

Term	Definition
California Bureau of Real Estate (CalBRE)	A government agency which oversees, regulates, administers and enforces California real estate law as practiced by licensees.
California Fair Employment and Housing Act (FEHA)	Legislation which prohibits landlords from using discriminatory rental policies to avoid renting to a tenant based on familial status.
California Home Energy Rating System (HERS)	California state system used to create a standard rating for energy efficiency and certify professional raters.
California Housing Finance Agency (CalHFA)	An independent California state agency that makes low-rate housing loans through the sale of taxable and tax exempt bonds.
California Land Title Association (CLTA) title policy	The standard title insurance policy.
call	A mortgage holder's demand for the balance of the loan to be immediately paid in full. [See RPI Form 418-3]
call option	An agreement giving a buyer the right to buy property within a specified time or upon an event at a specified price with terms for payment. [See RPI Form 161]
call provision	A provision in a note giving the mortgage holder the right to demand full payment at any time or after a specified time or event, also called an acceleration clause. [See RPI Form 418-3]
CalVet	A program administered by the State Department of Veterans Affairs for the direct financing of farm and home purchases by eligible California veterans of the armed forces.
Canadian rollover	Generally refers to an adjustable rate mortgage. Named for the standard Canadian home loan which adjusts every few years, with no cap on the rate adjustment.
cancellation provision	A lease agreement provision permitting the tenant to terminate their occupancy and rent obligation by paying a set sum of money.
capable parties	Parties who can be held responsible for the performance of their obligations under a contract. One of the essential elements needed to form a contract.
capital assets	Assets of a permanent nature used in the production of an income, such as land, buildings, machinery and equipment, etc. Under income tax law, it is usually distinguishable from inventory which comprises assets held for sale to customers in ordinary course of the taxpayer's trade or business.
capital gain	Taxable profits from the sale of an asset.
capitalization	In appraising, determining value of property by considering net income and percentage of reasonable return on the investment. The value of an income property is determined by dividing annual net income by the Capitalization Rate.
capitalization (cap) rate	The annual rate of return on invested capital applied to the net operating income (NOI) produced by the operations of an income property to evaluate the property. The cap rate is calculated for an owner by dividing the property's NOI by the owner's asking price, or, for a buyer by adding to the current 10-year Treasury note rate a risk premium rate and recovery rate appropriate for the classification of the subject income property.
capitalization approach	An evaluation method used to arrive at a property's value based on the present worth of the property's future net operating income (NOI).
carcinogen	A substance which causes cancer in human beings.
carryback financing	A note and trust deed executed by a buyer of real estate in favor of the seller for the unpaid portion of the sales price on closing, also known as an installment sale, credit sale or seller financing.
carryback mortgage	A note and trust deed executed by a buyer of real estate in favor of the seller for the unpaid portion of the sales price on closing, also known as an installment sale, credit sale or seller financing.
carrying cost	The cost of holding and maintaining inventory.
carryover provision	An adjustable rate note provision allowing the lender to apply any margin exceeding a periodic rate cap on a given adjustment to the next scheduled rate adjustment.
casement windows	Frames of wood or metal which swing outward.

cash collateral	In Chapter 11 Bankruptcy, cash or cash equivalents from the sale of property in which the lender has an interest.
cash flow	The net income generated by a property before depreciation and other noncash expenses.
cash is king	An expression referring to the importance of cash flow during recessionary periods.
cash-on-cash return	Spendable income stated as a percentage of total member contributions to equity capital, represented by operating income remaining after all expenses and mortgage payments have been paid and before depreciation deductions or income taxes.
casitas/granny flat	Attached, freestanding, or over-the-garage apartments that have no direct access to the main house.
cause of action	Facts which are the basis for a claim in a court action.
caveat emptor	A Latin expression meaning, "Let the buyer beware."
certificate of clearance	A document certifying a property has been cleared of all infestations and all repairs necessary to prevent infestations have been completed.
certificate of eligibility	Issued by Department of Veterans Affairs - evidence of individual's eligibility to obtain VA loan.
certificate of reasonable value (CRV)	The Federal VA appraisal commitment of property value.
certificate of sale	A certificate issued to the successful bidder on the completion of a judicial foreclosure sale.
