



# Real Estate Bulletin

Official Publication of the California Division of Real Estate

RONALD REAGAN, Governor

Spring 1968

BURTON E. SMITH, Commissioner

## LEGISLATIVE REPORT

### State Legislature Considers Real Estate Bills

As this *Bulletin* goes to press, several bills had been introduced in the 1968 session of the State Legislature at the instance of the Real Estate Commissioner. These "departmental" bills are summarized below.

● **SB 253 (Stiern)**—This bill is designed to raise real estate broker license qualification standards. It provides that on and after January 2, 1970, an original real estate broker license will be issued to a person only if he has completed college-level courses in real estate practice and legal aspects of real estate; at the same time the applicant will face special tests in real estate appraisal and real estate finance if he has not completed courses in these subjects. After January 1, 1972, completion of all four courses named above would be mandatory for the applicant for real estate broker license.

**Note:** These prerequisites would only apply to new broker licenses, not to renewal of existing licenses.

● **SB 307 (Sherman)**—Would eliminate the licensing of partnerships, as such; retaining requirement that all members of a partnership performing activities calling for a license must be licensed.

● **SB 386 (Sherman)**—Would raise fees for services provided in the administration of the Subdivided Lands Act.

● **SB 420 (Sherman)**—Would make three changes in license law:

(a) Licensees would be responsible for keeping track of changes in employment and location. Specifically, a licensee would still apprise the DRE of any change, sending the appropriate fee, but a new license would not be issued. The licensee would strike out the changed feature on his license

### SPECIAL FEATURE ON EDUCATION AND RESEARCH

Many licensees, surveys reveal, know little or nothing of the real estate education and research program which a portion of their license fees has gone to support. Are you one of them?

For you and for all licensees this issue of the *Bulletin* has an added inside four pages devoted to articles on educational opportunities for licensees and on research reports. The special section is carried at the direction of the commissioner, who urges that the industry's professional growth be speeded by increased interest and participation on the part of licensees in real estate education.

Some whose vocation is real estate realize that experience alone is not always enough to allow them to cope successfully with conditions in a highly competitive market and render the best possible service to clients and customers. The increasingly complex nature of real estate relationships requires more understanding of business conditions, engineering, architecture, construction, planning, taxation, and trends in the economy. The real estate courses available give the opportunity to gain necessary knowledge and perspective.

and write in that necessary to reflect the change (name of new employing broker, for example). This is similar  
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### Changes in Commissioner's Regulations Announced

Several changes in the Regulations of the Real Estate Commissioner have been adopted, becoming officially effective on March 31, 1968. The changes are summarized below, but any reader who wants the exact wording of the regulations as adopted need only write to the DRE Sacramento office and request a printed copy.

**Section 2705(j)**—Amended to make it specific that those subdivisions falling within the purview of Section 11004.5 of B&P Code (planned developments, condominium, community apartments, and stock cooperatives) are included in the general definition of subdivisions.

**Section 2711**—Amended to eliminate the requirement that license applicants be fingerprinted by DRE personnel. (Fingerprints must still be on file prior to issuance of license.)

**Section 2713**—Amended to discontinue commissioner's authority to refuse issuance of a license to an individual whose name is the same as some other person whose license has been

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### Your ZIP Code Number, Please!

Since postal authorities devised the ZIP code system to speed up mail deliveries, the DRE has cooperated by providing space for ZIP code numbers on many official forms. Unfortunately, too many of these forms are returned by licensees with this one item of information missing. Why?

To insure you better service and to help the licensing section cut the expense of extra correspondence, please put your ZIP code numbers on communications and forms of any kind directed to the DRE.

**REAL ESTATE BULLETIN**

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**DIVISION OF REAL ESTATE**

STATE OF CALIFORNIA  
RONALD REAGAN, Governor

BURTON E. SMITH  
Real Estate Commissioner

JOHN E. HEMPEL  
Chief Assistant Commissioner

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**DESIST AND REFRAIN ORDERS**

Issued for the Period Between December  
1, 1967, and March 31, 1968

Number of orders	Violations
6	IN-STATE Sale of real property securities without permit . . . and/or failure to comply with all applicable statutes and regulations.
9	Failure to comply with California subdivision requirements.
3	OUT-OF-STATE Failure to provide for subdivision public report, promised recreation facilities, proper permit or otherwise meet requirements of subdivision law.

