

### **Gross Lease**

A gross lease is a lease in which the lessor pays all costs of operating and maintaining property, including the property taxes.

### **Ground Lease**

A ground lease is a long-term lease of unimproved land and is usually for construction purposes.

## **H**

### **Habendum Clause**

The habendum clause is the statement in a deed that begins with the words "to have and to hold" and describes the estate granted.

### **Half Bath**

A half bath, or powder room, has a sink and toilet, but does not have a bathtub or shower.

### **Headers**

Headers are wooden reinforcements for the placement of doors and windows.

### **Hectare**

A hectare is the metric system equivalent to 2.47 acres.

### **Holding Period**

Holding period refers to the length of time a property is owned.

### **Holdover Tenant**

A holdover tenant is a tenant that remains in possession of a property after a lease terminates.

### **Home Equity Loan**

A home equity loan is a loan made against the equity in a home.

### **House Rules**

House rules are building rules regulating the conduct and responsibilities of homeowners as they affect the building's common areas and services.

### **Housing Expense Ratio**

The housing expense ratio is the relationship of a borrower's monthly payment obligation on housing (principal, interest, taxes, insurances and other applicable housing expenses) divided by gross monthly income, expressed as a percentage. It is also referred to as top ratio.

## **HVAC**

HVAC is an acronym that stands for heating, ventilation and air conditioning.

## **Hydronic System**

A hydronic system is a process in an HVAC system where liquids are heated or cooled.

## **Hypothecate**

Hypothecate is to pledge property as security for the payment of a debt without giving up possession.

# **I**

## **Improvements**

Improvements are changes or additions made to a property. These typically increase the value of the property.

## **Indemnification**

Indemnification is the reimbursement or compensation paid to someone for a loss already suffered.

## **Index**

Index is a benchmark, usually a published interest rate, such as a one-year London Interbank Offered Rate (LIBOR) security yields, used to calculate the interest rate of an adjustable rate mortgage when rate is

scheduled to change. Generally, a margin stated in loan documents is added to the index to determine the new interest rate.

### **Index Lease**

An index lease is a lease with a method of determining rent by an index, such as the LIBOR index.

### **Ingress**

An ingress is the right to enter a parcel of land, usually used as "ingress and egress", or both entering and leaving.

### **Injunction**

An injunction is a court instruction to discontinue a specified activity.

### **Insider Rights**

Special rights offered to tenants occupying apartments in a building in the process of converting to a co-op or condo, giving them the exclusive right to buy their apartments for a limited period of time and normally at a discounted price.

### **Installment Land Contract**

See Contract For Deed.

### **Installment Sale**

An installment sale is a property sale in which the purchaser pays the purchase price over a period of years. The seller recognizes gain for tax purposes by the proportion of the profit (determined by the profit divided by the net sales price of the asset) received on each payment as it is received.

### **Insurable Interest**

Insurable interest is the amount of property qualifying for insurance.

### **Insured Value**

The insured value is the amount that a structure is insured and should include the cost of replacing the structure if completely destroyed.

### **Interest-Rate Spread**

The interest-rate spread is the differential between the retail interest rate charged to a borrower and the wholesale rate accepted by the financial industry when acquiring home mortgage loans. The spread is the profit to the bank.

### **Interest Rates**

The interest rate is the cost of borrowing money from a lender. Rates will vary and will change over time.

### **Interim Financing**

Interim financing is a short-term or temporary loan such as a construction or bridge loan.

### **Interim Interest**



Interim interest is interest owed by the borrower to the lender on the mortgage loan from the day of the closing to the date covered by the first payment.

### **Intestate**

Intestate is the condition that occurs when someone dies without a valid will.

### **Involuntary Alienation**

Involuntary alienation is the transfer of title to real property as a result of a lien foreclosure sale, adverse possession, filing a petition in bankruptcy, condemnation under power of eminent domain, or, upon the death of the titleholder, to the state if there aren't any heirs.

## **J**

### **J-51**

A New York City program giving tax breaks for the substantial rehabilitation of an existing property. The program provides for an abatement of tax on a formula based on the level of improvement and an exclusion from additional tax due to the change in use of the property.

### **Joint Tenancy**

Joint tenancy is a form of co-ownership that includes the right of survivorship.

