



CALIFORNIA SALESPERSON EXAM / FOCUSED REFERENCE

50 California recall prompts

Cover the answer, explain the term, and check the distinction before moving on.

Original exam-preparation material. DRE controls the examination. Review the linked full lesson for context; these sheets do not guarantee a passing result.

Trust funds

Money or other things of value received by a broker on behalf of another person in a transaction requiring a real estate license.

Commingling: Commingling is mixing trust money with the broker's own money. It is a violation even if nothing is spent.

Conversion: Conversion is an unauthorized use of trust money. It is more serious than commingling because the holder has exercised control inconsistent with the owner's rights.

Commingling

Mixing a client's trust funds with the broker's own funds.

Conversion

Using trust funds for a purpose other than the one for which they were entrusted.

Transfer Disclosure Statement (TDS)

The statutory form on which a seller of one to four residential units discloses the property's known condition.

Natural Hazard Disclosure Statement: The NHD reports six mapped statutory zones. The TDS reports the condition of the property itself.

Natural Hazard Disclosure Statement (NHD)

The form disclosing whether a property sits in any of six mapped statutory hazard zones.

Material fact

A fact that would affect a reasonable buyer's decision to buy or the price they would pay.



Stigmatized property

Property affected by an event, such as a death, that has no physical effect on the structure.

Consumer Recovery Account

California's fund of last resort for direct losses caused by a licensee's intentional fraud or conversion of trust funds in licensed activity.

Blockbusting

Inducing owners to sell by representing that people of a protected class are moving into the area.

Steering: Steering directs a buyer. Blockbusting frightens a seller.

Redlining: Redlining is discriminatory restriction of lending or insurance based on an area's protected-group composition, not lawful property-risk underwriting.

Steering

Directing prospective buyers toward or away from neighborhoods based on a protected characteristic.

Redlining

Denying or discouraging lending, insurance, or housing services because of an area's protected-group composition rather than lawful risk factors.

Reasonable modification

A physical change to premises that a landlord must permit for a person with a disability, normally at the tenant's expense.

Reasonable accommodation: An accommodation changes a rule. A modification changes the building.

Fiduciary duty

The duty of trust and confidence an agent owes a principal.

Dual agency

One broker representing both buyer and seller in the same transaction.



Agency disclosure

California's process for providing the agency form, disclosing actual representation, obtaining required consent, and confirming the relationship in writing.

Ostensible agency

Agency created when a principal intentionally or carelessly causes a third party reasonably to believe another person is the principal's agent.

Express agency: Express agency comes from an actual agreement, written or oral.

General agent

An agent with ongoing authority across a continuing series of transactions within a defined scope.

Procuring cause

The broker whose continuous efforts set in motion the chain of events resulting in the sale.

Safety clause

A listing provision entitling the broker to a commission if the property sells after expiry to a buyer the broker introduced.

Joint tenancy

Co-ownership in equal shares with right of survivorship. The traditional four unities are time, title, interest and possession, subject to California statutory creation rules.

Tenancy in common: No survivorship, shares may be unequal, and the interest passes by will or intestate succession.

Community property with right of survivorship: Available to spouses and combines community-property character with survivorship. Its potential federal basis treatment differs from ordinary joint tenancy and depends on the governing tax rules and facts.

Tenancy in common

Co-ownership with no right of survivorship, permitting unequal shares.

Community property

Property generally presumed to belong to both spouses or registered domestic partners when acquired during the relationship while domiciled in California, subject to separate-property exceptions.



Easement

A non-possessory right to use another's land for a specified purpose.

License: A license is permission to use land, ordinarily revocable, rather than an estate or easement.

Reliance or an interest coupled with the license can affect revocability.

Encroachment: An encroachment is an unauthorized physical intrusion, not a right.

Encumbrance

Any claim, lien, charge or liability attached to and binding on real property.

Mechanic's lien

A lien securing payment for labor or materials furnished to improve real property.

Adverse possession

Acquiring title through actual, open, notorious, hostile, continuous possession under claim of right for five years while paying the required property taxes.

Eminent domain

The government power to take private property for public use on payment of just compensation.

Police power

The government power to regulate land use for public health, safety, morals, and general welfare, ordinarily without compensation.

Variance

Administrative permission to deviate from a zoning requirement because of a hardship unique to the parcel.

Nonconforming use: A nonconforming use existed lawfully before the ordinance changed. A variance is permission granted after.

Alquist-Priolo Earthquake Fault Zoning Act

California law prohibiting construction of structures for human occupancy across the trace of an active fault.

Riparian rights

Water-use rights ordinarily accompanying qualifying land bordering a natural lake, river, stream, or creek.



Accretion

The gradual deposit of soil along a watercourse, adding to the owner's land.

Subdivision Map Act

The California statute governing the design, improvement, and mapping process when land is divided for sale, lease, or financing.

Subdivided Lands Act: A DRE consumer protection statute requiring the public report, not a local mapping control.

Fixture

Personal property attached to real property in a way that makes it part of the realty.

Market value

The most probable price a property should bring in a competitive and open market, with buyer and seller each acting prudently and neither under duress.

Highest and best use

The legally permissible, physically possible, financially feasible use that produces the highest value.

Capitalization rate

Annual net operating income divided by property value, expressed as a percentage. A cap rate is not total investment return.

Gross rent multiplier: GRM uses gross income and a price, with no deduction for vacancy or expenses.

Cash-on-cash return: Cash-on-cash divides cash flow after debt service by the cash invested, so it depends on financing. Cap rate ignores financing.

Net operating income (NOI)

Effective gross income less operating expenses, before debt service and before depreciation.

Gross rent multiplier (GRM)

Sale price divided by gross income, used as a quick comparison measure.



Functional obsolescence

Loss in value from a design or utility deficiency within the property, such as an outdated floor plan.

External obsolescence

Loss in value caused by an influence outside the property.

Principle of substitution

The maximum value of a property tends to be set by the cost of acquiring an equally desirable substitute.

Principle of regression

The value of a superior property is dragged down by inferior surrounding properties.

Statute of frauds

The rule requiring certain contracts to be in writing to be enforceable.

Void and voidable

A void contract never had legal effect. A voidable contract is valid until the party with the power to escape elects to disaffirm it.

Liquidated damages

A contract clause fixing in advance the amount recoverable on breach.

Specific performance

A court order compelling a party to complete the contract rather than pay damages.

Novation

Substituting a new party or a new obligation, releasing the original party from liability.

Option

A unilateral contract giving the holder the right, but not the obligation, to buy on stated terms during a stated period.



Advance fee

Compensation claimed, demanded, charged, received, or collected before the licensed services covered by the fee have been fully completed.

Continue with the full lesson or practice

Search the complete glossary

Scan to keep studying, or open the address below.

<https://www.passcaliforniarealestate.com/glossary>



Controlling sources and further reading

DRE salesperson examination content

<https://www.dre.ca.gov/examinees/SalesExamContent.html>

DRE current real estate law and regulations

<https://www.dre.ca.gov/Publications/RealEstateLaw.html>