# NY Real Estate Exam Glossary

The vocabulary the New York Salesperson exam actually tests, A to Z.

## A

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| **Abatement** | A reduction in something owed, such as a property tax abatement granted by a municipality. In NYC, the 421-a tax abatement reduces property taxes for new construction for a set period. |
| **Abstract of Title** | A condensed history of recorded documents affecting title to a parcel — deeds, mortgages, liens, judgments. Used to evaluate marketable title. |
| **Acceleration Clause** | A mortgage provision that allows the lender to demand the entire balance immediately upon default. |
| **Acceptance** | Unqualified agreement to the terms of an offer. Any change creates a counter-offer instead and terminates the original offer. |
| **Accord and Satisfaction** | Settlement of a debt or dispute by agreeing to accept something different from what was originally owed. |
| **Accretion** | Gradual addition to land through natural deposit of soil along a water boundary. The opposite of erosion. |
| **Acknowledgment** | A formal declaration before a notary that the signer executed a document voluntarily. Required for recording most deeds and mortgages in NY. |
| **Acre** | A unit of land area equal to 43,560 square feet. A square one-acre lot measures roughly 209 feet on each side. |
| **Adverse Possession** | Acquisition of title to real property by occupying it openly, continuously, and exclusively for the statutory period — 10 years in NY for adverse possession against private owners. |
| **Affidavit of Title** | A sworn statement by the seller confirming no undisclosed liens, judgments, or other title defects exist since the title search was completed. |
| **Agency** | The fiduciary relationship between a principal and an agent. In NY, agency relationships must be disclosed in writing at first substantive contact. |
| **Agency Disclosure Form** | A written form required in NY at the first substantive contact about a specific property, disclosing whether the licensee represents the buyer, seller, or both. |
| **Amortization** | The gradual repayment of a loan through scheduled payments of principal and interest over time. |
| **Appraisal** | An estimate of a property's market value, prepared by a licensed appraiser using approaches like sales comparison, cost, and income capitalization. |
| **Appurtenant Easement** | An easement that benefits a specific neighboring parcel (the dominant estate) and runs with the land. Compare with easement in gross. |

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| **Article 12-A** | The section of NY Real Property Law that governs real estate brokers and salespersons — licensing, supervision, advertising, escrow, agency disclosure, discipline, and ethics. |
| **Assessed Value** | The value placed on property by a municipal tax assessor for the purpose of calculating property tax. Not necessarily market value. |
| **Assignment** | Transfer of contract rights or interests from one party to another. Compare with novation. |

## B

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| **Balloon Mortgage** | A loan with regular payments that don't fully amortize, leaving a large lump-sum payment due at maturity. |
| **Bilateral Contract** | A contract in which both parties exchange mutual promises. A real estate purchase contract is bilateral. |
| **Blockbusting** | Illegal practice of inducing owners to sell by suggesting that the racial, ethnic, or religious composition of the neighborhood is changing. Prohibited under federal and NY fair housing law. |
| **Broker** | A real estate licensee qualified to operate independently and supervise salespersons. In NY, brokers must hold an Article 12-A license issued by the DOS. |
| **Buffer Zone** | An area of land separating two different land uses, often residential from commercial or industrial. |
| **Bundle of Rights** | The legal rights of ownership: possess, use, enjoy, exclude others, dispose of, and encumber. Real property ownership conveys this bundle subject to government powers and private restrictions. |

## C

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| **Capitalization Rate** | Net operating income divided by property value. Used to estimate value of income property. |
| **Caveat Emptor** | "Let the buyer beware." The buyer is responsible for inspecting property; the seller is generally not required to disclose patent defects, though NY law requires a Property Condition Disclosure Statement for most 1-4 unit residential sales. |
| **Closing** | The final step in a real estate transaction where ownership transfers, funds disburse, and the deed is delivered. |
| **Cloud on Title** | Any encumbrance or claim that may impair the marketability of title — an unpaid lien, an unresolved court order, an old recorded interest. |
| **CMA (Comparative Market Analysis)** | A broker's estimate of a property's likely sale price based on recently sold comparable properties. Not a formal appraisal. |
| **Co-op (Cooperative)** | A form of multi-unit residential ownership common in NYC where the building is owned by a corporation and residents own shares plus a proprietary lease for their unit. |
| **Color of Title** | An apparent but invalid claim to title, such as a deed that is defective. Relevant in adverse possession claims. |