### **Joist**

A joist is a wooden framing member used in the construction of floors and ceilings.

### **Judgment Lien**

A judgment lien is a general lien resulting from a court decree.

### **Jumbo Loan**

A mortgage issued in an amount exceeding the threshold stipulated under Fannie Mae (FNMA) regulations for a conforming loan.

## **L**

### **Land Lease**

A land lease is a situation in which a building and other land improvement are rented for a term of years. At the end of the lease term, the right of possession is extinguished and reverts back to the landowner. At the time, the tenant loses any remaining equity interest in the property.

### **Landmark**

Landmark status is the designation given to a building or neighborhood that is under government protection for purposes of preservation.

### **Landmarks Commission**

The Landmarks Commission is a city governmental agency assigned responsibility for recommending properties and neighborhoods to be landmarked and ensuring that landmarks are properly preserved.

### **Lease**

A lease is a written agreement to rent a property or part of a property from an owner.

**Letter of Adequacy**

A letter (usually issued by a managing agent) found in the offering plan of a building converting to cooperative or condominium ownership affirming that the income and expenses, as expressed in the proposed budget, are adequate to cover the costs of running the building. This expert evaluation is required by the New York State Martin Act.

**Liability**

A liability is a debt or claim that is owed.

**LIBOR Index**

Stands for "London Interbank Offered Rate", and is the average yield of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market. LIBOR is a common index used as a benchmark for adjusting mortgage interest rates in adjustable-rate mortgages.

**Lien**

A lien is an encumbrance on property which acts as security for the payment of a debt or the performance of an obligation. A mortgage is a lien. A lender will want most, if not all, liens on a property removed before making a mortgage loan.

**Lien Foreclosure Sale**

A lien foreclosure sale is the sale of property without consent of the owner, as ordered by a court or authorized by state law due to a debt resulting in a lien.

**Life Estate**

Life estate is a freehold estate created for the duration of the life or lives of certain named persons. It is a non-inheritable estate.

### **Life Estate in Remainder**

A life estate in remainder is a form of life estate in which certain persons are designated to receive the title upon termination of the life tenancy.

### **Like-Kind Exchange**

The like-kind exchange is an exchange of similar property, as defined in the Internal Revenue Code that can be performed without recognition of taxable gain at the time of transfer.

### **Limited Liability Company**

A form of organization that is similar to a partnership, in that recognition of income and expenses flow directly through to the owners for tax purposes (without a corporate tax), but that still permits insulation from liability similar to that of a corporation.

### **Liquidated Damages**

Liquidated damages are the agreed amount to be paid as compensation for a breach of contract.

### **Liquidity**

Liquidity refers to the ability of assets that are readily convertible to cash.

### **Lis Pendens**

Lis pendens means a "lawsuit pending". See Notice of Lis Pendens.

**Listing**

The term used by brokers to market an apartment for sale or rent.

**Listing Broker**

The listing broker represents the interests of the seller or landlord in the sale or rental of his or her property.

**Loan Commitment**

The loan commitment is the written obligation from a lending institution to provide a mortgage to a borrower.

**Loan Origination Fee**

The loan origination fee is the financing charge required by a lender.

**Loan-to-Value Ratio (LTV)**

The loan-to-value ratio is the mortgage amount divided by the lower of the purchase price or the appraised value of the property. This ratio is expressed as a percentage. A lender will use this ratio in determining the maximum mortgage loan that it will make on the property.

**Lock-In / Rate Lock Agreement**

A lock-in is an agreement by the lender guaranteeing the applicant a specified interest rate on the mortgage loan provided the loan closes within a set period of time.

**Loft**

A loft refers to an open living space that was converted from commercial space to residential space. Lofts contain very high ceilings, large windows and open space. In New York City, most lofts and converted commercial space are located in downtown Manhattan.

### **Lot**

A lot is a measured section of land.

## **M**

### **Maintenance**

The monthly charge levied on owners by a cooperative corporation to cover the building's operating costs, real estate taxes, and the debt service on the building's underlying mortgage.

### **Managing Agent**

In New York City, most of the cooperative and condominium buildings are managed by an outside company, or managing agent, which is responsible for the building operations.

