

Term	Definition
facade	The front of a building, often used to refer to a false front and as a metaphor.
fact	An existing condition which is presently known or readily knowable by the agent.
Fair Credit Reporting Act (FCRA)	A federal law controlling the collection and use of consumer credit reports, including the delivery of disclosures to credit consumers.
fair housing laws	A collection of laws designed to prevent discrimination in the access to housing based on an occupant's inclusion in a protected class. Title VIII of the 1968 Civil Rights Act.
fair market value (FMV)	The price agreed to by a buyer and seller, who are knowledgeable of relevant facts, for the purchase of a parcel of real estate for sale on the open market.
fair value hearing	The court proceeding at which a money judgment is awarded for any deficiency in the secured property's fair market value (FMV) at the time of the judicial foreclosure sale to fully satisfy all debt obligations owed the mortgage holder.
familial status	A status which indicates a household includes individuals under the age of 18.
Fannie Mae	A government-sponsored entity operating in the secondary mortgage market.
FARM	A real estate marketing campaign designed to build awareness of a licensee's real estate services that are offered within a targeted neighborhood or community.
farmers home administration	An agency of the Department of Agriculture. Primary responsibility is to provide financial assistance for farmers and others living in rural areas where financing is not available on reasonable terms from private sources.
Federal Deposit Insurance Corporation (FDIC)	Agency of the federal government which insures deposits at commercial banks, savings banks and savings and loans.
Federal Fair Housing Act (FFHA)	A collection of policies designed to prevent discrimination in the access to housing based on an occupant's inclusion in a protected class.
federal funds	Overnight funds lent to banks with insufficient reserves by the Federal Reserve and other banks with excess reserves.
Federal Home Loan Bank Board (FHLBB)	The Depression-era regulatory body established to fund savings and loan associations (S&Ls) and provide mortgage market liquidity. The FHLBB became the Office of Thrift Supervision in 1989, and then dissolved in 2011 shifting its duties to the Consumer Financial Protection Bureau (CFPB) and other federal agencies.
federal home loan mortgage corporation	An independent stock company which creates a secondary market in conventional residential loans and in FHA and VA loans by purchasing mortgages.
Federal Housing Administration (FHA)	An agency of the federal government that insures private mortgage loans for financing of new and existing homes and home repairs.
Federal Housing Administration (FHA) -insured mortgage	A mortgage originated by a lender and insured by the FHA, characterized by a small down payment requirement, high loan-to-value (LTV) ratio and high mortgage insurance premiums (MIPs), typically made to first-time homebuyers.
federal land bank system	Federal government agency making long-term loans to farmers.
Federal National Mortgage Association (FNMA)	Called Fannie Mae, is a quasi-public agency whose primary function is to buy, own and sell mortgages in the secondary market.
Federal Open Market Committee (FOMC)	Consists of five rotating Federal Reserve District Bank presidents and the seven members of the Board of Governors. The FOMC discusses future monetary policy and establishes goals to meet those policies.

Federal Reserve (the Fed)	The central bank in control of regulating the U.S. monetary system and charged with maintaining proper employment levels and managing inflation.
Federal Reserve Board of Governors	The governmental aspect of the Federal Reserve which decides future monetary policy, consisting of seven members who each serve one fourteen year term.
Federal Reserve District Bank	The 12 branches of the "central" bank.
federal tax lien	A lien recorded attaching to the title of real estate owned by a taxpayer who owes the Internal Revenue Service (IRS) unpaid taxes.
federalism	A form of government in which individual states share powers with a national or central government.
federally registered mortgage loan originator (MLO)	A mortgage loan originator (MLO) employed by a federally regulated bank, credit union or financial company.
federally related mortgage	A consumer mortgage made, insured, guaranteed, assisted or otherwise connected to the federal government, controlled by the Real Estate Settlement Procedures Act (RESPA).
fee	An estate of inheritance in real property.
fee estate	An indefinite, exclusive and absolute legal ownership interest in a parcel of real estate.
fee simple	The absolute ownership of possessory rights in real estate for an indefinite duration.
fee simple defeasible	An estate in fee subject to the occurrence of a condition subsequent whereby the estate may be terminated.
fee simple estate	The greatest interest that one can have in real property. An estate that is unqualified, of indefinite duration, freely transferable and inheritable.
fee-sharing agreement	An agreement, written or oral, between different brokerage operations to share fees earned on a transaction which are typically paid by the property owner.
fee-splitting	When fees made to a broker are split vertically with employed agents or split horizontally among other brokers.
feudal tenure	A real property ownership system in which ownership rests with a sovereign who may grant lesser interests in return for service or loyalty. This is in contrast to allodial tenure.
fiat money	A form of currency controlled by a central bank and backed by the national government. It has no direct tie to an underlying commodity or other store of wealth.
fictitious business name	The name under which a business or operation is conducted, also known as a d.b.a. (□doing business as...□).
fidelity bond	A security posted for the discharge of an obligation of personal services.
fiduciary	A person in a position of trust and confidence, as between principal and broker; broker as fiduciary owes certain loyalty which cannot be breached under the rules of agency.
fiduciary duty	That duty owed by an agent to act in the highest good faith toward the principal and not to obtain any advantage over their principal by the slightest misrepresentation, concealment, duress or undue influence.
field review	A second appraiser's independent visual inspection of the property to verify and evaluate the findings of the original appraisal report.
filtering	The process whereby higher-priced properties become available to lower income buyers.
final inspection	An inspection of the premises conducted by the landlord within 21 days after a residential tenant vacates the property. [See RPI Form 585]