certificate of taxes due	A written statement or guaranty of the condition of the taxes on a certain property made by the County Treasurer of the county wherein the property is located. Any loss resulting to any person from an error in a tax certificate shall be paid by the county which such treasurer represents.
certificate of title	A written opinion by an attorney that ownership of the particular parcel of land is as stated in the certificate.
certified CID manager	A non-required professional designation certifying an individual has met legislated educational requirements specific to managing common interest developments.
chain	A unit of measurement used by surveyors. A chain consists of 100 links equal to 66 feet.
chain of title	A history of conveyances and encumbrances affecting the title from the time the original patent was granted, or as far back as records are available, used to determine how title came to be vested in the current owner.
change, principle of	Holds that it is the future, not the past, which is of prime importance in estimating value. Change is largely result of cause and effect.
changed circumstances	Extraordinary events defined by federal mortgage law which may be the basis for the costs provided in the Loan Estimate.
characteristics	Distinguishing features of a (residential) property.
charging order	An attachment device used by a creditor to place a lien on the ownership interest in a limited liability company (LLC) held by the individual member for the payment of a money judgment, and either appoint a receiver to hold the debtor member's share or foreclose on the member's interest in the LLC.
chattel mortgage	A claim on personal property (instead of real property) used to secure or guarantee a promissory note. (See definition of Security Agreement and Security Interest.)
chattel real	An estate related to real estate, such as a lease on real property.
chattels	Goods and every variety of personal property, movable or immovable, which are not real property. Personal property.
choice-of-law provision	A clause which sets the state law applicable in the event of a dispute. [See RPI Form 552 §23.4]
chose in action	A personal right to something not presently in the owner's possession, but recoverable by a legal action for possession.

circuit breaker	1) An electrical device which automatically interrupts an electric circuit when an overload occurs; may be used instead of a fuse to protect each circuit and can be reset. 2) In property taxation, a method for granting property tax relief to the elderly and disadvantaged qualified taxpayers by rebate, tax credits or cash payments. Usually limited to homeowners and renters.
civil law	A Spanish legal system in which an elaborate system of statutes address permissible conduct of the people in advance of disputes.
Civil Rights Act	A federal law which provides broad protections to numerous classes of individuals in the United States against discriminatory activities.
claim of right	A claim of ownership made without any documentation, except possession and payment of taxes.
class action	An action against a person brought by or on behalf of all similarly situated claimants.
classified risk	Improper activity or activity leading to a lack of proper performance which may impose liability for losses the activity may cause to others.
client file	A physical file established at the beginning of a listing to house information and document all the activity which arises within the broker's office due to the existence of the employment.
clients	Members of the public who retain brokers and agents to perform real estate related services.
closed-end mortgage	A mortgage in which the funds are disbursed once and paid off over time.
closing	The process by which all the parties to a real estate transaction perform their obligations in the sale or mortgage of the property, including the execution of documents and distributions of funds.
closing costs	The miscellaneous expenses buyers and sellers normally incur in the transfer of ownership of real property over and above the price paid and received for the property.
Closing Disclosure	A disclosure of the buyer's final settlement charges and mortgage terms handed to the buyer on a standard form within three business days before mortgage closing.
closing statement	An accounting of funds made to the buyer and seller separately, made at the completion of real estate sales and mortgage transactions. [See RPI Form 402]
cloud on title	A claim, encumbrance or condition which impairs the title, not possession, to real estate until eliminated by a release of recorded document, quitclaim deed or a quiet title action.
co-signer	A second party who signs a promissory note together with the primary borrower.
coercion	The act of persuading someone to do something against their will by the use of force or threat.
collateral	Tangible assets securing a loan which are worth more than the principal balance of the loan.
collateral assignment	An agreement providing additional, cumulative and concurrent security for a debt, in the form of personal property, to additionally secure the property owner's performance under the debt. [See RPI Form 437 and 446]
collateral security	A separate obligation attached to contract to guarantee its performance; the transfer of property or of other contracts, or valuables, to insure the performance of a principal agreement.
collusion	An agreement between two or more persons to defraud another of rights by the forms of law, or to obtain an object forbidden by law.
color of title	Title that has the appearance of validity but has a fatal defect and is ineffective.
commercial acre	A term applied to the remainder of an acre of newly subdivided land after the area devoted to streets, sidewalks and curbs, etc., has been deducted from the acre.
commercial communication	Anything written or spoken used to attract homeowners to a service.
commercial facility	Property owned, leased or operated by a private entity whose operation affects commerce.
commercial loan	A personal loan from a commercial bank, usually unsecured and short term, for other than mortgage purposes.
commercial paper	Negotiable instruments such as promissory notes, letters of credit and bills of lading. Instruments developed under the law of merchant.
commingling	The mixing of personal funds with client or third-party funds held in trust.

