TX Marketing I: Building a Real Estate
Glossary

1031 Exchange: (Also called a “tax-deferred exchange”) A transaction in which an individual can sell investment property and defer a variety of taxes that would otherwise have been associated with the transaction. These transactions must meet a range of special conditions imposed by the IRS, but the basic character of these exchanges is such that if like-kind properties are traded, then no capital gains taxes are due.

180-Day Exchange Period: The period specified in Revenue Code Section 1031 stating that an exchanger conducting a deferred exchange must close the sale of the replacement property within 180 days of closing the sale of the relinquished property or the due date of that year’s tax return, whichever date occurs first. This 180-day period is also called the “acquisition period.”

401(k): A retirement investment plan that allows an employee to put a percentage of her or his earned wages into a tax-deferred investment account selected by his or her employer.

45-Day Rule: The rule in Revenue Code Section 1031 stating that an exchanger who is conducting a deferred exchange must identify a replacement property within 45 days of selling or otherwise transferring the property he or she is relinquishing. This 45-day period is also called the “identification period.”

Acceleration Clause: (Also called an “alienation clause”) A clause in the mortgage document that, if enforced, makes the entire balance of the mortgage due to the lender immediately upon default.

Adjustable Rate Mortgage (ARM): A loan whose interest rate varies with some market rate, such as Treasury Securities.
**Alderson Exchange:** A type of three-party 1031 exchange in which a third-party buyer procures the property that an exchanger wants to acquire in an exchange transaction. The third-party buyer purchases a replacement property from a seller and then exchanges it with the exchanger for the property he or she is relinquishing in the transaction. All of the steps in this transaction must occur on the same day if the transaction is to qualify for the benefits associated with a 1031 exchange. The name of this type of exchange is derived from the 1963 court case Alderson v. Commissioner of Internal Service (317 F. 2d 790 [9th Cir. 1963]).

**Americans with Disabilities Act (ADA):** This Act prohibits discrimination against individuals with disabilities. Specifically, it guarantees them access to employment, public services, telecommunications, public accommodations, and commercial facilities.

**Amortization:** The paying down of the principal of a loan over time; a loan that is so paid down is said to be amortized; the period of time it takes for such a loan to be paid off is called the **amortization period**.

**Annuity:** An annuity is an obligation to pay a specific sum (generally monthly or annually) to a particular recipient. For our purposes, an annuity can be thought of as a contract (generally made with an insurance company) for a lump sum or scheduled premiums that are paid out on specific, pre-determined dates. The annuity issuer guarantees an income for a certain period or for the remainder of the purchaser’s life.

**Appraisal Report:** An appraiser’s written or oral estimate of value submitted to a client based on a specified definition of value for the subject property as of a specific date, giving all details of the data utilized in the appraisal process.

**Appraisal:** The act or process of developing an estimate of value.
**Appraisal:** The process by which the value of a piece of real estate is determined; any value so determined is called the *appraisal value*.

**Appraised Value:** The value estimate made by an appraiser of a certain property; type of value differs depending on what the appraisal is needed for.

**Appraiser:** A person who engages in the procedure of estimating the value of real property or personal property.

**Assets:** All tangible and intangible items that can be used to cover the liabilities of a business or be converted into cash, such as office equipment and property.

**Assumption:** Taking over the obligation or commitment of another, as in a loan, insurance policy, etc.

**Baird Exchange:** (Sometimes also called a “Baird Publishing exchange”) A type of three-party 1031 exchange in which two individuals (the exchanger and another party) trade properties, and the recipient of the relinquished property then goes on to sell the property she or he has acquired to a third party. The name of this case is derived from the 1962 court case J.H. Baird Publishing Co. v. Commissioner of Internal Service (39 TC 608).

**Balance Sheet:** A statement that itemizes assets, liabilities, and net worth.

**Balance:** The appraisal principle that states that the highest property values are realized when improvements are proportional to one another and the land in size and type.
**Basis:** A taxpayer’s costs (used for tax purposes) for obtaining and maintaining a property, less depreciation. “Basis” (also called “tax basis”) is essentially the taxpayer’s investment in his or her property.