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| **Commingling** | Mixing client or escrow funds with the broker's own funds. Strictly prohibited under NY license law — a serious violation. |
| **Commission** | Compensation paid to a broker for services, typically a percentage of the sale price. In NY, salespersons receive their commission only through their sponsoring broker. |
| **Common Elements** | Areas of a condominium or co-op shared by all owners — hallways, roof, lobby, mechanicals. Maintenance is funded by common charges. |
| **Comparables (Comps)** | Recently sold similar properties used to estimate the value of a subject property in a CMA or appraisal. |
| **Condemnation** | Government taking of private property for public use under eminent domain, with required just compensation. |
| **Condominium** | A form of ownership where the owner holds fee simple title to a unit plus an undivided interest in the common elements. |
| **Conformity** | An appraisal principle holding that property reaches maximum value when surrounded by similar properties. |
| **Consideration** | Something of legal value exchanged between parties — money, services, a promise. Required for a valid contract. |
| **Contingency** | A condition that must be satisfied for a contract to remain binding. Common contingencies include financing, inspection, and appraisal. |
| **Conventional Loan** | A mortgage not insured or guaranteed by a government agency (not FHA, VA, or USDA). Usually requires PMI if LTV exceeds 80%. |
| **Counter-Offer** | A response that changes any term of an offer. It rejects the original offer and creates a new offer the original party can accept, reject, or counter. |
| **Covenant** | A binding agreement, especially a promise in a deed or lease. Restrictive covenants limit how the property may be used. |
| **Curtesy / Dower** | Historical common-law spousal rights in real property. Abolished in NY and replaced by elective share rights under EPTL. |

## D

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| **Deed** | A written legal instrument that transfers title to real property from the grantor to the grantee. Must be delivered and accepted to be effective. |
| **Deed in Lieu of Foreclosure** | An agreement where the borrower deeds the property to the lender to avoid foreclosure. |
| **Default** | Failure to perform a contractual obligation — typically failure to make mortgage payments. |
| **Deficiency Judgment** | A court judgment for the difference between the foreclosure sale price and the outstanding loan balance. NY restricts deficiency judgments on most residential mortgages. |
| **Depreciation** | Loss in property value from physical wear, functional obsolescence, or external factors. Also a tax deduction for income property owners. |

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| **Designated Agent** | A licensee designated by a broker to represent one party (buyer or seller) in a transaction. Permits a single brokerage to represent both sides via designated agents with informed consent. |
| **DOS (NY Department of State)** | The state agency that licenses and regulates NY real estate brokers and salespersons through the Division of Licensing Services. |
| **Dual Agency** | A situation where one agent represents both buyer and seller in the same transaction. In NY, requires written informed consent from both parties. |

# E

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| **Easement** | A right to use another's land for a specific purpose — a utility right-of-way, an access path. Runs with the land if appurtenant. |
| **Easement Appurtenant** | An easement that benefits the owner of an adjacent parcel (the dominant estate) and burdens the servient estate. Transfers with property ownership. |
| **Easement in Gross** | An easement that benefits a person or entity rather than a parcel — typical of utility easements. |
| **Eminent Domain** | The constitutional power of government to take private property for public use upon paying just compensation. |
| **Encroachment** | An unauthorized intrusion of one property onto another — a fence over the line, a roof overhang. |
| **Encumbrance** | Anything that affects or limits title to property: a lien, easement, deed restriction, or encroachment. |
| **Equity** | The owner's interest in property — market value minus liens and other encumbrances. |
| **Escheat** | Reversion of property to the state when an owner dies without heirs and without a will. |
| **Escrow** | Funds or documents held by a neutral third party until contract conditions are met. NY license law requires brokers to maintain client escrow funds in segregated accounts. |
| **Estate at Will** | A tenancy that continues for an indefinite period and can be terminated by either party with proper notice. |
| **Estate for Years** | A tenancy with a defined start and end date — the most common commercial lease form. |
| **Estoppel Certificate** | A signed statement by a tenant or lender confirming the current status of a lease or loan — used to give certainty to a buyer or new lender. |
| **Exclusive Agency Listing** | A listing where the broker is the only agent authorized but the seller retains the right to sell without paying commission if they find the buyer themselves. |
| **Exclusive Right to Sell Listing** | A listing where the broker earns commission no matter who finds the buyer — including the seller. The most protective form for the broker. |