commission	An agent's compensation for performing the duties of the agency; in real estate practice, a percentage of the selling price of property, percentage of rentals, etc. A fee for services.
commitment	A pledge or a promise or firm agreement to do something in the future, such as a loan company giving a written commitment with specific terms of mortgage loan it will make.
commodity	A marketable good or service.
common area	An entire common interest subdivision except the separate interests therein.
common area maintenance charge	Property operating expenses incurred by a commercial landlord and paid by the tenant as rent in additional to the base rent, adjustments and percentages. [See RPI Form 552 §6]
common boundary improvement	An improvement which acts as a demarcation of the property line.
common boundary trees	Shrubbery or trees with trunks which stand partly on the land of two adjacent properties belonging to the adjacent owners.
common description	Description of real estate by its street address. Also known as a common address.
common interest development (CID)	Condominium projects, cooperatives or single family residences in a planned unit development. [See RPI Form 135]
common law	An English legal system in which disputes are decided on a case-by-case basis before a judge applying codes and prior cases.
common stock	That class of corporate stock to which there is ordinarily attached no preference with respect to the receipt of dividends or the distribution of assets on corporate dissolution.
community banks	Small and local banks not tied to the "too big to fail" Wall Street banks.
community property	All property acquired by husband or wife during a marriage when not acquired as the separate property of either spouse.
compaction	Whenever extra soil is added to a lot to fill in low places or to raise the level of the lot, the added soil is often too loose and soft to sustain the weight of the buildings. Therefore, it is necessary to compact the added soil so that it will carry the weight of buildings without the danger of their tilting, settling or cracking.
comparable market analysis	A worksheet used by an agent to prepare an estimate for review with an equity purchase (EP) investor of the value of property for sale based on the price recently paid for similar properties. [See RPI Form 200-1]
comparable property	A recently sold property with characteristics similar to the subject property being evaluated. Or, a like-type rental property with operating characteristics similar to the subject property for establishing the subject property's probable net operating income.
comparable sales	Sales of properties recently sold which have similar characteristics as the subject property being evaluated and are used for analysis in the appraisal of the subject property.
comparative advantage	The advantage a person who produces a product at a greater margin of profit has over a competitor.
comparative cost analysis	A comparison of the costs a tenant will incur to occupy and operate in a particular space against the costs to operate in other available space. [See RPI Form 562]
comparative market analysis (CMA)	An evaluation method used to arrive at a property's value based on the current selling prices or net operating income of similar properties.
comparative negligence	An injured person's share of the negligence causing their injury when the injured person's lack of care for themselves contributes to the injury.
comparison approach	A method for comparing a given property with similar or comparable surrounding properties; also called market comparison.
compensating factors	Positive factors which compensate for a high debt load.
compensation	Any financial or economic incentive, including salaries, fees or commissions for rendering a service.
competent	Legally qualified.
competition, principle of	Holds that profits tend to breed competition and excess profits tend to breed ruinous completion.
competitive advantage	Increasingly drastic lending measures motivated by the desire for ever greater earnings and strategic advantage over one's rivals.

compliance-with-laws clause	A provision in a nonresidential lease agreement controlling the conduct of tenant activities on the property to conform with public laws, building ordinances or tenant association rules. [See RPI Form 552 §7.3]
compound interest	Interest paid on original principal and also on the accrued and unpaid interest which has accumulated as the debt matures.
compounded base rent	Rent that adjusts yearly by a certain percentage of the prior year's rent.
compounding	The adding of accrued and unpaid interest to principal which thereafter accrues interest as principal at the note rate.