**Beige Book:** An analysis of market trends compiled by the Federal Reserve's Open Market Committee.

**Blockbusting:** This is the practice of inducing the panic selling of homes at below market value, generally by raising fears that an influx of individuals belonging to a particular minority group will decrease property values in a neighborhood and otherwise affect the area negatively.

**Boot:** A term that describes anything of value that a taxpayer receives in an exchange other than a replacement property. When parties make a like-kind exchange, sometimes it is necessary to include cash (cash boot) or other dissimilar assets (such as a reduction of debt through the exchange [mortgage boot]) in the transaction to balance the value of the exchange. The party receiving these dissimilar assets is taxed for their value.

**Broker:** A real estate agent acting in a legally recognized non-agency capacity by bringing parties together for specific purposes.

**Broker:** An individual who is licensed to negotiate contracts to sell, buy, or lease property for a fee or commission.

**Budget:** A statement of estimated income and expenses.

**Business Plan:** A written description of a business’ operational and financial goals and the strategies that the business will use to achieve them.
**Capital Gains:** The capital an investor receives when he or she sells or exchanges an asset, equal to the sale price of the property less the investor's costs for obtaining and maintaining that asset (i.e., less her or his basis).

**Capital:** Physical assets that can be used to produce income. Capital can refer to machinery, buildings, inventory, equipment, etc. Also refers to the business’ net worth.

**Capitalization Rate:** The interest rate used in the income capitalization approach to appraisal that represents an expected annual rate of return on one's investment. \( V = \frac{I}{R} \) where: \( V = \text{Value}, \ I = \text{Net Operating Income}, \) and \( R = \text{Capitalization Rate}. \)

**Capitalization Rate:** The ratio of NOI to net present value, used to estimate the value of a property. It is sometimes referred to as the cap rate.

**Cash Flow:** The movement of funds into or out of an investment.

**Cash Flow:** The movement of money in and out of the business.

**Cash:** The amount of money that is readily available to the business.

**Charitable Gift Annuity (CGA):** An annuity (income stream) that is exchanged for an asset.

**Civil Rights Act of 1964:** A federal Act that includes a prohibition against discrimination by housing programs that receive any federal funding.

**Civil Rights Act of 1968:** This federal Act prohibits discrimination in the sale or rental of property on the basis of race, color, religion, or national origin. Later amendments added prohibitions against discrimination on the bases of sex, handicap, and familial status.
**Civil Rights Acts of 1866 and 1870:** These Acts stipulate that all persons, regardless of their race, color, or previous position of servitude, have the same legal right to make and enforce contracts. Similarly, these Acts entitle all people to the full and equal benefit of laws and proceedings for the security of persons and property.

**Client:** The individual, also known as the principal, who employs a real estate professional to perform certain activities on his or her behalf.

**Client:** The person(s) or entity (ies) with whom a real estate broker or a real estate broker's firm has an agency or legally recognized non-agency relationship.

**Closing:** The finalizing steps of a real estate transaction, when the real property is turned over to the purchaser on the *closing date*.

**Comparables:** Properties which are substantially equivalent to the subject property to be used in the process of determining value of a subject property.

**Cost Approach:** A method of appraising property based on the depreciated reproduction cost (new) of all improvements, plus the market value of the site.

**Cost of Credit:** The amount one pays on borrowed money; an interest rate.

**Customer:** A party to a real estate transaction who receives information, services, or benefits but has no contractual relationship with the real estate professional or the real estate professional's firm.

**Customer:** An individual who obtains the services of a real estate professional without a contract or binding agreement.
**Debt Financing:** Obtaining funding (loans) from lenders. These loans incur interest and must be repaid within a specified period of time.

