

State of California

REAL ESTATE BROKER AND SALESMAN BULLETIN

Vol. 1

JANUARY, 1941

No. 2

COMMISSIONER'S MESSAGE

To all licensees of the Division of Real Estate, I wish to extend best wishes for a happy and prosperous new year.

I know that each of you will have the opportunity to be prosperous as every indication points to an active real estate market in 1941. History seems to be repeating itself, and apparently our people will again become conscious of the great benefits of real estate, soundest of investments.



CLARENCE URBAN
STATE REAL ESTATE
COMMISSIONER

It is interesting to note that while there is much discussion about new taxes to support the rearmament and defense programs, there has yet been no serious proposal to directly tax real estate for this purpose. Our Governor Olson, I personally know, is a strong champion of the home owner, and has publicly stated that he is against any new taxes to discourage home ownership.

The millions now being spent in this State through Government programs will largely fall into the hands of the working people of the low and medium income groups. These groups have already demonstrated that they want the pleasures and satisfaction of home ownership. Never before have we had such activity in low income housing construction—and I am convinced that we have but seen the beginning.

The rapid growth of communities of small homes means the construction of many new business buildings. Industries of various kinds follow due to favorable employment conditions. You have seen it happen in the last few months—you will see more of it in 1941.

So I send you the Season's greetings, and with it my hope that you have your share of the opportunities of 1941.

Sincerely yours,

Clarence Urban

REAL ESTATE OUTLOOK HEALTHY

The outlook for a period of great activity in real estate sales is indeed bright. One does not have to be a student of economics to see that the many factors which exist at present make it almost a certainty that one of the most active years in California real estate history lies before us.

Residential building figures, recordings, and other indices are improving each month.

No doubt the one biggest factor in bringing about this period of activity is the huge sums being spent in this State in connection with national defense and British war orders. It is estimated that the total orders for these purposes in California now totals nearly one billion dollars.

Certain cities and localities, of course, will benefit more than others from this increased business, although the increased payrolls will reflect in better business in all sections of the State. It is expected that a large factory being built in one California city will mean an increase in population of nearly thirty thousand people within the next six months, which is equal to the increase for that city for the past ten years. The housing problem there will no doubt be more or less acute and result in a greatly expanded construction program. Other cities receiving large defense orders are already reporting an acute housing condition. Orders on hand for defense equipment will keep many industries busy for a period of years.

REFERENCE BOOK AND GUIDE

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This volume, published by the Division of Real Estate, may be purchased at any office of the Division, or by mail from the Bureau of Documents, State Capitol, Sacramento. It is a fine reference book for real estate offices, as it assembles information regarding the conducting of a real estate business which has never before been available in one volume. Recent legislation is included, together with such subjects as California moratorium acts, Federal estate tax, Bulk Sales Law, Bankruptcy, Unemployment Insurance Act, Retail Sales Tax and Use Tax Acts, etc.

The total price is \$1.55, which includes sales tax.

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STATE OF CALIFORNIA DIVISION OF REAL ESTATE

HONORABLE CULBERT L. OLSON.....GOVERNOR
CLARENCE URBAN.....Real Estate Commissioner
THOMAS H. ARMSTRONG.....Assistant Real Estate Commissioner

MEMBERS OF REAL ESTATE BOARD

GENEVE L. A. SHAEFER.....San Francisco
SYDNEY B. BROWN.....Los Angeles
D. D. WATSON.....Stockton
F. E. DAYTON.....Salinas
GROVER T. RUSSELL.....Whittier
DONALD C. BURNHAM.....San Diego

DEPUTIES IN CHARGE

THOMAS H. ARMSTRONG, Assistant Commissioner.....Sacramento
G. K. NYE.....San Francisco
BRUCE H. MARTIN.....Los Angeles

DIVISION OFFICES

MAIN OFFICE
584 Business and Professions Building.....Sacramento

BRANCH OFFICES

417 Montgomery Street.....San Francisco
601 Union Bank Building.....Los Angeles
517-18 Bank of America Building.....San Diego
505 California Building.....Oakland
411 Mattei Building.....Fresno

Licenses Issued by the Division of Real Estate for the Period July 1, 1940 to December 31, 1940

	Real Estate	Business Opportunity	Cemetery
Broker	16,708	1,791	70
Officer and Member.....	755	92	5
Regular Salesman	13,242	463	321
Provisional or Temporary Salesman	619	---	76
Transfers, Branches, etc.....	4,969	249	25
	36,293	2,595	497

Examination Results for Period July 1, 1940 to December 31, 1940

	Real Estate Brokers	Business Opportunity Brokers	Cemetery Brokers
Passed	532	29	6
Failed	186	---	---
	718	29	6

	Salesmen		Salesmen	Salesmen
	Regular	Provisional	Salesmen	Salesmen
Passed	1,108	567	51	46
Failed	483	16	3	---
	1,591	583	54	46

Subdivisions

A total of 365 subdivision projects were filed with this Division during the six months, July 1, 1940 to December 31, 1940.