**Disciplinary Action—December 1967—February 1968**

NOTE: A list of actions is not published in this Bulletin until the 30-day period allowed for court appeal has expired; or if an appeal is taken, until a final determination of the court action. Names of persons whose licenses are denied upon application are not published.

REB—Real estate broker  
RREB—Restricted real estate broker

RES—Real estate salesman  
RRES—Restricted real estate salesman

**Licenses Revoked During December 1967—February 1968**

Name	Address	Effective date	Violation R.E. Law/Regulations
Dye, Crete Patton (REB).....	3607 W. Magnolia Blvd., Burbank.	2/14/67*	10142, 10176(a), (i), 10177(d) (f) (j), 10177.5
(Right to RREB license on terms and conditions)			
Baylis, Robert Francis (RES).....	2732 Foreman Ave., Long Beach...	12/ 5/67	10177(b) (f)
Serra, Samuel Marc (RES).....	1940 Wallace Ave., Costa Mesa....	12/ 5/67	10177(b) (f)
Anthony, Robert (REB).....	P.O. Box 261, Vernal, Utah.....	12/ 6/67	10176(i), 10177(f) (j)
dba California Mtg. Co.			
Benassini, Robert Charles (RES) ..	6050 Fulton St., San Francisco....	12/ 7/67	10176(a) (g) (i), 10177(f) (j)
Gorman, John Wesley (REB).....	711 J St., Sacramento.....	12/ 7/67	10177(b)
(Right to restricted license on terms and conditions)			
Moudakas, James (RES).....	16592 Alliance Ave., Tustin.....	12/ 7/67	10176(a) (g) (i), 10177(f) (j)
McGuffin, Lyman Earl (REB).....	735 San Mateo Ave., San Bruno ..	12/ 8/67	10145, 10176(e) (i), 10177(d) (f)
dba McGuffin Realty Co.			
Griner, Lonnie Anthony (REB)....	13510 Van Nuys Blvd., Pacoima..	12/18/67	10145, 10176(i), 10177(d) (f) (j)
Griner Investment Co. (REC).....			
dba Jem Realty Co., Lonnie Anthony Griner, Pres. (REO)			
Griner Investment Co. (REC).....	144 S. Beverly Dr., Beverly Hills		
dba Land Investment Co., Lonnie Anthony Griner, Pres. (REO)			
Pope, Donald Delbert (RES).....	651 S. Winchester Blvd., San Jose.	12/21/67	10177 (a) (f)
(Right to restricted license on terms and conditions)			
Haskell, Jack (REB).....	178 N. Crescent Dr., Beverly Hills.	12/26/67	10177(d) (f) (j)
Pres., Hawaiian Land & Trading Co., Inc. (REO), Pres., Steven Parke Inv., Inc. (REO)			
Haskell, Jack Land Inv., Inc. (REC)			
Jack Haskell, Pres. (REO)			
Satterfield, Albert Emory (RES)...	11442 Woodbury Rd., Garden Grove	12/28/67	10177(b) (f)
Silvey, James Meredith (REB)....	10568 Magnolia Ave., Anaheim ...	12/28/67	10141, 10145, 10160, 10162, 10164, 10176(e) (i), 10177(d) (f) (j); 2950(f) (g) (i)
Silvey, James Meredith (RES)....	8172 Hynes Rd., Anaheim		
Marotta, Nick, Jr. (REB).....	2250 Fremont, Monterey.....	12/29/67	10176(a) (g) (i), 10177(f) (j)
(RES).....	23 Cielo Vista Dr., Monterey		
(Right to restricted licenses on conditions)			
Nurre, Henry Joseph (RES).....	1214 35th Ave., San Francisco....	1/ 2/68	10130, 10145, 10176(e) (i), 10177(d) (f); 2382
Ayers, Monna Sue (REB).....	3001 Arden Way, Sacramento.....	1/ 4/68	10177(b) (f)
dba Minute Home Rental Service (Right to RREB license on conditions)			