**Deferred Exchange:** (Also called a “delayed exchange” or, more rarely, a “Starker exchange”) The most common type of 1031 exchange, in which the exchanger sells the property he or she is relinquishing before buying a replacement property. The Revenue Code requires that exchangers conducting a deferred exchange follow the 45-day rule and the 180-day rule (i.e., they must identify a replacement property within 45 days and must close the sale of the replacement property within 180 days of closing the sale on the relinquished property or within 180 days of the due date of that year's tax return, whichever occurs first). Note that a deferred exchange is not the same thing as a tax-deferred exchange. The term “deferred” here refers to a deferral in selling the relinquished property, not a deferral of taxes. All deferred exchanges are a kind of tax-deferred exchange, but not all tax-deferred exchanges are deferred exchanges—that is, one can enjoy the tax deferral associated with a 1031 exchange even if one makes a simultaneous exchange.

**Depreciation (Accounting):** A method of allocating the cost of an aging asset over its estimated useful life. For income tax purposes, depreciation is a provision for the estimated wear and tear of an asset. Depreciation deductions can be claimed as a tax deduction on real estate improvements, not land, regardless of whether the market indicates an increase or decrease in the value of the property.

**Depreciation (Real Estate):** A loss in value from wear, use, or obsolescence (disuse).
Direct Deeding: A step in completing a 1031 exchange in which the exchanger deeds his property directly to the second party (buyer) with whom he is exchanging properties, rather than passing the deed through a qualified intermediary. When a deed is passed by direct deeding, a qualified intermediary does not appear in the chain of title.

Disability: The federal government defines a disabled individual as a person who has a physical or mental impairment that substantially limits one or more of that individual's major life activities. This legal definition also includes any individual who has a record of having suffered from such impairment.

Discounted Cash Flow (DCF) Analysis: A method of valuing real estate by discounting future cash flows to a present value.

Discrimination: Unfavorable or unfair treatment of a person or class of persons based on race, sex, color, religion, national origin, familial status, or disability. The relative favorability or fairness of treatment is judged by comparing it to the way the individual or institution accused of discrimination interacts with people who are not members of the class.

Distressed Property: Property that is in poor physical or financial condition.

Distribution: The time when a retirement plan actually starts to pay a retirement income.

Dwelling: The Fair Housing Act defines a dwelling as any building, structure, or portion of a building that is occupied as—or designed or intended for occupancy as—a residence by one or more families. This definition also includes any vacant land offered for sale or lease for the construction of a building, structure, or portion of a building that is intended to be occupied as a residence.
**Effective Market Area (EMA):** The area from which an investment draws one-half to two-thirds of its business.

**Equal Credit Opportunity Act (ECOA):** A federal Act prohibiting discrimination in lending on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant is of legal age), or on the basis of the applicant’s receipt of income from a public assistance program.

**Equity (Equity Buildup):** Funds applied to the actual principal on a loan, rather than the interest, plus any gain in property value through appreciation.

**Equity Financing:** In order to obtain funding, a company will sell a portion of ownership interest in the company in exchange for capital or funding.

**Equity:** The difference between a property’s present value and the loan balance still remaining on the property.

**Equity:** The difference between the value of an asset and the amount of money owed on the asset; therefore, it is the amount of money the asset will acquire if it is sold.

**Escrow Account:** An account held by the lending institution into which the borrower pays taxes, insurance, and special assessments and from which the lender pays these sums as they become due.

**Ethics:** The study of standards of conduct and moral judgment, which includes the system or code of morals of a particular person, religion, group, professional, etc. It is also the required conduct (to act otherwise would be unlawful) of real estate professionals as outlined in the National Association of REALTORS® Code of Ethics.
Explain **Exchange Accommodation Titleholder (EAT):** An entity or individual (defined by Revenue Procedure 2000-37) who takes and holds the title to a replacement property prior to a taxpayer’s finding a buyer for the property she wants to relinquish in an exchange. The title or property that is held by the EAT is often referred to as being “parked.” The EAT creates what is called a “safe harbor” for the property, in which the IRS will allow the exchange to wait until the exchanger has found a buyer for the relinquished property. The EAT serves a particularly useful purpose in the sort of exchange called a “reverse exchange” or a “reverse Starker exchange,” in which an individual acquires a replacement property before she has sold the property to be relinquished in the exchange.