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| **Fair Housing Act** | Federal law (42 U.S.C. §3601) prohibiting discrimination in housing based on race, color, religion, sex, national origin, familial status, and disability. NY adds additional protected classes. |
| **Fee Simple Absolute** | The highest form of property ownership — full rights, no time limit, inheritable. The default in NY unless restricted. |
| **FHA Loan** | A mortgage insured by the Federal Housing Administration. Allows lower down payments (3.5%) for qualifying borrowers. |
| **Fiduciary Duties** | The duties an agent owes a principal: loyalty, obedience, disclosure, confidentiality, accountability, and reasonable care (often remembered as OLD-CAR). |
| **Foreclosure** | The legal process by which a lender seizes and sells mortgaged property after default. NY uses judicial foreclosure — requires court action. |
| **Fraud** | Intentional misrepresentation of a material fact to induce someone to act, causing damage. A serious licensing violation under Article 12-A. |

## G

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| **General Lien** | A lien attaching to all of a debtor's property, not just one parcel — judgment liens and tax liens are general. |
| **Grant** | The act of conveying title from grantor to grantee, usually through a deed. |
| **Grantor / Grantee** | Grantor = the party transferring an interest. Grantee = the party receiving it. |
| **Gross Lease** | A lease where the landlord pays all operating expenses (taxes, insurance, maintenance). Common in residential. |
| **Gross Rent Multiplier (GRM)** | Sale price divided by monthly gross rent. A quick valuation tool for small income properties. |

## H

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| **Highest and Best Use** | The legally permissible, physically possible, financially feasible, and most productive use of a property. |
| **HOA (Homeowners Association)** | An organization that manages shared community amenities and enforces covenants in planned communities and condominiums. |

## I

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| **Implied Contract** | A contract created by conduct rather than express words. |
| **Income Approach** | An appraisal method that values property based on the income it generates — most appropriate for commercial and investment property. |
| **Independent Contractor** | Most NY real estate salespersons work as independent contractors of their sponsoring broker rather than as employees, though the broker still supervises licensed activity. |

# J

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| **Joint Tenancy** | Co-ownership with the four unities (time, title, interest, possession) and the right of survivorship — the deceased owner's share passes automatically to surviving joint tenants. |

# L

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| **Land Contract** | An installment sale where the buyer takes possession but the seller retains legal title until the purchase price is paid in full. |
| **Lease** | A contract granting use and possession of property for a specified term in exchange for rent. |
| **Leasehold Estate** | The tenant's interest in leased property. Includes estates for years, periodic tenancies, tenancies at will, and tenancies at sufferance. |
| **License (Property)** | A revocable personal permission to use another's land — narrower than an easement and not assignable. |
| **Lien** | A monetary encumbrance against property — mortgages, mechanic's liens, tax liens, judgment liens. |
| **Liquidated Damages** | An amount agreed in advance to be paid by the breaching party — typically the buyer's deposit is the seller's liquidated damages if the buyer wrongfully defaults. |
| **Listing Agreement** | A contract between a seller and a broker authorizing the broker to market the property for compensation. Types include exclusive right to sell, exclusive agency, and open listings. |
| **Loan-to-Value (LTV)** | Loan amount divided by property value. Lenders use LTV to assess risk. |

# M

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| **Marketable Title** | Title free of significant defects, allowing a reasonable buyer to accept without fear of future legal challenge. |
| **Mechanic's Lien** | A statutory lien filed by a contractor or supplier who has provided labor or materials and has not been paid. |
| **Meeting of the Minds** | Mutual assent on all essential terms — a requirement for a valid contract. |
| **Metes and Bounds** | A legal land description that traces the property's perimeter using distances and directions from a starting point. |
| **Mill** | One mill = $1 of tax per $1,000 of assessed value. A 25-mill rate on a $100,000 assessed value = $2,500 annual tax. |
| **MLS (Multiple Listing Service)** | A cooperative system in which broker members share listings and agree to share commissions. |
| **Mortgage** | A loan secured by real property. The borrower (mortgagor) grants a security interest to the lender (mortgagee). |