EXAMINATION RESULTS

During December, 1940, 107 real estate broker examinations were given and 213 for salesmen. There were 79 successful broker applicants and 149 successful salesman applicants. During the same month, 66 examinations were given for Provisional salesman licenses.

The relatively high percentage of successful examinees is attributed to the fact that most applicants give the necessary subjects considerable study before appearing for the examination. Many of them are availing themselves of various courses in real estate law and practice, being given by realty boards, schools, and individuals.

It appears that there has been considerable discussion lately among persons in the business concerning the type of examinations now being given. While it is generally agreed that the salesman license examination is adequate, some have voiced the opinion that the broker examination should be stiffened materially.

Commissioner Urban believes that the present broker examination covers well all of the subjects outlined in the California Real Estate Act, and persons who are able to pass the test have a fair general knowledge of the information needed to engage in the business. Care must be taken in preparing the examination questions not to make them overly technical. Examinations do not always determine whether or not a person is entirely fitted to engage in the business, as many persons who are able to write an excellent examination can not give this knowledge practical application. Other applicants who are not so well versed in real estate law and practice carefully apply what information they do possess. A licensee who is honest, conscientious and cautious in his relations with his clients and who possesses sufficient knowledge to pass the examinations is apt to afford his clients the best possible representation.

Fortunately, California offers excellent services to real estate brokers which we do not believe are excelled in any other section in the country, particularly our escrow services. An investor is probably safer in the hands of a broker who escrows all of his transactions, than he would be in the hands of a broker who attempts to handle all details of the transaction himself, or who fails or neglects to recognize when the services of an attorney are desirable.

Education along proper lines is necessary in any successful business. The examinations given by this Division have a twofold purpose: first, to enable the Commissioner to ascertain if the applicant has sufficient knowledge, and second, to impart to him information which will be beneficial to him when he engages in the real estate business.

ARMSTRONG HEADS SACRAMENTO OFFICE



THOS. H. ARMSTRONG
ASSISTANT REAL
ESTATE COMMISSIONER

Thomas H. Armstrong, Assistant Real Estate Commissioner, has taken over the direct supervision of the principal office of the Division at Sacramento. The change was announced recently by Commissioner Urban who stated that the move had been made to increase the efficiency of that important office and in the interest of better service to licensees. While the change will throw additional burdens on the Assistant Commissioner, he

states that he is pleased to assume the extra duties, and Mr. Armstrong has already outlined many changes at Sacramento which he believes will speed up service and substantially reduce the cost of clerical operations. This, he states, will permit the Division to devote more energy to checking licensees and keep better check on undesirable practices by the few. A renewed campaign against unlicensed operators is also urged by the Assistant Commissioner.

Commissioner Urban reports that he is delighted with the interest and vigor with which his chief assistant is undertaking the new duties. This is not surprising, for Tom Armstrong has a record as a successful organizer for many years. His success in fraternal organization is nationally known.

Before taking the present office at the request of Commissioner Urban, Tom Armstrong was a successful real estate operator in Sacramento for many years. His firm name was well known throughout Northern California. Tom is perhaps best known for his genial personality, which has gained him a host of friends throughout the State and Nation.

A total of \$7,150.55 in money and property value was returned by brokers during the month of December, as a result of conferences held by the Division with brokers and complainants. It is not the policy of the Division to request its licensees to make refunds; however, many result from the conferences held by the various deputies of the Division. In considering complaints, the Division is of course primarily interested in whether or not any sections of the California Real Estate Act have been violated. Very often when misunderstandings arise between licensees and their clients, an airing of these differences in conference results in the return of money.

RECORDING OF LISTINGS

Commissioner Urban has vigorously continued his campaign to stop the practice of recording listings and filing unjustified claims in escrow for the purpose of collecting commissions. This practice was commented upon in the Division's bulletin of October 1940.