**Executive Summary:** A written description that provides the reader with an overview of the business plan.

**Expense-to-Income ratio:** The ratio of the housing expense of a borrower, or PITI (Principal + Interest + Taxes + Insurance), to the net income of the borrower.

**External Obsolescence:** Reduction in property's value caused by factors outside the physical boundaries of the subject property, such as social, environmental, or political factors; also known as “economic depreciation.” Usually cannot be rectified by owner.

**Fair Housing Act:** A federal law prohibiting discrimination in the sale or rental of housing on the basis of race, color, religion, sex, handicap, familial status, or national origin. This Act makes up Title VIII of the Civil Rights Act of 1968.

**Fair Housing Act:** Prohibits discrimination on the basis of race, color, religion, sex, handicap, familial status, or national origin in the sale or rental of housing.
**Familial Status:** “Familial status” is a term meant to capture the idea of having a family with minor-aged children. An act or practice is considered discrimination on the basis of familial status if it is unfavorable or unfair to anyone who is pregnant or planning to adopt, or to families with children under 18 who reside with a parent or other legal custodian.

**Family Wealth Replacement Trust:** A trust that is created for wealth transfer, preferably on a tax-favorable basis, and which is generally funded with life insurance.

**Farming:** The process of branding a company or individual's name to a certain area, group of people or segment of the market.

**FHA:** Federal Housing Authority; the Federal Housing Administration, which operates under the Department of Housing and Urban Development, administers the government home loan insurance program. This program allows prospective homebuyers to get a loan in order to finance their home by removing the risk from the lender.

**FHLMC:** Federal Home Loan Mortgage Corporation, also known as Freddie Mac, purchases first mortgages on residences.

**FNMA:** Federal National Mortgage Association, also known as Fannie Mae, supplies home mortgage funds through a congressionally chartered, shareholder company.

**Free Cash Flow (FCF):** The amount of free cash a company has, equal to the sum of after-tax profits, depreciation, after-tax interest, and non-cash losses in net working capital.
**Functional Depreciation (Preferred):** A loss in value within a structure due to changes in tastes, technical innovations, market standards, or any outdated style. The item in question may be curable, such as lack of air conditioning in Florida, or incurable, such as exceptionally low ceilings in a warehouse, depending on the costs of correcting the item as compared to the benefits expected if the correction is made.

**Highest and Best Use:** The one most profitable and efficient use of any given tract of land, which must be legal, financially viable, productive, and physically plausible.

**Housing for Older Persons:** Senior citizen or adult communities that are exempt from the federal laws prohibiting discrimination against families with children.

**Improvement Exchange:** A 1031 exchange in which the value of construction and improvements on a property is added to the exchange value of the property for tax purposes.

**Income Capitalization Approach:** A method of estimating the present value of the property's anticipated income benefits.

**Inflation:** A general rise in prices that results in reduced purchase power.

**Inflation:** An increase in the price level of goods and services that causes a decrease in the purchasing power of the buyer.

**Interest:** The rent paid on money.

**Internal Rate of Return:** The discount rate that reduces all cash inflows and outflows to and from an investment to zero.
**Investment Statement:** The portion of an employer’s plan document that describes the investment strategies and options for employees.

**IRA (Individual Retirement Account):** An investment account which allows an individual to set aside a limited amount of his or her income each year and usually permits a person to deduct the contributions to the IRA from taxable income, with the contributions and interest being tax-deferred until retirement.

**Irrevocable Gift:** A monetary gift or exchange that a person cannot cancel or modify.

**IRS:** The Internal Revenue Service, part of the Department of Treasury; the governing body responsible for administering the U.S. Revenue Code.

