

Glossary

A

Additional clause: Written document enabling the signatories to modify or complete specific clauses of the original contract.

Adjoining: Common ownership, additional and enforced fences (meshes, hedges, trellis, walls, etc...) separating two properties which belong to distinct owners.

Adjustable rate: Is subject to variations. This interest rate follows the variations of a short term money market benchmark, which varies according to financial and economic factors.

Administrative costs: Costs of the study and the establishing of a home loan. This amount is variable and negotiable.

Annual percentage rate (TEG): It includes all the credit charges: the actual loan repayment, the miscellaneous expenses, the bank commissions and the death insurance. In order to efficiently compare the different bank rates, this value is the one to take into account for your mortgage. Generally, the financial institutions which loan money offer an interest rate excluding insurance. The TEG includes the latter.

Asbestos: Material composed of calcium silicate and magnesium with fire resistance properties, it appears in separated filaments. Asbestos has been used for construction due to its inherent degree of fire resistance (partitions) and its lightness (pipes, false ceilings, asbestos-cement cover plates). This material has been proved to be carcinogenic. The French High Council for Public Hygiene imposes the search of asbestos as well as its removal in buildings and business premises. Decree n° 96-97 of 7 February, 1996.

Authentic deed: This contract must be drawn up by a notary so that it can be registered and published at the relevant mortgage office. In this way it binds on the third parties to the information they published, it involves everybody, including the persons who are not explicitly mentioned in the deed. The property sale or trade must be the subject of an authentic deed.

Authorized representative: Person who has been delegated the authority to act on behalf of another person in virtue of a contract called "mandate". The authorized representative is not liable except in the event of a personal fault.

B

Bare ownership: Property right which invests the owner with the sole right to dispose of a property, without being entitled to use or collect the fruits.

Beneficiary: Person owning the rights or entitled to assert the rights for another person.

Biennial guarantee: It is the constructor's responsibility (for at least two years, art. 1792-3 of the Civil Code) to ensure the good working of the equipment items dissociable from their support (lower doors, coating...).

Bilateral: Used to talk about a contract involving reciprocal obligations.

Binding sale agreement: Preliminary sale contract signed by the seller and the buyer of a property, either by private deed or notarial deed. The binding sale agreement commits both contracting parties, and usually the buyer pays in advance (variable 5 %) when this agreement is established. Should the payment be partially or totally made through the use of a loan, the deed must include a provision specifying that if the buyer does not obtain the loan, the deed is null and void. Generally, this provision is valid for at least a month.

Boundary marking: Intervention by which the separative line between two adjoining properties is determined and marked out. Boundary marking must be completed by a land surveyor and in the contracting parties' presence.

Bridge loan: This is a credit granted in order to allow the purchase of a property before having sold the real estate of which the outcome is intended for the purchase of this property.

C

Capital gain: The main capital gain is the private real estate capital gain. The permanent residence is exempt from the real estate capital gains tax. Apart from the exemptions, capital gains are subject to the income tax. The rules for calculating capital gains are provided by the law of 19 July 1976. A new system was implemented on the 1st of February, 2012.

Capital loss: Depreciation of the market value of a property.

Capped adjustable rate: This is an adjustable rate which can not exceed an upper limit set in advance (called cap).

Carrez Law: The law n° 96-1107 of December 18th 1996 aims at improving the protection of the buyers of plots within a collective ownership. It obliges any unilateral sale commitment for a plot or a part of the plot to specify the private surface area of this plot or part of plot, subject to nullity. The private surface area to be taken into account is determined by the decree of May 29th, 1997: it corresponds to the surface area of the floor in covered and closed rooms, after deduction of the areas occupied by

the walls, stairs, doorways... This surface area does neither include the floors of the rooms where the clearance is below 5,10 ft (1,80 m) nor the surface of cellars, parking lots and any other outbuildings.

Collateral security: Contract whereby the debtor hands over a good (it is often a financial product such as a life insurance contract or a securities portfolio) to his creditor in order to guarantee his debt. The good is not removed from the debtor, but the latter can not enjoy it any more.

Commission: It refers to the remuneration paid in to an estate agent in the course of his/her professional activity (sale, renting, management...). The estate agent must own a mandate of sale, renting or management so he/she can receive a commission. The estate agents' remuneration (commission and fees) is free and has to be mentioned in all the daily transactions.