### **Mansion Tax**

A mansion tax is a New York State tax of 1% of the selling price levied on the buyer of any residence costing in excess of \$1,000,000.

### **Market Value**

The market value of a property is an estimation of the price for a property in relation to the current real estate market.

**Martin Act**

Martin Act is the New York State law regulating the conversion of properties to cooperative or condominium ownership, and is also referred to as Section 352eee and 352eeee of New York State's General Business Law.

**Master Deed**

A master deed is the instrument that legally establishes a condominium. It is also referred to as a condominium declaration.

**Mechanic's Lien**

A mechanic's lien is a statutory lien available to anyone supplying labor or material to the construction of an improvement of land that has not been properly compensated.

**Metes and Bounds**

Metes and bounds is a system of land description with distances and directions.

**Monolithic Slab**

A monolithic slab is a type of foundation in which the footing and slab are poured at the same time.

**Mortgage**

A mortgage is a pledge of real estate collateral to secure a debt. Also, it is a legal document describing and defining the pledge. The mortgage may also include the terms of repayment of the debt. It is also referred to as a deed of trust.

**Mortgage Banker**

A mortgage banker is an institution that performs services similar to those of a mortgage broker. However, a mortgage banker is also legally permitted to lend its own funds.

### **Mortgage Broker**

A real estate professional who represents an array of banks seeking to issue mortgages. The mortgage broker meets with a customer, assists with the application, and facilitates the mortgage process on behalf of the borrower and the bank. Generally, in the case of residential mortgages, the mortgage broker is paid a fee by the bank for this service.

### **Mortgage Insurance (or Private Mortgage Insurance / PMI)**

Mortgage insurance is insurance that protects the lender in case the home buyer does not make their mortgage payments. Typically, a borrower would be required to pay a fee for mortgage insurance if their down payment is less than 20%.

### **Mortgage Note**

A mortgage note is a document signed at closing which states the borrower's promise to re-pay a sum of money. The note states an interest rate and a fixed period of time (term) for repayment.

### **Mortgage Satisfaction**

Mortgage satisfaction refers to the full payment of a mortgage loan.

### **Mortgagee**

The mortgagee is the lender in a mortgage transaction.

### **Mortgagor**



The mortgagor is the borrower in a mortgage transaction.

### **Multiple Dwelling**

A multiple dwelling is a structure with two or more residential units.

### **Multiple Listing Service (MLS)**

A MLS is a central service for real estate listings available to member brokers.

## **N**

### **National Association of Realtors (NAR)**

The NAR is the largest and most prominent trade organization for real estate brokers and agents.

### **Negative Amortization**

This occurs when a loan permits the borrower to make a payment that is less than the full amount required to cover the interest charge on the open balance and the shortfall is added to the mortgage principal.

### **Negative Pledge**

A negative pledge is when the condominium places restrictions on the unit deed and trust agreement restricting the right of an owner to finance a condominium unit for more than a specified amount.

### **Net Lease**

A net lease refers to a type of lease in which the tenant pays a fixed rent plus the operational costs of the property.

**Net Listing**

A net listing is a method of establishing the listing broker's commission as the entire amount above specified new amount to the seller. This method of establishing a broker's commission is illegal in New York State.

**Net Worth**

Net worth is your assets less your liabilities.

**Nonconforming Use**

A nonconforming use refers to the utilization of land that does not conform to the zoning ordinance for the area.

**Nonrecourse Note**

A nonrecourse note is a type of note in which the borrower has no personal liability for payment.

**Notarize**

Some legal documents, including certain leases and contracts of sale, are notarized by a certified Notary Public to verify the authenticity of a signature.

**Notice of Lis Pendens**

Notice of lis pendens is a public record warning all concerned parties that title to a property is the subject of a lawsuit and any lien resulting from the suit will attaché to the title.

# O

## **Offer**

An offer is made to purchase a property at a specific price. Once an offer is accepted, then a contract of sale is issued by the seller's attorney.

## **Offering Plan**

See "Prospectus".

## **Open-ended Listing Contract**

An open-ended listing contract is a contract between a seller and a real estate broker that does not have a termination date.

## **Open-end Mortgage**

An open-end mortgage is a mortgage that may be refinanced without rewriting the mortgage contract.