**Leasehold Improvement:** Any alteration or renovation that increases the worth or utility of the property.

**Leverage:** The use of loaned funds to finance an investment.

**Liability:** A company’s or individual’s legal obligation to take responsibility for any actions. Usually, liabilities are a company’s legal obligation to pay (i.e., loans, insurance).

**Like-Kind:** A property designation in the Revenue Code, under which two properties may be judged sufficiently similar based on their nature or character so that they can be exchanged without incurring capital gains taxes.

**Loan Discount:** An amount paid to the lender to lower the lending rate; loan discounts are expressed in points, where one point equals one percent of the loan; eight points is equivalent to a one percent interest rate reduction.
**Loan-to-Value (LTV) ratio:** The ratio of the amount of a loan to the value of the property to be purchased; used in determining such things as buyer payment restrictions and veteran eligibility.

**Manager:** The individual that organizes and oversees the company’s financial and human resources.

**Market Value:** In a normal and fair real estate market, this is the price that will most likely result in a sale and be deemed acceptable by both buyer and seller.

**Market:** A particular geographic region or demographic section in which there may be a demand for certain goods or services; for our purposes, the goods demanded would be realty.

**Marketing:** The process of promoting a company’s products and services; this includes advertising and farming.

**Mission Statement:** A description of a company’s purpose, clientele, and business philosophy.

**Mortality Tables:** Tables that statistically determine a person’s probability of living to a certain age, frequently used in the insurance industry.

**Mortgage Broker:** A middleman who initiates the loan process between borrowers and lenders by bringing them together.

**Mortgage Insurance Premium (MIP):** The amount paid by the borrower for private mortgage insurance, which insures the lender against loss in the event of borrower default.
**Mortgage:** A document wherein a borrower gives a lien against or title to his or her property to a lender as collateral for the loan amount.

**Multiple Listing Service (MLS):** An arrangement in which brokers agree to share their listings with other brokers by pooling the information in a database in exchange for a share of the commission earned by a transaction.

**NAR Code of Ethics:** A code designed to establish a public and professional consensus against which the practice and conduct of REALTORS® and REALTOR-ASSOCIATES® may be judged.

**National Association of REALTORS® (NAR):** A professional organization for real estate professionals who adhere to the NAR Code of Ethics. The NAR Code of Ethics ensures that real estate professionals will provide the highest level of professionalism and excellence in their transactions and interactions with customers and clients.

**National Association of REALTORS® (NAR):** Brokers, salespeople, appraisers, and other real estate professionals are the residential and commercial REALTORS® that comprise NAR. NAR requires its members to adhere to a strict code of ethics, which forces its members to operate at a higher standard.

**Net Income:** The gross income minus total operating expenses; this essentially refers to a company's profits.

**Net Operating Income (NOI):** Equal to gross income, less vacancies, credit losses, and operating expenses.

**Net Present Value (NPV):** A value for an investment calculated by discounting its future cash flows to a present value.
**Non-Qualified Product:** Products (generally investment and retirement accounts) which do not meet the IRS guidelines which would allow them to qualify for various tax benefits or advantages. Unlike a qualified product, a non-qualified product is funded with tax dollars already paid; annuities are one common non-qualified product.

**Operating Expenses:** Ongoing costs used to maintain and run the business.

**Opportunity Cost:** The value of the next best alternative. If someone can eat either a cookie or a cupcake, but not both, the opportunity cost of eating the cookie is the enjoyment she or he would have received from eating the cupcake.

**Physical Depreciation:** A reduction in a property's value (or its improvements) resulting from a decline in physical condition; can be caused by action of the elements or by ordinary wear and tear.

**PITI:** Principal, Interest, Taxes, and Insurance.

**Plan Document:** A document that structures the intent and application of a retirement plan.

**Price to Earnings Ratio (P/E):** A financial ratio used in valuing stocks and REITs, equal to the price of one share divided by the amount of earnings that share receives in a year.