Conditions precedent: Contained in a preliminary contract (unilateral sale commitment or agreement), the conditions precedent suspend performance of the contract upon the occurrence of an event. The contract will only be enforceable when the predicted event occurs.

Condition precedent of obtaining a loan: The acquirer has a forty days minimum period to obtain a loan in accordance with the conditions laid down in the sale commitment previously signed. If at the expiry of the prescribed period, the buyer can prove that he has suffered at least two loan refusals from different financial institutions, he or she will be able to recover the security deposit paid in at the moment of the sale commitment. As a consequence the sale commitment is null and void.

Contracting authority: Physical person or legal entity for whom the constructions or works are completed. This is the person who pays and places orders to the architect for the design, and to the companies for the construction works.

Cooling-off period: Since the adoption of the Scrivener Law, complemented by the Neiertz Law, non-professional borrowers benefit from a ten days cooling-off period to give their consent after they acknowledge receipt of the loan offer.

Co-ownership: Buying under the co-ownership agreement allows unrelated people to acquire a real property (persons living together). The buyers must sign a co-ownership agreement to determinate the share of each member, which is not necessarily equal. Each undivided co-owner may hypothecate his or her share of the property. The co-ownership comes to an end when one of the undivided co-owner sells his or her share, or by the death of one of them.

Creditor: Person or financial institution to who someone owes money after taking a loan.

D

Debt ratio: It is used by banks and is calculated as follows: divide the amount of your credit repayments (of any type: consumer credit, home loan...) by the total amount of income.

Defect: This is an either visible or hidden defect altering the construction. The hidden defect is a non-conformity reported on a building but it is not visible at the acceptance of the construction works.

Defect of consent: A consent is vitiated when it was obtained in an unusual way: - by force (coercion). – Accidentally on the object or cause. – In case of an obvious disproportion between the services provided by the contracting parties (prejudice). – When one of the contracting parties used such maneuvers that they would not have been accepted if the other contracting party would have known about it. Thus, the other party would not have agreed (willful misrepresentation) or on different terms (deceit).

Deposit: Amount of money paid in by the buyer at the signature of the sale commitment. It is a definitive commitment for the buyer and it generally represents from 5 to 10 % of the total price of the property. If the sale is not completed, the seller is entitled to recover this amount of money. There is only one exception: if the buyer asserts the failure to achieve a suspensive condition provided for in the sale commitment, he is entitled to recover his or her deposit.

Disbursement: Expenditure settled by the notary (or the lawyer or even the bailiff) on behalf of his client in order to pay the actors involved in the realization of this operation (mortgage registrar, land surveyor).

Dismemberment: When a property is divided, the bare ownership and the usufruct of the same property belong to distinct people.

Donation: Action by which you (the donor) pass on, in your lifetime, a good to another person (the donee) who accepts it.

E

Emoluments: The notary's remuneration, of which the amount is fixed by the Decree of March 8, 1978.

Enjoyment: Free disposal of a property or of the rent collection.

Exclusive sales mandate: Contract whereby the owner of a property puts a real estate agent in charge of selling his or her immovable good, exclusively and for a limited period of time.

F

Final notice: Reminder sent by a bailiff or as a registered letter to a defaulting debtor, demanding him to comply with his obligation within a limited period of time, failing that legal proceedings will start against him.

Financial guarantee: It guarantees the commitment of the funds put at stake during the property sale or in the deeds following buildings management, when those deeds or transactions are carried out by a real estate professional. The financial guarantee is mandatory for every real estate agent or property manager. It is different depending on whether the professional works in the transactions or management field.

Fixed-rate: Is not subject to any variation throughout the duration of the loan.

Force majeure: Unpredictable and insuperable event preventing a person from the execution of her contractual obligations in a normal manner. The person suffering the force majeure may be absolved from her legal duty, if the force majeure is manifest.

Foreclosure: Procedure which consists in immobilizing immovable (or movable) goods, which ones become untransferable and unseizable. A payment notice delivered by a bailiff must precede the foreclosure.