## **Origination**

Origination is the first step in the mortgage loan process consisting of the completion of the application.

## **Ordinance**

An ordinance is a law enacted by the local government.

## **Open Listing**

An open listing is an apartment for sale for which the owner has not signed an exclusive agreement with a real estate broker. Many brokers may represent the seller, or the seller can promote the property independently.

### **Option to Renew**

An option to renew is a provision in a lease that states the method and terms of a lease renewal.

### **Origination Fee**

The origination fee is a service charge by a lending institution for a mortgage.

### **Ownership in Severalty**

Ownership in severalty is title to real property held in the name of one person only.

## **P**

### **Parcel**

A parcel is a specific portion of land such as a lot.

### **Partition**

Partition refers to the legal proceeding that divides property of co-owners so each will hold title in severalty.

### **Party Wall**

Party wall refers to the wall in common between two adjoining structures, such as in townhouses and brownstones.

**Passive Loss**

A passive loss is a loss generated by investment real estate when real estate is not the taxpayer's primary business. Loss in excess of income may not be fully recognized for tax purposes in the year it was incurred.

**Penthouse**

A penthouse apartment refers to the apartment on the highest floor in a luxury, high-rise building.

**Percentage Lease**

A percentage lease refers to a lease that has a rental amount that is a combination of a fixed amount plus a percentage of the lessee's gross sales.

**Percolation**

Percolation is the movement of water through soil.

**Percolation (Perc) Test**

A perc test determines if the soil is sufficiently porous for the installation of a septic tank.

**Perfecting a Loan**

When a loan is issued against a personal property, it is recorded in the county clerk's office against the name of the borrower. The recording process perfects a security position against the collateral.

**Periodic Tenancy**

A periodic tenancy lease automatically renews for successive periods unless terminated by either party. It is also called an estate from year to year.

### **Phantom Gain**

A sale of real estate in which income is recognized for tax purposes but no money has been received correlating to the gain amount. This can occur when the property's basis has been depreciated below the property's mortgage amount.

### **Pied-a-Terre**

Pied-a-terre is a term that refers to an apartment that is not the primary residence of the owner. The term refers to an apartment that is used only sporadically throughout the year.

### **PITI**

PITI is an acronym for a mortgage payment that includes principal, interest, taxes and insurance.

### **Plat**

A plat is a property map that is part of the public record.

### **Platform Framing**

Platform framing is the most common type of framing in residential construction in which the framing of the structure rests on a subfloor platform.

### **Points**

Points refer to the payment made to a lender as consideration for issuing a mortgage, usually based on a percentage of the loan amount. Each point is equal to 1% of the principal of the mortgage.

### **Post-War**

A post-war building is one that was built after World War II, typically between the 1950s and 1970s. They vary in size, but are usually taller than pre-war buildings, are often constructed of white, red or brown brick and have few architectural details. The rents are usually lower than in pre-war or newer buildings.

### **Powder Room**

A powder room is also referred to as a half-bath, and only has a toilet and sink.

### **Pre-Approval**

A pre-approval is a process in which a conditional commitment is issued after a loan profile is underwritten with all standard documentation except a property appraisal and a title search.

### **Pre-Qualification**

A pre-qualification is a process in which a loan officer calculates the housing-to-income ratio and the total debt-to-income ratio to determine an approximate maximum mortgage loan amount.

### **Pre-War**

A pre-war building is one that was built before World War II, and mainly prior to 1929, since there were few residential buildings built during the 1930s. Buildings are less than 20 stories and usually have large rooms, mouldings, hardwood floors and high ceilings.

### **Price-to-Earnings Ratio (P/E Ratio)**

The price-to-earnings ratio is the common metric used to assess the relative valuation of equities. To compute the P/E ratio in the case of a rented house, divide the price of the house by its potential earnings or net income, which is the market rent of the house minus expenses, which include maintenance and property taxes. *This formula is:*

*House P/E Ratio = House Price / Rent-Expenses*

*Compare this ratio to the simpler but less accurate price-rent ratio.*

### **Price-to-Income Ratio**

It is the basic affordability measure for housing in a given area. It is generally the ratio of median house prices to median familial disposable incomes, expressed as a percentage or as years of income. This ratio, applied to individuals, and also referred to as "attainability", is a basic component of mortgage lending decisions.

