**Hot Terms & Tips**

**Taxation**

**Ad valorem:** According to value – sales tax

**Progressive tax:** Rates increase with income – Federal Income Tax

**Tax Shelter:** To shelter income from taxation – defer taxes

**Fiscal Tax Year: N**o **D**arn **F**oolin **A**round – Nov 1st, Dec. 10th, Feb. 1st, Apr. 10th

**Boot:** Money or property of **unlike kind** given in **exchange**.

**Proposition 90:** Allows elderly person to transfer cost basis to another property.

**Veteran’s property tax exemption:** $100,000

**Homeowner’s tax exemption:** $7,000

**Capital gain:** The taxable profit derived from the sale of a capital asset.

**Special assessments:** Assessed to each property owner based on benefits derived.

**Installment sale:** Payment of capital gains over the entire contract period.

**Street Improvements Act of 1911**: Off-street improvements including sewers. Owner must pay bill 30 days after receipt of funds.

**Unadjusted basis:** Original cost

**Adjusted basis:** Cost plus capital improvements.

**Financing**

**Late payment penalty:** Lenders cannot impose a **late payment penalty** until payment is **more than 10 days late**.

**Promissory Note vs. Trust Deed:** The terms of the **promissory note will control** if there is a conflict between the terms of the promissory note and the terms of the trust deed.

**Incident of the debt:** The **trust deed** is a mere **incident of the debt**.

**Pledge**: The transfer or delivery of property to a lender to be held as security for repayment of a debt. Opposite of hypothecate.

**Mortgage vs. Trust Deed:** When comparing **mortgages** and **trust deeds**, they differ in:

1) number of parties

2) statute of limitations

3) transfer of title

**Foreclosure**

**Notice of Default:** Minimum time between the Notice of Default and the trustee’s sale is **three months plus 20 days.**

**Right of Reinstatement:** Trustor (borrower) has **right of reinstatement** (bring the loan current) up until **five days prior to the trustee’s sale.**

**Deficiency Judgments: Deficiency judgments** are only possible with a **judicial (court) foreclosure** on a **non-purchase money loan.**

**Reconveyance deed:** The instrument used upon payment of the loan to reconvey title from the trustee to the trustor.

**Government Regulations**

**Annual Percentage Rate (APR):** The relative cost of credit expressed in percentage terms.

**RESPA:** Lender CANNOT charge the borrower for preparing the **Uniform Settlement Statement**.

**RESPA:** **Uniform Settlement Statement** must be given to the borrower **at or before closing**.

**RESPA:** **Referral fees (kickbacks)** are prohibited.

**Truth-in-Lending:** Borrower has the **right to rescind** until midnight of the **third business day after the promissory note is signed**, except on purchase-money loans.

**Blind Ad:** An ad in which the **name of the person placing the ad is not included**.

**Deeds**

**Reservation in a deed**: Retention of interest by the grantor.

**Exception in a deed**: Grantor withdraws or holds back part of the title.

**Gift Deed**: A deed in which the consideration is “love and affection.” May be voided by creditors of the grantor if the grantor was insolvent at the time of the gift.

**Quitclaim Deed**: Releases whatever interest the grantor has in the property. Does not convey after-acquired title.

**Transfer of Mobile home**: Certificate of Ownership (Title).

**Methods of Acquiring Title**

**Testate**: Dying with a will.

**Intestate**: Dying without a will. Property usually is distributed to the deceased’s heirs. When no heirs claim the deceased property, it reverts to the State by *escheat*.

**Escheat**: When a person dies without a will (intestate) and there are no heirs, the property reverts to the State.

**Holographic Will**: A will that is written, dated and signed in the testator’s handwriting. There is no such thing as a typed holographic will. May not be signed with an “X”.

**Nuncupative Will**: An oral will – No longer valid in California.

**Legacy**: A gift of money or personal property by will, as in a bequest.

**Devise**: A transfer of real property by will. The donor is the *devisor* and the recipient is the *devisee*.

**Ambulatory**: Not fixed; alterable. A will is considered ambulatory because it can be changed.

**Requirements of a formal will**: Signature and witness.

**Know These Measurements**

One township = 36 square miles

One section = 640 acres

One mile = 5,280 feet

One acre = 43,560 square feet

One square acre = approx. 208.7 square feet

One rod = 16.5 linear feet

One chain = 66 linear feet

One board foot = 144 cubic inches of wood

One cubic yard = 27 cubic feet

One square yard = 9 square feet



**Listing of Real Property**

Brokers **earn** their commissions when they find a buyer ready, willing and able to buy. The **listing price** is most likely a **high market value**.

**Interpleader action**: Filed by broker when both the buyer and seller make demands on the broker for the buyer’s deposit after the sale falls apart.

**Board Arbitration**: Settles disputes between agents.

**Puffing**: Exaggerated comments or opinions that paint an overly optimistic picture.

Brokers would be **least likely** to spend their advertising dollars on newspaper ads on **open listings**.

**Optionor**: owner; the person who gives the option.

**Optionee**: buyer; the person who may exercise the option.

**Novation**:the substitution of a new obligation for an old one.

The **rate of commission** for selling a business is determined by agreement between broker and owner (negotiable).

A broker that takes a **listing that does not include an authorization to take a deposit,** accepts a deposit **as the agent of the buyer**.

**Escrow and Title Insurance**

**Prorations in escrow** are based on a **360 day year** and **30 day month**.

**Recurring Costs**: Pertain to impound account items such as taxes and insurance.

**Escrow companies** are primarily under the jurisdiction of the **Corporations Commissioner**.

**Impound accounts** belong to the **trustor**.

The **escrow agent** has primary responsibility for **reporting sale information to the IRS**.

**Title Plant** refers to all records of a title company relative to real estate transactions in a **county**. Consists of all recorded documents on micro film stored as a grantor/grantee index.

**Chain of Title**: The exact history of conveyances and encumbrances affecting title to a property.

**ALTA (American Land Title Association) Lender Policy**: Protects lenders, usually requires a survey.

**Color of Title**: No title at all, just an appearance of ownership.

**Cloud on Title**: Any condition discovered by a title search that could affect the title.

**Short Rate:** The increased premium charged by an insurance company upon early cancellation of a policy to compensate the insuror for the fact that the original rate charged was calculated on the full period of the policy.

**Interim Use:** The uses to which sites and improved properties may be utilized until they are ready for a more productive, highest, and best use.

**Office Administration**

**Realtists®:** A national organization of predominately black real estate brokers, known as the National Association of Real Estate Brokers (NAREB). Founded in 1947.

**Turn-key project**: Construction of a project from groundbreaking to completion.