Free property transfer: Transfer of ownership over an immovable within the framework of a donation, an estate or the division of an estate or a conjugal union. It is not subject to the real estate capital gains tax.

G

GFA (SHOB): Gross floor area. The gross floor area of a building is equal to the total area of all building floors, which calculation is based on the bare outside of facades and on the upper floor including the attic and basements, suitable or not for conversion, the balconies, loggias and flat roofs (Reference sources: CIRA, Interdepartmental Center for Administrative Information).

Grading scale: Notaries' fees are fixed in accordance with sliding price scales. Ditto for the real estate agents' fees, except that they don't use mandatory price scales, but scales proposed by the Real estate Professional Institute (Institut Professionnel Immobilier).

Grant full discharge: Deed whereby somebody's management (e.g. the property management company) is recognized as being correct and legitimate for a given period of time.

Ground plan: Plan representing the location of the construction project in relation to the immediate neighborhood. It indicates the limits and positioning of the plot, the establishment and height of the structure, the route of the service roads and junctions.

Guarantee: There are various types of guarantees: the biennial guarantee, the guarantee on operational efficiency, the guarantee covering unpaid rents, the delivery guarantee, the ten-year guarantee, the guarantee of total completion, the surface guarantee.

Guarantee: Commitment whereby a third party guarantees the payment of a debt. The guarantee can be asked for in the case of a home loan or a leasing: the person who acts as guarantor commits to paying the balance of the borrowed amounts instead of the inept borrower (in the case of a home loan and unpaid rents).

Guarantee of total completion: For a one-year term, it is the constructor's responsibility (art. 1792-6 of the Civil Code) to fix the damages (or disorders) assessed at the reception or notified in writing during this period. It assures the buyer that the construction or the repayment of the advances will be completed.

H

Hoguet Law: This legislation was published in the Official Journal of January 4th 1970. It clarifies the status of real estate agent as well as the conditions of access to the profession and the conditions within which this profession can be practiced.

Home automation: All the techniques and studies aiming at introducing automatism in the housing sector regarding safety, energy management, communication... and at making the daily environment more accessible as it remotely manages as many services as possible.

I

Immovable assets: All the real estate properties that you possess at a given date. Construction works, condominiums, building plots as well as forests, fields and plantations are considered as real estate properties.

Inheritance taxes: Taxes to be paid by the heirs to the Treasury in order for them to be entitled to the inheritance. The inheritance must be done within six months following the death.

Interest-only loan: This loan allows the borrower to pay only the interests over its entire duration. He repays the entire loan amount at maturity. This loan is always combined with a capitalization product such as life insurance.

Interest rate: It represents the repayment of a credit. There are various interest rates according to the markets, the loaners and the duration... The interest rate is either fixed, known and stable throughout the duration of the loan, or adjustable. In the latter case, the rate varies according to a benchmark index. Generally, the variation occurs once in a year, at the anniversary date of the loan agreement signing.

J

Joint estate regime: This is one of the legal systems defined in the Civil Code which lays down the rules regarding the spouses' common property. The couples who choose this system decide to consider that the property of each (the goods acquired before the marriage, as well as those acquired after it) also belongs to his or her spouse.

Jointly acquired property regime: This is one of the legal systems defined in the Civil Code which lays down the rules regarding the spouses' common property. Those who choose this specific system decide that the spouses' common property only includes the goods acquired after the marriage. But each spouse keeps the full ownership of his or her goods, if the latter have been acquired before the marriage.

Joint ownership: Several people can possess a plot under the co-ownership agreement, thus they enjoy identical property rights. This situation can occur after a death, as the heirs are entitled to an equal share of the property until the division. The undivided co-owners are represented by an authorized representative who might be one of them, designated by joint agreement.

L

Landlord: Owner renting an immovable property.

Land register: Public register and administrative documents (plot map, section status, cadastral matrix) allowing the identification of existing properties within the municipality. These documents can be consulted at the town hall. They determine the rental value of a property, which is to serve as a basis for the calculation of local taxes.

Land rent: In France, land rent is strictly covered by the Rural Code. It is very difficult to infringe it. Land rents are defined in the articles L411-45 and R 411-15 of the Rural Code. There are different types of land rents, from the farming lease to the emphyteutic lease, including the real estate purchase agreement.