### **Price-Rent Ratio**

The price-rent ratio is the average cost of ownership divided by the received rent income (if buying to let) or the estimated rent that would be paid if renting (if buying to reside). This formula is:

House Price-Rent ratio = House Price / Monthly Rent x 12

### **Primary Residence**

Generally, a primary residence of an owner or renter is one that they occupy the majority of time, usually considered to be 6 months and 1 day out of every year.

### **Principal**

The principal in the mortgage is the amount that is borrowed and on which interest is paid or received.

### **Private Mortgage Insurance (PMI)**



See Mortgage Insurance.

### **Processing**

Processing is the second step in the mortgage application process which involves the verification of information stated on the application. Credit reports and the appraisal are also ordered at this time.

### **Profit Exemption**

Current tax rules permit the profit on the sale of a primary residence to be tax exempt for up to \$250,000 for an individual, or \$500,000 for a married couple.

### **Property Condition Disclosure Form**

This form is a comprehensive checklist pertaining to the condition of the property including its structure and any environmental issues in and around the property.

### **Property Description**

The property description is an accurate, legal description of the land.

### **Property Tax**

The tax issued by a municipality on the ownership of a property.

### **Proprietary Lease**

The lease issued by a cooperative corporation to each tenant-shareholder prescribing his or her right to occupy a specific apartment and his or her general obligations as an owner and tenant.

### **Pro-Rata Share**

In relation to a co-op, the pro-rata share is your apartment's share of the building's underlying mortgage. The share is determined by dividing the amount of the underlying mortgage by the number of shares in the building then multiplying the per-share amount by the number of shares for your apartment. The lower of either the appraised value or purchase price then divides that number.

### **Prospectus**

A document issued by a sponsor in the process of converting a building to a cooperative or condominium ownership. It is intended to provide "full disclosure" of all relevant facts associated with evaluating an investment in the property, and is also referred to as the offering plan or black book.

## **Q**

### **Quadruplex**

A quadruplex is an apartment with four levels.

## **R**

### **Radon**

Radon is a colorless, odorless gas present in soil that enters a home through small spaces and openings.

### **Rate Cap**

A rate cap is the limit on interest rates during the term of an adjustable rate mortgage.

## **Ratios**

Ratios are guidelines applied by the lender during underwriting a mortgage loan application to determine how large a loan to grant an applicant. The ratios the lenders use are generally the Loan-to-Value Ratio, Housing-to-Income Ratio, and Debt-to-Income ratio.

## **Real Estate Broker**

A real estate broker is an individual employed on a fee or commission basis as an agent to bring buyers and sellers together and assist in negotiating real estate contracts between them.

## **Real Estate Investment Trust (REIT)**

An REIT is a trust owned by shareholders that buys and initiates mortgage loans.

## **Real Estate Salesperson**

A real estate salesperson performs any of the acts of a real estate broker but while associated with and supervised by a broker.

## **Real Estate Settlement Procedures Act (RESPA)**

RESPA is a federal law that regulates the activities of lending institutions in making mortgage loans.

## **Real Property Tax Lien**

This lien is a tax levied against real property by the local government and has priority over all other liens.

**Recapture**

When investment real estate has been depreciated for tax purposes, the gain on the sale includes a "recapture" of the previously written-off depreciation as gain. In certain cases, this can result in a tax liability that exceeds the cash received. See "Phantom Gain".

**Recognition Letter**

A recognition letter is a letter from the cooperative corporation's board of directors recognizing the secured rights of a lender to the shares of stock and the proprietary lease on a specific apartment.

**Recording**

Recording is registering the ownership, lien, or claim of a party to a specific parcel of real estate with the local county.

**Recording Fees**

Recording fees are the fees charged by the recorder's office to record a document such as a mortgage, deed of trust, deed and UCC Financing Statement.

**Redlining**

Redlining is the resistance of lending institutions to make loans for the purchase, construction, or repair of a dwelling due to the socio-economic conditions of the property's location.

**Referral Fee**

A referral fee is a percentage of a broker's commission paid to another broker for the referral of a buyer or seller.