final payment	Any final payment on a note which is greater than twice the amount of any one of the six regularly scheduled payments immediately preceding the date of the final/balloon payment. [See RPI Form 418-3 and 419]
financial accelerator	The cyclical phenomenon of increasingly larger loan amounts based on increasingly inflated prices of the same collateral.
financial analysis	The consideration of the durability, quantity and quality of income and expenses generated and incurred by an income-producing property.
financial atrophy	The continuing inability to qualify for purchase-assist financing due to outstanding consumer debt.
financial calculator	An electronic calculator preprogrammed to perform advanced financial functions needed in real estate transactions.
financial capacity	An investor's general financial strength based on their assets and liabilities and their ability to absorb losses of their own funds or borrowed funds without major personal disruption. [See RPI Form 350]
financial crisis	An economic downturn resulting from the failure of banking and government agencies to regulate and adjust to developing market conditions.
Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA)	Federal legislation enacted in 1989 in the wake of the savings and loan (S&L) crisis to strengthen regulations on lenders and appraisers and improve the availability of mortgage funds.
financial intermediary	Financial institutions such as commercial banks, savings and loan associations, mutual savings banks and life insurance companies which receive relatively small sums of money from the public and invest them in the form of large sums. A considerable portion of these funds are loaned on real estate.
financial services representatives (FSRs)	Bona fide employees of brokers who generate business for their employing broker.
financing process	The systematic 5 step procedure followed by major institutional lenders in analyzing a proposed loan, which includes filing of application by a borrower; lender's analysis of borrower and property; processing of loan documentation; closing (paying) the loan; and servicing (collection and record keeping).
financing statement	The instrument which is filed in order to give public notice of the security interest and thereby protect the interest of the secured parties in the collateral. (See definition of Security Interest and Secured Party.) [See RPI Form 436-1]
finder	An unlicensed individual who solicits, identifies and refers potential clients to brokers, agents or principals in exchange for the promise of a fee. [See RPI Form 115]
finder's fee	The fee paid to an individual who solicited, identified or referred a client to a broker, agent or principal. [See RPI Form 115]
first mortgage	A legal document pledging collateral for a loan (See mortgage) that has first priority over all other claims against the property except taxes and bonded indebtedness. That mortgage superior to any other.
first trust deed	A legal document pledging collateral for a loan (See trust deed) that has first priority over all other claims against the property except taxes and bonded indebtedness. That trust deed superior to any other.
first-point-of-contact materials	Materials used to solicit or create a client relationship with prospective mortgage borrowers.
first-time homebuyer	A buyer of a home who has not previously owned their shelter. Typically aged 25-34.
fiscal controls	Federal tax revenue and expenditure policies used to control the level of economic activity.
fiscal year	A business or accounting year as distinguished from a calendar year.