Following the receipt of numerous complaints that unjustified commission claims were filed in escrows, thereby delaying their completion, the Commissioner instructed deputies to take immediate steps to stop the unfair practice, with the result that several licenses have been revoked.

The majority of the complaints lodged with the Division in this connection were against business opportunity brokers. It appears to be the common practice of these brokers to use a listing form which provides that it may be terminated only by notice to the broker in writing. It was found in some instances that brokers filed commission claims against escrows even though written notice of cancellation had been given. In some cases the brokers have offered to withdraw the claim for a fraction of the normal commission and the principals settled rather than delay completion of the sale.

As pointed out in our previous article, this means of enforcing payment of the commission may be justified in some instances, but the Commissioner is determined to stop the practice on the part of those who make a racket of it.

PART TIME BROKERS

From time to time it has been suggested that the California Real Estate Act be amended to provide that licenses be issued only to those individuals who agree to devote their full time and effort to the real estate business, thereby eliminating part-time operators who may be engaged in other lines of business and sell real estate as a sideline. Those who urge the measure are full-time operators who are irked by the competition furnished by part-time operators.

Such an amendment to the act would in all probability be unconstitutional according to one leading California attorney, as under our constitution laws must be general. He further points out that brokers who live in small communities where there is not sufficient business to provide a living for the operator would be obliged to quit the business altogether.

No doubt it would be a very desirable condition if it were practical to limit licenses to full-time operators, but the possibility of this situation coming about is apparently very remote. The idea has had supporters for many years, and probably will gain new ones in the future.

BUILDING COSTS HIGHER

It is estimated that residential building costs in the southern part of the State have had a net increase of approximately 6 per cent. While rough lumber has increased at least 25 per cent in price it is pointed out that this item constitutes only about one-seventh of the total construction cost of the average home and the rather stable prices of other materials brings down the average increase.

It is reported by builders of low cost houses formerly selling for about \$2450, that they are obliged to increase the price from \$200 to \$300 per house because of the increased material prices. Large lumber purchases in connection with the defense program and the current strikes are given as causes for the increased lumber prices.

Increased building material costs no doubt accounted for the temporary decrease in private residential building during November. The number of family units authorized in Los Angeles County for November is reported to be 3,080, which is 1,020 under the October total. The normal seasonal decline also may be responsible for a portion of the decrease.

In closing transactions of purchase or sale, the broker should advise the use of legal counsel when the interest of any party to the transaction appears to require it. In all cases he should exercise care and intelligence in the preparation of documents so that they will embody the full agreement of the parties. Much trouble and expense will be avoided if all verbal understandings between parties are reduced to writing.

If the broker is not fully competent to prepare the written instruments in a particular transaction, the closing of the transaction should be left to legal counsel.

Subdivision activity in the State of Oregon is evidently on the increase, as it is reported that there is a movement on foot to amend the Oregon Real Estate Act to provide for the regulation of subdivision projects. The regulation has been so beneficial in this State, that undoubtedly other states will sooner or later adopt legislation of this kind.

HEARINGS

Everyone is entitled to his day in court, so goes the old saying. The same applies to licensees of the Division of Real Estate against whom complaints are made.

Although hundreds of persons visit the offices of the Division during the year with real estate grievances, those which actually result in formal action to revoke the license of a broker or salesman are relatively few. Nevertheless, each complaint must be carefully weighed, regardless of its apparent merit.

What happens to these complaints? At least half of them are dismissed for lack of jurisdiction. Some broker has failed to pay his grocery bill or alimony, therefore he should be out of the business, we are told. Or he has failed to split a commission, or pay some judgment. These are matters the Division can not handle.

Another large group of complainants are not interested in having licenses revoked, and refuse to cooperate when they learn that the Division will not act as a collection agency. Others drop complaints when the broker or salesman pays off. In some of these cases the Division proceeds on its own motion, although it is difficult to deal with unwilling witnesses.

An average of between two and three formal hearings are held each week, resulting in numerous revocations and suspensions of license during the year. These hearings are held in formal manner, and established rules of evidence are followed. A transcript of each case is taken and carefully read by the Commissioner before he takes action. He must satisfy himself that his decision will be upheld if the matter is taken into court, as is often the case.

While it is generally understood among most licensees that the Real Estate Commissioner is not empowered to make orders in the adjustment of commission disputes, the Division continues to receive many requests for this service. Commission disputes are matters which should be settled in the courts, or adjusted by arbitration. Many real estate boards maintain arbitration committees which have been successful in adjusting such differences among their members, at the same time keeping them on a friendly basis.