## **Refinancing**

Refinancing are the proceeds of a new loan used to pay off an existing mortgage on the same property.

## **Rental**

A rental is the possession, but not ownership, of a property for a limited duration of time under defined terms and conditions.

## **Rental Building**

A rental building only has apartments for rent and not for purchase.

## **Rent Control**

A form of rent regulation, rent control occurs when an apartment has tenants that have been in continual residence since July 1, 1971, or other qualified occupants that have been in residence with the original tenant continuously for either two years (immediate relative) or five years (non-relative). Rent control limits the amount of rent landlords can charge for apartments and restricts their ability to evict.

## **Rent Stabilization**

Another form of rent regulation, rent stabilization usually applies to buildings built before 1974 and apartments removed from rent control. After the rent has legally been raised to over \$2,500 per month, or the household income of the tenants is over \$200,000 per year, rent stabilization is no longer in effect. The amount that landlords are legally allowed to increase the rent every year is regulated by the NYC Rent Guidelines Board. It also covers buildings that receive J-51 and 421-A tax benefits, so there are newer buildings with apartments that have higher rent that also are regulated by rent stabilization.

## **Reserve Fund**

A reserve fund is the amount reserved to provide funds for future expenses in order to maintain a cooperative or condominium building and is managed by the building's board.

### **Residential Lead-based Paint Hazard Reduction Act**

This act stipulates procedures to be followed in disclosing the presence of lead-based paint in the sale or rental of properties built prior to 1978.

### **Reverse Annuity Mortgage**

A reverse annuity mortgage is a type of mortgage that retirees on fixed incomes can use to generate income out of the equity in their homes while they continue to live in the home.

### **R-Factor or R-Value**

The R-Factor is a rating that measures the degree of resistance to heat transfer.

### **Rider**

A rider is an addendum to a document that covers supplemental issues.

### **Ridge Beam**

A ridge beam is the highest part of framing in a structure and forms the apex of the roof.

### **Right of Assignment**

The right of assignment allows the lender to sell a mortgage at any time and obtain money invested rather than wait for the completion of the loan term.

### **Right of First Refusal**

A condition contained in many condominium master deeds that permits the board to review any party seeking to purchase or rent an apartment and to refuse the applicant if it so desires. If the board refuses the applicant, it must thereafter purchase or rent the apartment under the same terms and conditions stipulated in the contract.

### **Right of Survivorship**

The right of survivorship is the right of an owner to receive the title to a co-owner's share upon death of the co-owner, as in the case of joint tenancy and tenancy by the entirety.

### **Right-of-Way**

Right-of-way is an easement allowing someone to use the land of another for a specific purpose.

### **Riparian Rights**

Riparian rights are the rights of an owner of property adjoining a watercourse such as a river, including access to and use of the water.

### **Room**

Apartment size may be described by number of rooms. A room in NYC must be at least 100 sq. ft. and have a window, except in the case of a kitchen. Most kitchens are counted as rooms, unless they are Pullman types, which are part of the living room. Baths are not counted as rooms. A three room apartment consists of a living room, bedroom and kitchen. A four room apartment could have two bedrooms, or a bedroom and dining room, a living room and kitchen.

### **Running with the Land**

Running with the land refers to rights that are passed with the title of property from the grantor to the grantee.

## **S**

### **Sale Price**

The sale price, also referred to as the purchase price, refers to the amount of money paid by the purchaser to the seller.

### **Sales Comparison Approach**

The sales comparison approach is an appraisal tool for estimating the value of a property with other similar properties that have sold recently.

### **Satisfaction of Mortgage**

The satisfaction of mortgage indicates that a mortgage has been paid in full.

### **Schedule A**

A list in the offering plan of all the apartments being sold in a newly-constructed building or one that is undergoing conversion. It presents allocated shares or unit-percentage interest, room count, and other material cost elements, including the projected maintenance charge and the tax-deductible portion of the maintenance.



**Schedule B**

The projected cost of operating a cooperative or condominium during its first year of operation and is part of the offering plan.

**Section 421 A**

A New York City tax program intended to stimulate new construction by permitting a phase-in of the real estate tax over a period of ten years.