**Price:** The accepted contracted amount, transaction charge or the value at which the property actually sells.

**Price:** The amount of money requested or exchanged for a piece of property.

**Principal:** The unpaid amount of a loan, not counting interest.
**Private Mortgage Insurance (PMI):** Insures the lender against loss in the event of borrower default; the insurance is paid for by the borrower through the mortgage insurance provider.

**Pro Forma Projections:** Financial statements for a property, given certain assumptions or hypothetical situations.

**Promissory Note:** A note wherein the borrower acknowledges his or her debt and agrees to pay the lender according to the terms of the loan.

**Qualified Exchange Accommodation Arrangement (QEAA):** A contract between an exchanger and an EAT (exchange accommodation titleholder) which is required to conduct a safe harbor reverse exchange under Revenue Procedure 2000-37. This contract creates the relationship under which the replacement property is parked with the EAT until the exchanger is prepared to go through with the exchange transaction.

**Qualified Intermediary:** An entity that (or individual who) facilitates a 1031 exchange between a buyer and a seller by acting as a disinterested third-party representative for the exchanger. The intermediary play a very important role, because—to qualify for the benefits of a 1031 exchange—taxpayers are legally prohibited from taking possession of any money between the sale of their relinquished properties and the purchase of their replacement properties. The qualified intermediary also sometimes takes title to and transfers the relinquished property, and does the same for the replacement property, ultimately transferring it to the exchanger. The exchanger must create a formal agreement with the entity that will act as her or his qualified intermediary, and this agreement must satisfy specific requirements established by the IRS. A qualified intermediary acting under an appropriate agreement is recognized by the IRS as a safe harbor in 1031 exchanges.
Qualified Product: A product (generally an investment or retirement account) that meets the IRS guidelines which would allow it to qualify for various tax benefits or advantages. Generally, a qualified product allows a taxpayer to accumulate money for retirement on a pre-tax basis. That is, some of the money that the individual would pay in taxes is instead used to gather interest and does not become taxable until the funds are distributed. The most common qualified products are 401(k)s and IRAs.

Real Estate Investment Trust (REIT): A publicly traded company that owns and operates commercial real estate.

Real Estate Salesperson: A licensed and trained individual who participates in the process of buying, selling and marketing real estate.

Real Property: All interests, benefits, and rights involved in owning real estate.

REALTOR®: A real estate professional who subscribes to the NAR Code of Ethics as a member of the local and state boards. This is the professional designation for a member of the National Association of REALTORS® or its affiliated local groups.

Redlining: A refusal to finance housing for people living in a certain area, or a restriction on the number of loans granted in a certain area. Redlining is illegal under fair housing laws when the refusal or restriction is based on an individual's sex, marital status, age, race, national origin, or the fact that the individual receives public assistance income. Some state or local ordinances may prohibit redlining altogether, regardless of the motivation for the practice.

Relinquished Property: The property being sold by an individual making a 1031 exchange, sometimes also called “Phase I property.”
Rent Concessions: Offers that a landlord uses to entice tenants to rent or lease his or her property, such as reduced rent or free amenities.

Replacement Property: The property being acquired by an individual making a 1031 exchange, sometimes also called “Phase II property.”

Return on Investment: Measures a corporation's profitability and how effectively it uses its capital to produce profit.

Revenue Procedure 2000-37: A procedure developed by the IRS providing for a safe harbor in which no gain or loss is recognized for exchangers conducting reverse exchanges.

Reverse Exchange: (Also sometimes called a “reverse Starker exchange”) A type of 1031 exchange in which the exchanger purchases a replacement property before he or she sells the property to be relinquished. Often, but not always, conducted under the guidelines of Revenue Procedure 2000-37.

Roth IRA: An individual retirement account (IRA) which allows an individual to set aside a limited amount of her or his income each year. Earnings on the account are tax-free (a fact which differentiates this from other types of IRAs), though contributions to this kind of account are not tax-deductible. Tax-free withdrawals may be made after age 591/2, as long as at least five years have elapsed since the Roth IRA was created.