Land surveyor: Expert practicing a profession and who, on his own behalf and under his own responsibility, carries out studies and topographical works, determines the separative line between different properties, draws up the plans and the documents attached to the land property.

Limitation: Constraint inherent to an isolated property without any public access. For example: easement legally binding the property owner to concede a right of way on his land for anyone willing to reach a public pathway.

Living area: As defined in the Construction Code (art. R.111-2), the living area of a house is the gross floor area, after deducting the areas taken up by the walls, partitions, steps and staircases, sheaths, doorways and windows; the habitable volume corresponds to the total of all habitable surfaces as defined above, multiplied by the ceiling heights. It does neither take into account the area of attics that can't be converted, the area of cellars, basements, outhouses, garages, terraces, loggias, balconies, clothes lines outside of the house, conservatories, glass volumes...; commons premises and other outbuildings, nor the premises which height is below 5,10 ft (1,80 m).

Loan: Contract whereby an amount of money is made available to a person whose responsibility is to repay it in accordance with the provided terms.

Local Urban Plan (PLU): The town planning document lays down the general rules and the restrictions of land exploitation in a municipality, in order to organize and plan its development. Henceforth, the Local Urban Plan replaces the zoning regulations (POS).

M

Malraux Law: This law dated August 4th 1962 aims for the preservation of the architectural and historical French heritage as it facilitates real-estate restoration. Buyers who acquire housings under the "Malraux law" status can benefit from some advantages.

Mandate: Deed through which a person (mandator) gives to another one (contracting authority) the power to carry out one or more legal acts, such as a sale, a purchase, a leasing... It is mandatory for

real estate agents and property managers to own a mandate so they can sell, rent or manage a property.

Mandatory assessments: The following clauses are the main legal provisions regarding real estate diagnoses:

- Technical and environmental diagnoses
- DPE (Diagnosis of Energy Performance)
- State of natural and technological risks, general regulation
- Sanitation
- Gas installation
- Electrical installation
- Regulations on asbestos
- Fight against lead-poisoning
- Termites

Assessments must be conducted by qualified experts owning a professional card and a RCS.

Market value: Current value of a property. In other words, this is the price that a landlord could gain from the sale of this property, resulting from market supply and demand.

Mortgage: Indefeasible right placed on a property in favour of a creditor to ensure the payment of his debt.

N

National Union of Real Property (U.N.P.I): Founded in 1893 by private landlords (non-profit association organised under the French Law of 1901) in the aim of defending their common interests to public authorities. The U.N.P.I is a federation composed of 140 business associations and gathering 200 000 members.

Net Floor Area (SHON): This is the surface area of a building excluding the attic and basements that can't be converted for dwelling, as well as the flat roofs, balconies and open rooms on the ground floor, and the building converted in parking lots. Generally, the net floor area represents 90% of the GFA.

Notarial deed: This is a deed signed before a notary, called authentic deed. As an example, the sale commitment or the deed of sale may constitute notarial deeds.

Notary: Public official designated by the State to draw up and keep the deeds on which the contracting parties wish to or must confer the authenticity. Notaries practice their profession under the Public Prosecutors' supervision.

O

Outbuilding: Building or plot connected to another bigger structure.

P

Permanent residence: Regular residence, dwelling house usually occupied.

Planning report: Official document delivered by the municipality to attest or deny the rights to build on land. It often mentions the urban planning regulations to respect (urban planning obligations such as the presence of a high-tension line or the obligation of having a public walkway, etc). It might as well happen that the municipality imposes limitations regarding the construction works itself (size, setback zone on public roads, type of bricks, color of the facade, etc...).

Pre-emptive right: This is a priority purchase option enabling a private person or a public authority to acquire a property before any other buyer, in accordance with the conditions and price laid down by the owner when he offered it for sale. In rural areas, the Real estate Development and Rural Establishments Organizations (SAFER) are bound by a public service obligation to exercise their pre-emptive right. Near the seaboard, the French Coastal Conservation Authority also has a right of pre-emption.

Prepayment: A protection system in favour of the borrower was implemented under the Scrivener Law (13 July 1979), through which you can repay part or totality of a loan before the due date. However, this option may come with financial compensations.