compounding on default	An interest provision triggered by a delinquency in a payment causing interest to accrue on the amount of interest contained in the delinquent installment at the note rate until the delinquent payment is paid, a type of late charge. [See RPI Form 418-1]
computation period	For impound account analysis, the 12-month period beginning on the date of the initial impound deposit during which monthly deposits, disbursements and any applicable interest occur.
conclusion	The final estimate of value, realized from facts, data, experience and judgment, set out in an appraisal. Appraiser's certified conclusion.
condemnation	The act of taking private property for public use by the government with payment to owner to compensate for the taking, or the government declaration that a structure is unfit for use.
condition	In contracts, a future and uncertain event which must happen to create an obligation or which extinguishes an existent obligation. In conveyances of real property conditions in the conveyance may cause an interest to be vested or defeated.
condition concurrent	A provision in an agreement calling for the performance of an activity by a buyer or seller without concern for the performance of the other person.
condition precedent	A provision in an agreement calling for the occurrence of an event or performance of an act by another person before the buyer or seller is required to further perform.
condition subsequent	A condition attached to an already-vested estate or to a contract whereby the estate is defeated or the contract extinguished through the failure or non-performance of the condition.
conditional assignment of rents	A trust deed provision which creates a lien on all rents in favor of the lender. The rents become additional security to the real estate which is also liened by the trust deed. Compare with absolute assignment of rents.
conditional commitment	A commitment of a definite loan amount for some future unknown purchaser of satisfactory credit standing.
conditional estate	Usually called, in California, Fee Simple Defeasible. An estate that is granted subject to a condition subsequent. The estate is terminable on happening of the condition.
conditional sale contract	A contract for the sale of property stating that delivery is to be made to the buyer, title to remain vested in the seller until the conditions of the contract have been fulfilled. (See definition of Security Interest.)
conditionally privileged publication	A lawsuit or dispute over a right or interest in real estate made in good faith and without malice, barring a slander of title action.
condominium	An estate in real property wherein there is an undivided interest in common in a portion of real property coupled with a separate interest in space called a unit, the boundaries of which are described on a recorded final map, parcel map or condominium plan. The areas within the boundaries may be filled with air, earth, or water or any combination and need not be attached to land except by easements for access and support.
condominium declaration	The document which establishes a condominium and describes the property rights of the unit owners.
confession of judgment	An entry of judgment upon the debtor's voluntary admission or confession.
confirmation of sale	A court approval of the sale of property by an executor, administrator, guardian or conservator.
confiscation	The seizing of property without compensation.
conflict of interest	When a broker or agent has a positive or negative bias toward a party in a transaction which is incompatible with the duties owed to their client. [See RPI Form 527]
conforming loan	A conventional mortgage with terms, conditions and a maximum principal amount set by Fannie Mae and Freddie Mac.

conformity, principle of	Holds that the maximum of value is realized when a reasonable degree of homogeneity of improvements is present. Use conformity is desirable, creating and maintaining higher values.
conservation	The process of utilizing resources in such a manner which minimizes their depletion.
conservation easement	A voluntary conveyance of the right to keep land in its natural or historical condition to a conservation organization or government agency.
consideration	Anything given or promised by a party to induce another to enter into a contract. It may be a benefit conferred upon one party or a detriment suffered by the other.
constant	The percentage which, when applied directly to the face value of a debt, develops the annual amount of money necessary to pay a specified net rate of interest on the reducing balance and to liquidate the debt in a specified time period. For example, a 6% loan with a 20 year amortization has a constant of approximately 8 1/2%. Thus, a \$10,000 loan amortized over 20 years requires an annual payment of approximately \$850.00.
construction lender	A lender that originates a mortgage which funds the construction or development of real estate.
construction loan	A loan made to finance the actual construction or improvement on land. Funds are usually dispersed in increments as the construction progresses.
construction starts	Building permits issued before builders may begin construction.
constructive delivery	Delivery of a deed occurring when the deed is understood by the grantor and grantee to be delivered by agreement, or when the deed is accepted by a third-party for the benefit of the grantee.
constructive eviction	A termination of the tenant's right of possession and cancellation of the lease agreement on vacating due to the landlord's failure to maintain the premises as stated in the lease. [See RPI Form 552 §6]
constructive fraud	A breach of duty, as by a person in a fiduciary capacity, without an actual fraudulent intent, which gains an advantage to the person at fault by misleading another to the other's prejudice. Any act of omission declared by law to be fraudulent, without respect to actual fraud.
constructive notice	To be charged with the knowledge of conditions existing on the property by recorded documents or an occupancy of the property at the time of a transaction.
constructive trust	An involuntary, court-created trust imposed on the ownership of real estate held by an owner who acquired it through fraud or other wrongful action.
consultation fee	A fee the broker charges for the time spent locating rental property if the tenant decides not to lease space during the exclusive authorization period. [See RPI Form 111 §4.2]
consumer confidence	An economic indicator measuring the current level of optimism consumers feel about their personal financial situation and the present state of the broader economy.