**Security Deposit**

The security deposit is the payment required by the landlord that guarantees that the tenant will meet their financial obligations under the terms of the lease. Besides guarding against any unpaid rent, it also guards against any potential damage that may be incurred by the tenant.

**Seller Contribution**

The seller contribution is a payment by the seller of a property of some, or all, of the buyer's closing costs.

**Seller's Agent**

A seller's agent is the listing agent that works in the best interests of the seller.

**Service Drop**

A service drop is the above-ground electrical cables that come from the nearest electrical pole connecting the electrical service of the house.

**Service Lateral**

Service lateral are the underground electrical wiring connecting the electrical service of the house.

**Servicing**

Servicing are activities the lender performs such as collecting the payments and/or paying taxes and insurance from an escrow account.

**Servient Tenement**

Servient tenement refers to land encumbered by an easement.

**Setback**

The setback is the distance from the front or interior property line to the point where the structure is located.

**Severalty**

Severalty refers to ownership by only one person.

**Shares**

When purchasing in a cooperative building, the apartment is not actually purchased directly as real estate but rather shares in the cooperative corporation are purchased. The amount of shares represent the portion of the building owned based on the size and location of the unit in the apartment. A proprietary lease is then issued by the corporation for a specific unit to the purchaser.

**Soffit**

A soffit is the area under the roof extension of a structure that can be made of wood, vinyl or aluminum.

**SONYMA (Sonny Mae)**

SONYMA or State of New York Mortgage Agency raises money from the sale of New York tax-free bonds and uses these funds for mortgage loans.

**Sponsor**

The sponsor is the developer or owner of the property that initiates the conversion of a property from single ownership to cooperative or condominium ownership.

**Square Footage**

The area measured in square feet of a certain property. Square footage can be measured in different ways and is usually considered approximate. Condominium apartments have specific laws that determine the way in which the apartment is measured and usually more accurately reflect the actual square footage within a property.

**Standing Mortgage**

A standing mortgage is an interest-only mortgage with no principal reduction over time. See "Balloon Mortgage".

**Subject to Financing**

A clause in the contract of sale for a cooperative apartment stipulating that the agreement is conditioned upon the buyer's obtaining financing from a financial institution in an agreed-upon amount.

**Sublet**

A sublet is when the owner of an apartment or the main lease holder decides to rent the apartment to a sub-tenant.

**Super Jumbo Loan**

This is a loan that exceeds \$1,000,000.

**Survey**

A survey is a document indicating measurements, boundaries and the area of a property.

**T****Tax Abatement**

A tax abatement is a financial incentive offered by a local or municipal government to stimulate development in a particular area. The owner of the property and/or the developer has reduced taxes for a specific period of time, typically 10–15 years. The taxes are raised incrementally to the full tax burden over the period of a few years.

**Tax Deductible**

A tax deductible expense helps to reduce taxable income. The tax deductible expenses related to real estate are interest payments on mortgages and real estate taxes.

**Tenancy by the Entirety**

Tenancy by the entirety refers to co-ownership limited to husband and wife, with the right to survivorship.

**Tenancy in Common**

Tenancy in common is co-ownership that does not include the right of survivorship.

**Term, Amortization**

The amortization term is the period of time in which the interest and principal payments of a loan must be made.

**Term Mortgage**

A term mortgage is a mortgage with interest payments only during the mortgage term, with the principal due at the end of the term.

**Title**

The title of a property is the evidence or documentation that an owner is in lawful possession of the property, such as a property deed.

**Title Insurance**

Title insurance is an insurance policy protecting the insured from financial loss caused by a defect or question about the title to real property.

**Title Search**

Title search is a process that examines local public records, laws and related court decisions to determine if any other parties have valid claims against the subject property (such as past due taxes, judgments or mechanics' liens). It also discloses past and current facts about the subject property's ownership.

**Title Transfer Tax**

Title transfer tax is a tax imposed on the conveyance of title to real property by deed.

**Townhouse**

A townhouse is a private residence where at least one wall is shared with another residence.

**Treasury Index**

The Treasury Index is the weekly average yield on US Treasury securities adjusted to a constant maturity of one, three or five years, as made available by the Federal Reserve Board.

**Triple Mint**

Triple mint condition refers to a residence that is in immaculate condition.