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| **Mortgage Broker** | A licensed intermediary who connects borrowers with lenders. Separately licensed from real estate brokers in NY. |
| **Mortgagor / Mortgagee** | Mortgagor = the borrower granting the mortgage. Mortgagee = the lender holding it. |
| **Multiple Dwelling Law** | NY statute (Multiple Dwelling Law §1 et seq.) regulating safety, sanitation, and habitability in residential buildings with three or more units. |

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| **Net Lease** | A lease where the tenant pays some or all of the operating expenses in addition to base rent (single, double, or triple net). |
| **Net Listing** | A listing where the broker keeps any amount above a net price agreed with the seller. Discouraged or prohibited in many states due to conflict of interest. Permitted in NY but heavily scrutinized. |
| **Net Operating Income (NOI)** | Property's gross income minus operating expenses (before debt service and income tax). Used in cap rate calculations. |
| **Non-Conforming Use** | A property use that was lawful when established but no longer complies with current zoning. Typically grandfathered. |
| **Notice** | Actual notice = known directly. Constructive notice = knowledge imputed by public recording. Recording a deed in NY gives constructive notice to the world. |
| **Novation** | Substitution of a new contract or new party for an old one, releasing the original obligor — different from assignment, which transfers rights but keeps the original obligor liable. |

## O

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| **Open Listing** | A non-exclusive listing where the seller may engage multiple brokers and pays commission only to the one who actually procures the buyer. |
| **Option Contract** | A contract giving the optionee the right (but not the obligation) to buy property within a set period for a set price, in exchange for consideration. |

## P

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| **PITI** | Principal, Interest, Taxes, Insurance — the four components of a typical residential mortgage payment. |
| **PMI (Private Mortgage Insurance)** | Insurance required on most conventional loans with LTV above 80%, protecting the lender against borrower default. |
| **Power of Attorney** | A written authorization to act on someone else's behalf in real estate transactions and other matters. |
| **Prepayment Penalty** | A fee charged for paying off a mortgage early. Many residential mortgages prohibit them; NY restricts them on certain consumer loans. |

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| **Principal** | (1) The party an agent represents. (2) The portion of a mortgage payment that reduces the loan balance. |
| **Property Condition Disclosure Statement (PCDS)** | NY-required disclosure form for most 1-4 unit residential sales. Failure to deliver allows the buyer a $500 credit at closing. |
| **Property Management** | Operation, control, and oversight of real estate on behalf of an owner. Property managers in NY who lease space generally need a real estate broker's license. |
| **Proration** | Allocating expenses between buyer and seller as of closing — typically taxes, fuel, insurance, rent. |
| **Puffing** | Exaggerated opinion-based sales statements ("This is the most charming house in town!"). Not actionable misrepresentation unless they cross into false statements of fact. |

## Q

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| **Quiet Enjoyment** | The tenant's right to undisturbed use of leased premises — implied in every lease. |
| **Quitclaim Deed** | A deed that transfers whatever interest the grantor has, with no warranties. Often used between family or to clear clouds on title. |

## R

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| **Real Estate Salesperson** | A licensee who must work under the supervision of a sponsoring broker. Cannot accept compensation directly from anyone other than the sponsoring broker in NY. |
| **Recording** | Filing a document (deed, mortgage, lien) in the county clerk's office to give constructive notice to the public. |
| **Rectangular Survey System** | A federal land description method using townships, sections, and ranges. Not used in NY — NY uses metes and bounds and lot-and-block. |
| **Redemption** | The right of a defaulting borrower to recover the property by paying the debt — equitable redemption (before foreclosure sale) is recognized in NY. |
| **Rent Stabilization** | A NY system primarily affecting NYC and certain other localities, regulating rent increases and lease renewals for many older multi-unit buildings. Different from rent control, which is even more restrictive and rarer. |
| **RESPA (Real Estate Settlement Procedures Act)** | Federal law requiring disclosures and prohibiting kickbacks in residential mortgage transactions. |
| **Restrictive Covenant** | A private deed restriction limiting how property may be used. Enforceable as long as it doesn't violate fair housing or public policy. |
| **Reversion** | The right of a grantor to regain ownership after a life estate or other limited estate ends. |
| **Riparian Rights** | Rights of an owner of land bordering a non-navigable waterway to reasonable use of the water. |