Sales Comparison Approach: A means of estimating value by comparing recent sales of comparable properties to the subject property after making appropriate adjustments for any differences. This method is effective in an active market in which sales comparables can be identified and information collected and verified. The comparable properties selected should be substantially similar to the subject property and should be arm's-length transactions.
**Secured Loan:** A loan that places a lien or title against a property as security for the loan amount; opposite of an *unsecured loan*.

**Sequential Deeding:** A process in which a seller conveys a deed to a qualified intermediary, and the intermediary then conveys the deed to the buyer (owner) at a later time.

**Seven Protected Classes:** The federal Fair Housing Act establishes seven protected classes or categories: race, religion, sex, national origin, color, disability, and familial status. Individual states often expand the number of protected classes.

**Simultaneous Exchange:** An exchange in which both the sale of the relinquished property and the sale of the replacement property are closed on the same day. Note that this is importantly different from a deferred exchange, in which the exchanger secures a replacement property before selling the property to be relinquished.

**Standard of Practice:** Interpretations of various Articles of the Code of Ethics. They are not part of the code itself but are meant to compliment and supplement its meaning. This is a professional code of behavior for real estate professionals promulgated by the National Association of REALTORS®.

**Starker Exchange:** (Generally called a “deferred exchange” or a “delayed exchange”) the most common type of 1031 exchange, in which the exchanger sells the property he or she is relinquishing before buying a replacement property. The Revenue Code requires that exchangers conducting a deferred exchange follow the 45-day rule and the 180-day rule (i.e., they must identify a replacement property within 45 days and must close the sale of the replacement property within 180 days of closing the sale on the relinquished property or within 180 days of the due date of that year’s tax return, whichever occurs first).
**Steering:** This term describes a real estate licensee's efforts to discourage someone from considering a particular location, home, or apartment and to encourage them to consider another property because of that person's race, color, sex, religion, national origin, family status, or disability.

**Target Market:** The specific audience for which a company's products and/or services are intended.

**Tax-deferred:** A term used to describe accounts or transactions for which tax requirements are deferred until a specific event occurs or an individual reaches a certain age.

**Tax-favorable:** A term used to describe transactions which have a tax advantage, i.e., transactions which incur little or no tax.

**Title Parking:** A practice in which an exchanger contracts with an entity or individual, such as an EAT, to hold temporary title to a property that will later be exchanged.

**Title VIII:** The part of the Civil Rights Act of 1968 that is also known as the federal Fair

**Underwriting Process:** The process by which an applicant is qualified for and then receives a loan.

**Unsecured Loan:** A loan where there is no collateral pledged for the loan, and it is backed only by the borrower's signature.

**URAR (Uniform Residential Appraisal Report):** A widely used form for VA, FNMA, HUD, FHLMC, and FMHA loans in estimating the market value of properties.
**USPAP (Uniform Standards of Professional Appraisal Practice):** An annual publication printed by the Appraisal Foundation that defines key appraisal terminology and offers guidelines for completing non-biased and accurate appraisals.

**VA:** The Veterans Administration is responsible for providing federal benefits for veterans and their dependents.

**Value:** The power of a good or service to command other goods or services in exchange; the present worth of future rights to income and benefits arising from ownership.

**Variable Annuity:** An annuity that gains its value from securities investments; the income from a variable annuity thus varies depending on the return from those investments.

**Variable Operating Expenses:** Operating expenses that are dependent on the occupancy rate.

**Veterans Entitlement:** The amount of money a veteran is entitled to under the VA loan program, based on the veteran's record and the amount of entitlement currently being used.

**Wealth Replacement:** An investment plan in which (generally) a charitable, income-producing gift is given to a non-profit organization (for example, a university) which in exchange agrees to pay an income to the donor or his or her surviving spouse. The donor then uses some of this income and the tax savings associated with the gift to purchase a life insurance policy which replaces the assets used to fund the gift for the donor's heirs.