**Triple Net Lease**

Triple net lease refers to a condition when the lessee pays all the expenses associated with the property in addition to the rent.

**Triplex**

A triplex is an apartment that has three levels.

### **Truth-in-Lending Disclosure**

Federal law requires that the lender must give this document to the home buyer within three business days after the loan application. This disclosure gives details of the mortgage payments along with the corresponding APR and finance charges.

### **Twelve-MAT Index**

Stands for "12-month average Treasury index" and is a 12-month average of the one-year U.S. Treasury rates used for one form of a monthly adjustable mortgage. Since it is based on historical experience, this index lags current interest rates.

## **U**

### **Underwriting**

In mortgage lending, underwriting is the decision-making process used to determine whether the loan risk is acceptable to the lender. Underwriting involves the satisfactory review of the property appraisal and examination of the borrower's ability and willingness to repay the debt and sufficiency of collateral value of the property.

### **Unencumbered Property**

Unencumbered property is property that is free of any lien.

### **Unity of Interest**

Unity of interest occurs when co-owners all have the same percentage of ownership in a property.

**Unity of Possession**

Unity of possession occurs when all co-owners have the right to possess any and all portions of the property owned, without physical division.

**Unity of Time**

Unity of time occurs when co-owners receive title at the same time in same conveyance.

**Unity of Title**

Unity of title occurs when co-owners have the same type of ownership in a property.

**Unrelated Business Taxable Income (UBTI)**

A special federal tax levied on investment income generated from property held in a pension plan in which there is a mortgage. The property ownership is allocated between the cash investment and the mortgage, and all gain allocable to the mortgage portion is subject to UBTI tax.

**Unsold Shares**

Shares of stock in a cooperative corporation transferred to the sponsor at the completion of the conversion process. The sponsor normally gets special rights to rent and/or sell these shares (representing special apartments) without board approval.

**U.S. Department of Housing and Urban Development (HUD)**

A federal agency that administers funding for projects related to housing.



**Useful Life**

Useful life is the period of time that a property is expected to be economically useful.

**Use Variance**

Use variance is the permission to use the land for a purpose which, under the current zoning restrictions, is prohibited.

**Usury**

Usury is charging a rate of interest higher than the rate allowed by law.

**V****Vacancy Rate**

The vacancy rate is the projected rate of the percentage of rental units that will be vacant in a given year.

**VA Guaranteed Loan**

A VA guaranteed loan is a mortgage loan in which the loan payment is guaranteed to the lender by the Department of Veteran Affairs.

**Valuation**

Valuation establishes an opinion of value utilizing an objective approach based on facts related to the property, such as age, square footage, location, cost to replace, etc.

### **Value in Use**

Value in use is the present worth of the future benefits of ownership.

### **Vendor's Affidavit**

A vendor's affidavit is a document signed under oath by the seller stating that the seller has not encumbered title to real estate without full disclosure to the purchaser.

### **Vesting Options**

Vesting options are choices buyers have in how to acquire property.

### **Vicarious Liability**

Vicarious liability is one person being responsible for the actions of another.

## **W**

### **Walk-up Building**

A walk-up building is a building that does not have an elevator and are usually four or five stories.

### **Walk-Through Inspection**

The walk-through inspection of a property occurs right before a closing to ensure that the property is being delivered as stipulated in the contract of sale.

## **Wetlands**

Wetlands are federal and state protected transition areas between uplands and aquatic habitats that provide flood and storm water control, surface and groundwater protection, erosion control, and pollution treatment.

## **Words of Conveyance**

Words of conveyance is a stipulation in a deed demonstrating the definite intent to convey a specific title to real property to a named grantee.

## **Wraparound Mortgage**

A wraparound mortgage is a junior mortgage in an amount exceeding a first mortgage against the property.

## **Writ of Attachment**

A writ of attachment is a court order preventing any transfer of attached property during litigation.

# **Y**

## **Yield**

The yield refers to the return on an investment.

# **Z**

## **Zone**

An area of a municipality or specific building that is zoned for a specific use, such as residential, commercial, etc.

## **Zoning**

The laws regulating land use.

## **Zoning Ordinance**

Zoning ordinance is a statement settling forth the type of use permitted under each zoning classification and specific requirements for compliance.

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