Prime contractor: Professional or company (architect, constructor, business, construction site manager...) managing the construction work.

Private deed: The private deed is a contract drawn up and signed by the contracting parties, and it does not require the involvement of a public official (notary, bailiff).

Privilege of the money lender: It is a « security » ensuring to the money-lender the debt repayment on the property being purchased. The privilege of the money lender is less expensive than a mortgage. This guarantee can only be used if the property already exists at the date of sale (consequently, apartments off-plan are excluded).

Professional card: The people practicing property management or transaction activities (estate agent, property manager) must have a professional card. It is delivered by the prefect and renewed every ten years. It precises the type of activity: "Transactions on buildings and business assets" or "Property management". An estate agent can not work without a professional card.

Property rights: The right of ownership is the right to enjoy and dispose of things in the most absolute manner, provided that one does not make use of it in a manner prohibited by laws or regulations.

Property sale: Transfer of ownership of a property. The sale must always be authenticated by a notary. In practice a preliminary contract drawn up by a professional precedes the sale (unilateral sale commitment or preliminary sale agreement).

Property transfer duties: Rights and taxes received by the notary on behalf of the State and the local authorities during a property transfer, that is to say a property sale.

Property transfer duty: Transfer of ownership over an immovable at the cost of a real estate transaction. It is subject to the real estate capital gains tax.

Public sale of immovable goods: Real estate property sale organised under the presidency of a notary in charge of selling the aforesaid property at auction to the highest bidder. Occasionally, it might be possible to outbid after a sale and to consequently bring about a new public auction sale.

Q

Quota lot: Share on credit insurance divided among the co-borrowers.

R

Real estate expert: Professional in charge of valuating the market or rental value of properties: residential or industrial buildings, business assets, premises, etc... Some real estate experts work at the Court of Appeal.

Real estate property: Immovable property. It includes buildings, business assets, grounds, vineyards.

Redeemable loan: This is a loan where your monthly payment simultaneously refunds the capital with the interests. Most of the home loans work in this way.

Regime of separation as to property: Under this legal system, both spouses are able to dispose of their personal properties and manage them as they wish. Therefore, they don't have any common property.

Registration fees: Rights received by the State when it acquires a property and, in a more general manner, when almost all the notarial deeds have been signed.

Rental investment: Used to define the purchase of a property intended for renting with the aim of obtaining rental income.

Rental value: Annual financial compensation paid for the use of a property within the framework of a residential lease. This value corresponds to a market rent under customary leases conditions applied for a particular type of properties and in a specific region.

Renunciation: Deed by which one gives up on something, on a right.

Repayment schedule: Document mentioning the exact monthly amount and the due date. The repayment schedule is applicable within the framework of a call for capital repayment and the repayment of a loan. Loan offer institutions compel its application.

Residential lease: Tenancy agreement for residential premises or mixed premises (both residential and professional premises). Through the lease, the lessor is committed for at least three years. As for the

lessee, he has the right to terminate the lease at any time, providing that he respects a three months' notice.

S

SAFER (Real estate Development and Rural Establishments Organisations): The SAFER has a mission and a functioning defined in the article R141-1 of the Rural Code. The SAFER's main role is to enable a rural development which would take into account the agricultural policy applicable in France. The SAFER has a pre-emptive right that all notaries must purge within the framework of a transfer of rural asset. It has a two months period of time to purge its pre-emptive right. However the SAFER does not benefit from its pre-emptive right regarding the acquisition of co-owned properties.

Sale before completion (V.E.F.A): Sale off-plan, which occurs before the completion of the program. The buyer becomes the landlord of the plot and the acquired house as the construction is completed. The sale contract (generally preceded by a reservation agreement) is bound before a notary and must specify the description of the building, the price and the terms of payment of the good, as well as the delivery date.

Sale by tender: Action by which a public official sells a good at auction to the highest bidder.

Sale commitment: Preliminary contract whereby a seller commits to selling a property to someone. This unilateral commitment does not involve the buyer but only the seller, for a limited period of time (we are talking about the option period) which must be clearly defined in the contract. If based on reciprocal obligations (also called agreement), it is supposed to commit both parties. Theoretically, they are in both cases subject to a series of conditions precedent (obtaining bank loans, planning permission,...) and a seven days period of withdrawal.