five-business-day right to cancel	An owner-occupant seller of a one-to-four unit residential property in foreclosure on entering into a purchase agreement with an investor is entitled to cancel the agreement during a five-business-day period commencing on receipt of notice of the right to cancel. [See RPI Form 156, page 6]
fixed payment ratio	A debt-to-income ratio (DTI) used to determine eligibility for an FHA-insured mortgage limiting the buyer's total fixed payment on all debts to 43% of the buyer's gross income, also called the DTI back-end ratio.
fixed-rent lease	A lease agreement with monthly rent payments set at a specific dollar amount for the life of the lease. [See RPI Form 550 and 552]
fixed-term tenancy	A leasehold interest which lasts for the specific lease period set forth in a lease agreement. A fixed term tenancy automatically terminates at the end of the lease period. [See RPI Form 550 and 552]
fixity of location	The physical characteristic of real estate that subjects it to the influence of its surroundings.
fixture	Personal property permanently attached to real estate and conveyed with it.
flashing	Thin pieces of impervious material such as sheet metal installed to prevent water seepage into a structure from a joint.
flipper	A speculator who purchases real estate at perceived below-market prices and depends on market momentum to sell at a profit.
flipping	Buying and quickly reselling a property to obtain a large profit, the basis of speculation.
floor rent	A minimum rent rate the landlord receives throughout the lease term. [See RPI Form 552 §4.4]
for-sale-by-owner	A property owner's method of marketing property for sale without the use of a CalBRE-licensed broker or agent to locate a buyer.
forbearance agreement	An agreement by a mortgage holder to temporarily forego exercise of their rights on a default while the property owner takes steps to bring the mortgage payments current.
forcible entry	The unlawful entry of any individual into a rented property without permission, prior notice or justification.
forecast	Analysis of anticipated changes in circumstances influencing the future income, expenses and use of a property.
foreclosure	A mortgage holder's remedy on a default in their mortgage by initiating a procedue noticing the sale of the mortgaeg property to pay the debt.
foreclosure consultant	An individual offering services which claim to aid homeowners with mortgage-related issues, for a fee.
foreclosure decree	Decree by a court ordering the sale of mortgaged property and the payment of the debt owing to the lender out of the proceeds.
foreign investor	An overseas investor who purchases dollar-denominated assets in the United States.
forfeiture	1) The termination of an easement when the easement holder exceeds their authorized use of the easement by placing an excessive burden on the property encumbered by the easement. 2) Loss of money, rights or anything of value due to failure to perform, a remedy abhorred by the courts.
forfeiture of possession	The termination of the tenant's right of possession triggered by a declaration of forfeiture in a notice to quit. [See RPI Form 575 §5]
formal assumption	A buyer's promise to perform all the terms of the mortgage, given to the mortgage holder on the buyer's takeover of an existing mortgage, typically involving a modification of the interest rate and payments and an assessment of points and fees. Compare with a subject-to transaction.
fractionalizing	Selling a share of interest in one note to multiple investors.

franchise	A license granted by a franchise company to an individual or corporate broker to market their services in a specific territory under the name and oversight of the franchise company.
Frannie	A collective term for Fannie Mae and Freddie Mac.
fraud	The intentional use of deception to induce another person to act against their best interests resulting in the loss of property or money.
fraudulent conveyance	A property transfer made for the purpose of avoiding creditors without receiving fair value on the transfer which is voidable.
Free Banking Era	1837-1862. No central banking system existed during this time. States chartered their own banks and held their own reserves.
freehold estate	An estate of indeterminable duration, e.g., fee simple or life estate.
freeze	A prohibition against additional extensions of credit under a home equity line of credit (HELOC).
front foot	Property measurement for sale or valuation purposes; the property measured by the front linear foot on its street line - each front foot extending the depth of the lot.
front money	The minimum amount of money necessary to initiate a real estate venture, to get the transaction underway.
front-end debt-to-income ratio (DTI)	The percentage of monthly gross income that goes towards paying mortgage debt.
frontage	A term used to describe or identify that part of a parcel of land or an improvement on the land which faces a street. The term is also used to refer to the lineal extent of the land or improvement that is parallel to and facing the street, e.g., a 75-foot frontage.
frostline	The depth of frost penetration in the soil. Varies in different parts of the country. Footings should be placed below this depth to prevent movement.
full credit bid	The maximum amount the foreclosing mortgage holder may bid at a trustee's sale without adding cash, equal to the debt secured by the property being sold, plus trustee's fees and foreclosure expenses.
full employment	When employees receive income for full, 40-hour work weeks.
full listing offer	A buyer's or tenant's offer to buy or lease on terms substantially identical to the employment terms in the owner's listing agreement with the broker. [See RPI Form 556]
full-service gross lease	A commercial lease specifying that the landlord retains the responsibility for payment of all costs of care and maintenance, unless modified, including the tenant's utilities and janitorial services. [See RPI Form 552 and 552-1]
fully indexed rate	The highest rate possible on the adjustable rate mortgage (ARM) during the first five years of its term.
fully stepped-up cost basis	The tax basis of community property a surviving spouse receives on the death of a spouse is stepped up to the property's fair market value (FMV) on the date of death.
functional obsolescence	A loss of value due to adverse factors within the structure which affect the utility of the structure, and thus its value and marketability.
further encumbrance	A claim or lien on a parcel of real estate, such as junior trust deeds, CC&Rs, easements, taxes or assessments.
further-approval contingency provision	A provision in an agreement calling for the further approval of an event or activity as a condition precedent to the further performance or cancellation of the transaction by the persons benefiting from the provision. [See RPI Form 185 §9 and 279 §2]
further-improvements provision	A commercial lease provision which allows a landlord to retain tenant improvements or require the restoration of the property to its original condition upon expiration of the lease. [See RPI Form 552 §11.3]

future advances clause	A trust deed provision authorizing a mortgage holder to advance funds for payment of conditions impairing the mortgage holder's security interest in the mortgaged property, such as delinquent property taxes, assessments, improvement bonds, mortgage insurance premiums or elimination of waste. [See RPI Form 450 §2.5]
future benefits	The anticipated benefits the present owner will receive from the property in the future.
future subordination clause	A lease agreement provision in which the tenant agrees to subordinate their leasehold interest in property to a trust deed to be recorded in the future. [See RPI Form 552 §17]
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