Consumer Financial Protection Bureau (CFPB)	An independent federal agency fathered by the Dodd-Frank Act responsible for regulating consumer protection with regards to lending products and services.
consumer mortgage	A debt incurred primarily for personal, family, or household purposes and secured by a parcel of real estate containing one-to-four residential units.
consumer mortgage application	A consumer mortgage application is a request for an offer of consumer mortgage terms.
Consumer Price Index (CPI)	The CPI measures and tracks the rate of consumer inflation. This is presented as an index of fluctuations in the general price of a wide selection of consumable products -- goods and services.
consumer price inflation	An increase in the general price level of all goods and services consumed in the economy.
consumer purpose	A primarily personal, family or household use.
consumer reporting agency	Companies that compile debt information from credit bureaus and other credit sources and sell credit reports to consumers or lenders.
contiguous	Adjoining lots which share a common border.
Continental	An early form of currency issued by congress after the start of the Revolutionary War.
contingency	A condition that needs to be met before escrow can proceed to closing.

contingency fee	An incentive bonus paid upon successfully completing or hitting certain benchmarks, or received as compensation on the occurrence of an event.
contingency fee clause	A provision in an offer-to-lease which states the broker's fee is payable on the transfer of possession to the tenant. [See RPI Form 556 §15]
contingency fee provision	A provision in purchase agreements and escrow instructions calling for a specific event to occur or act to be performed before the broker's fee is payable. [See RPI Form 150 §15.1]
continuing nuisance	An ongoing nuisance that can be entirely eliminated by those adversely affected by the activity or condition.
contour	The surface configuration of land. Shown on maps as a line through points of equal elevation.
contract	An agreement to do or not to do something. Four essential elements are needed to be valid: parties capable of contracting, consent of the parties, a lawful object, and consideration. A contract for sale of real property must also be in writing and signed by the parties to be charged with performance.
contract collection	The collection and accounting for payments on a promissory note for a fee.
contractionary monetary policy	An effort to decrease the amount of money in circulation.
contractor	Anyone who constructs, alters, repairs, improves or demolishes any building, road, project, development or improvement.
contribution, principle of	A component part of a property is valued in proportion to its contribution to the value of the whole. Holds that maximum values are achieved when the improvements on a site produce the highest (net) return, commensurate with the investment.
conventional financing	A mortgage securing a loan made by institutional lenders without governmental underwriting, i.e., which is not FHA insured or VA guaranteed.
conventional mortgage	A mortgage that is not made, insured or guaranteed by the federal government.
conversion	The unlawful appropriation of another's property, as in the conversion of trust funds.
conversion adjustable rate mortgage (ARM)	An adjustable rate mortgage (ARM) which may be converted to a fixed rate mortgage (FRM) during the mortgage term.
conveyance	A transfer of an interest in title to property from one person to another, such as is effected by a deed or a trust deed.
cooperating broker	A broker or their agent acting as a subagent of the seller's broker with specific affirmative duties of care owed the seller, but not the buyer.
cooperative (apartment)	An apartment building, owned by a corporation and in which tenancy in an apartment unit is obtained by purchase of shares of the stock of the corporation and where the owner of such shares is entitled to occupy a specific apartment in the building. In California, this type of ownership is called a stock cooperative.
corner influence table	A statistical table that may be used to estimate the added value of a corner lot.
corporate resolution	A document from a corporation's board of directors which gives the officers of a corporation the authority to sign and bind the corporation to a lease.
corporate securities risks	A risk of loss of investor funds that arises due to investment discretion when a syndicator acquires investor funds before identifying and disclosing an existing asset to be purchased.