## S

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| **Sales Comparison Approach** | An appraisal method that estimates value based on recent sales of similar properties, adjusted for differences. |
| **Salesperson Sponsorship** | In NY, every salesperson must be sponsored by a licensed broker. A salesperson cannot operate independently. |
| **Security Deposit** | Money held by a landlord to cover unpaid rent or damages. NY caps residential security deposits at one month's rent under General Obligations Law §7-108. |
| **Severalty** | Ownership by a single person or entity — not co-owned. |
| **Source of Income** | A protected class under NY State Human Rights Law. Landlords cannot discriminate against lawful sources of income including Social Security, disability, child support, or housing vouchers. |
| **Specific Performance** | A court remedy requiring a breaching party to perform the contract (deliver the deed) rather than just pay damages. Available when the property is unique. |
| **Statute of Frauds** | A rule requiring certain contracts (including most real estate contracts and leases over one year) to be in writing to be enforceable. |
| **Steering** | Illegally directing prospective buyers or renters toward or away from particular neighborhoods based on protected class. Prohibited under fair housing law. |
| **Subagent** | An agent of an agent. Rare in modern NY practice due to disclosure requirements. |
| **Sublease** | A lease by a tenant of part or all of leased premises to a new tenant (the sublessee), while the original tenant remains liable to the landlord. |
| **Subordination** | Voluntary acceptance of a junior priority position by a lienholder — common in refinancing where a second mortgage subordinates to a new first. |
| **Survey** | A measurement of property boundaries and improvements. Often required by lenders before closing. |

## T

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| **Tenancy by the Entirety** | A form of co-ownership available only to married couples in NY, with right of survivorship and protection from individual creditors of one spouse. |
| **Tenancy in Common** | Co-ownership where each owner has a separately conveyable and inheritable undivided interest. No right of survivorship — interest passes by will or intestacy. |
| **Tenant** | A person who occupies and uses property under a lease — the lessee. |
| **Time Is of the Essence** | A contract clause making timely performance a strict condition. Without it, courts allow reasonable time. |
| **Title Insurance** | Insurance protecting against losses from undiscovered title defects. NY rates are regulated by the NY Department of Financial Services. |
| **Title Search** | Examination of public records to confirm ownership and identify encumbrances. |

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| **Trust Deed (Deed of Trust)** | An alternative to a mortgage used in some states — not commonly used in NY, which uses mortgages. |
| **Trustee** | A person or entity holding legal title to property for the benefit of another (the beneficiary). |
| **Truth in Lending Act (TILA)** | Federal law requiring clear disclosure of loan terms and APR to consumers. |

## U

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| **Underwriting** | The lender's process of evaluating a borrower's creditworthiness and the property as collateral. |
| **Unilateral Contract** | A contract where one party promises performance only if the other completes a specific act — e.g., an open listing or a reward. |
| **Usury** | Charging interest above the legal limit. NY's civil usury cap is generally 16% for loans to individuals. |

## V

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| **VA Loan** | A mortgage guaranteed by the U.S. Department of Veterans Affairs. Often allows no down payment for qualifying veterans. |
| **Variance** | Permission to deviate from a zoning rule. Use variances and area variances have different standards under NY zoning law. |
| **Vendor / Vendee** | Vendor = seller. Vendee = buyer (in a contract of sale). |
| **Voidable Contract** | A contract that one party may either enforce or rescind — typical for contracts involving minors or those induced by fraud. |

## W

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| **Warranty Deed** | A deed in which the grantor warrants title against defects. The strongest form of deed protection for the buyer. |
| **Will** | A legal instrument disposing of property at death. Real property passing by will goes through probate. |
| **Writ of Execution** | A court order directing the sheriff to enforce a judgment, often by selling the debtor's property. |

## Z

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| **Zoning** | Local government regulation of land use through districts and rules. Adopted under the state's police power. |