Sales charges: All the fees and duties following a property sale. Theoretically they are to be paid by the buyer. The sales charges are mainly composed of various duties, taxes, the costs for obtaining administrative documents, and for a less important part, the notary fees.

SCI: Real Estate Investment Partnership (Société Civile Immobilière). The Real Estate Investment Partnership is a civil society having a real estate activity. They are often established in order to acquire and manage immovable assets.

SCPI: Real Estate Rental Investment Company by means of the issue of SCPI shares in public.

Scrivener Law: This law dated July 13th 1979 aims at protecting borrowers and applies to all types of home loan. It particularly regulates advertising on credits as well as the loan offer content, and it makes the loan contract dependent on the property purchase deed (and vice versa).

Secondary residence: Second house besides the permanent residence and where we generally spend time during the holidays and weekends.

Share: Portion assigned to every person during the division of a property, a right, a property use or a sum of money (to be paid or to be received).

Simple mandate: Contract whereby the owner of a property puts a real estate agent in charge of selling his or her immovable property, for a limited period of time but without giving him any exclusive rights. Thus, simple mandates can be signed with several agencies for the same property.

Site plan: This is a plan showing the geographical location of the plot involved within the area of the municipality it depends on.

Social security contribution: The agricultural system establishes social security contributions to the agricultural social security mutual fund (msa) which manages the insurance schemes for sickness, disability and retirement pension of the agricultural sector. Depending on the legal arrangement, the contribution may fall within the social security system's jurisdiction.

T

Tax advantage: The acquisition of a property as well as certain types of construction works may give right to income tax reductions or taxable income deductions or allowances. These provisions are updated every year in new Finance Laws. For more details on the ongoing provisions contact your tax office.

Tax household: Used to talk about the number of people mentioned on a taxpayer's income tax return worksheet.

Ten-year guarantee: Starting from the acceptance of work and for a ten-year period of time, the constructor must take responsibility for the damages jeopardizing the solidity of the construction works or making them "unsuitable for their intended use", or affecting an equipment item dissociable from the construction (in the event of the removal of this item would damage the work). This concerns the foundations, walls, the flooring and roofing, as well as the pipes, the partitions, the heating systems.

Termites: Wood-eating insects damaging houses as they parasitise the wooden elements (beams, structure, floor, carpentry...). More than half of the French departments suffer from the propagation of those insects.

Tontine: Within the framework of a common-law purchase, this legal provision authorizes a donation to the surviving, without any rights for the heirs of the deceased to claim a right on the property.

Transfer: Transfer of an immovable property, free of charge (donation) or for a fee (sale).

Transfer of shares: Many properties are owned by companies (generally Real Estate Investment Partnership (SCI)). In this context, the sale can be realized as a transfer of shares through a legal expert or a notary. An assets and liabilities guarantee will be necessary.

U

Urban planning: Set of legal provisions and physical operations for an orderly development of urban areas.

Usufruct: Right to enjoy a thing and dispose of the fruits of ownership, but it does not include the right to sell or give it. This is a temporary right as it ends with the death of the usufructuary.

V

Visiting form: Document by which a client of an estate agency acknowledges that he saw a property through the agency.

W

Withdrawal: Come back to what has been said or done. In the real estate sector, the buyer who signed the binding sale agreement benefits from a seven days period to signify that he or she does not proceed with the agreement, without having to pay any financial compensation.

Withdrawal deed: Authentic deed drawn up in presence of a notary which legally stops the effects of a foreclosure, any opposition to the sale, and of a mortgage.

Withdrawal period: Within the framework of a doorstep selling, any person signatory of a purchase, sale or rental agreement benefits from a seven days withdrawal period during which he or she can signify by registered letter that he or she does not proceed with the agreement, without having to pay for any financial compensation.

Working capital fund and reserve fund: Working capital funds: amount of money lent by the co-owners as an advance to compensate for the recurring expenses (heating, caretaker services, etc...). The reserve fund aims at covering the non-recurring expenses such as the heating system or the lift system replacement, the placing of the roof, etc...

Z

Zoning regulations (POS): The zoning regulations were revoked and replaced by the Local Urban Plan (PLU).