corporation	An entity established and treated by law as an individual or unit with rights and liabilities, or both, distinct and apart from those of the persons composing it. A corporation is a creature of law having certain powers and duties of a natural person. Being created by law it may continue for any length of time the law prescribes.
corporeal rights	Possessory rights in real property.
correction lines	A system for compensating inaccuracies in the Government Rectangular Survey System due to the curvature of the earth. Every fourth township line, 24 mile intervals, is used as a correction line on which the intervals between the north and south range lines are remeasured and corrected to a full 6 miles.
correlation	A step in the appraisal process involving the interpretation of data derived from the three approaches to value (cost, market and income) leading to a single determination of value. Also frequently referred to as reconciliation.

correlative rights	The sharing of water between riparian land owners based on a tiered variety of priority and subordinate uses across the entire group of riparian owners.
cost approach	An evaluation method used to arrive at a property's value based on the present cost of acquiring the land and constructing the existing improvements.
cost basis	The cost incurred to acquire and improve an asset subject to adjustments for destruction and depreciation, used primarily for tax reporting.
cost of funds	The interest rate a lender pays on money it uses to fund loans.
Cost of Funds Index	One of several indices referenced by lenders in adjustable rate mortgage notes to adjust the note's interest rate. This index is one of the steadiest.
cotenancy	Ownership of an interest in a particular parcel of land by more than one person; e.g. tenancy in common, joint tenancy.
counteroffer	An alternative response to an offer received consisting of terms different from those of the offer rejected. [See RPI Form 180]
covenant	An agreement or promise to do or not to do a particular act such as a promise to build a house of a particular architectural style or to use or not use property in a certain way.
covenant of quiet enjoyment	An implied lease provision which prohibits the landlord from interfering with the tenant's agreed use and possession of a property.
covenants, conditions and restrictions (CC&Rs)	Recorded restrictions on the title to a parcel of real estate prohibiting or limiting specified uses by the owner of the parcel.
cpm	Certified Property Manager, a designation of the Institute of Real Estate Management.
cramdown	The reduction of the principal balance of a mortgage debt to the value of the mortgaged real estate.
crawl hole	Exterior or interior opening permitting access underneath building, as required by building codes.
credit	A bookkeeping entry on the right side of an account, recording the reduction or elimination of an asset or an expense, or the creation of or addition to a liability or item of equity or revenue.
credit application	A document prepared by a prospective tenant which includes a provision authorizing the investigation and receipt of information on the applicant's creditworthiness. [See RPI Form 302]
credit repair	A service purporting to raise credit scores and remove bad credit.
credit repair organization	A person or company that offers to improve a buyer's credit history, record or rating in exchange for a fee.
Credit Repair Organization Act (CROA)	A federal law protecting credit repair consumers from fraud perpetrated by credit repair organizations.
credit report	A compilation of a buyer's collected credit history.
credit reporting agency	A private agency which collects and reports information regarding an individual's credit history.
credit score	A numerical representation of a borrower's creditworthiness, based on credit information obtained by a credit bureau.
credit score disclosure	A disclosure of a consumer's credit score information as required by the Fair Credit Reporting Act (FCRA).
credit score exception notice	A risk-based pricing notice disclosure provided to the consumer to fulfill the credit score disclosure and the Notice to Home Loan Applicant under the Fair Credit Reporting Act (FCRA).
creditworthiness	An individual's ability to borrow money, determined by their present income and previous debt payment history.
cross-collateralization	The use of one trust deed to describe multiple parcels of real estate or a UCC-1 financing statement encumbering personal property together with a trust deed as additional security for payment of a debt. [See RPI Form 436]
curable breach	A breach of the lease agreement which can be remedied by action from the tenant.

curable depreciation	Items of physical deterioration and functional obsolescence which are customarily repaired or replaced by a prudent property owner.
current index	With regard to an adjustable rate mortgage, the current value of a recognized index as calculated and published nationally or regionally. The current index value changes periodically and is used in calculating the new note rate as of each rate adjustment date.
curtail schedule	A listing of the amounts by which the principal sum of an obligation is to be reduced by partial payments and of the dates when each payment will become payable.
custodian	An individual whose primary duty is to administer and manage an individual retirement account (IRA) on the IRA owner's behalf.
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