Castellanos, Miguel Angel (REB)...	1832 Fell St., San Francisco.....	1/ 9/68	10176(a) (b) (i), 10177(f) (j)
(RES).....	1330 Funston Ave., San Francisco		
Peterson, Donald Lloyd (REB).....	3341 Pine Ave., Long Beach.....	1/ 9/68	10176(i), 10177(d) (f) (j)
Vaughn, Joseph Harmon (REB).....	3944 Penniman Ave., Oakland.....	1/ 9/68	10177(b) (f)
(RES) (Right to RREB license on conditions)			
Guterac, Virginia (REB).....	5862 Whittier Blvd., Los Angeles...	1/11/68	10176(a) (i), 10177(f) (j)
dba Virginia's Realty (Right to RREB license on conditions)			
Collins, Janet Elaine (REB).....	219 E. Ralston, San Bernardino...	1/17/68	10177(d) (f) (g) (h)
Pres., Hallcrest Mtg. and Inv. Co. (REO)			
Putney, Kenneth Webb (RES).....	1190 Lodi St., Tahoe Valley.....	1/17/68	10177(b) (f)
Richards, Willis Baldwin (REB).....	5430 Van Nuys Blvd., Van Nuys...	1/19/68	10177.5
Rollins, William Richard (REB)....	1854 Story Rd., San Jose.....	1/29/68	10148, 10162, 10164, 10177(d)
dba Square Deal Realty			
Waters, Robert Garvin (REB).....	46 Cassandra Ct., San Francisco ..	1/30/68	10145, 10176(e) (i), 10177(d) (f)
Erickson, Robert Lyle (RES).....	40 N. 2nd St., San Jose.....	2/ 8/68	10177(a) (f)
(Right to RRES license on terms and conditions)			
Lang, Charles Louis (REB).....	1195 Brace Ave. (L), San Jose.....	2/ 8/68	10176(a) (i), 10177(f) (j)
dba The Hub Real Estate (Right to RREB license on terms and conditions)			
VanKrugel, Helen Anne (RRES).....	1616 4th St., Santa Rosa.....	2/ 8/68	10177(k)
Wieneke, Conrad James (RREB).....	825 College Ave., Santa Rosa.....	2/ 8/68	10177(k)
(RREO) Pres., Frontier Mortgage Corp., V. Pres., Collegeside Realty, Inc.			
Algeo, Eldon Stewart (REB).....	5033 Fair Oaks Blvd., Carmichael.	2/10/68	10177(f) (j)
Norleng, Garfield Arthur (RES).....	21910 Hwy. 18, Apple Valley.....	2/13/68	10177(b) (f)
Rhodes, Evelyn (REB).....	333 E. 17th St., Costa Mesa.....	2/13/68	10177(b) (f)
(Right to RREB license on conditions)			
Spivack, Lee B. (RES).....	1731 Stone Pine Ln., Menlo Park.	2/15/68	10137, 10176(a) (b) (c) (i), 10177(f) (j)
(Right to RRES license on terms and conditions)			
Krysiak, John Stanley (RES).....	3424 Ashton Ct., Palo Alto.....	2/20/68	10177(a) (f)
(Right to RRES license on terms and conditions)			
Lightfoot, Shannon Clanton (REB)...	14421 Big Basin Way, Saratoga...	2/20/68	10145, 10176(e) (i), 10177(d) (f); 2830, 2831, 2831.1, 2832
dba Lightfoot Realty (Right to RREB license on terms and conditions)			
Tracey, Alfred Dale (REB).....	843 Hanover Ave., Sunnyvale....	2/20/68	10145, 10176(e) (i), 10177(d) (f)
dba Traco Mortgage Co. (Right to RRES license on terms and conditions)			
Brasuel, Noble William (RES).....	651 S. Winchester Blvd., San Jose.	2/21/68	10177(a) (f)
(Right to RRES license on terms and conditions)			

**COMMISSIONER SUSPENDS LICENSE WHEN BROKER FAILS TO PAY COMMISSIONS**

Usually the DRE takes the position that commission disputes are not within its jurisdiction unless a broker willfully and dishonestly fails to pay his salesmen commissions due them.

After a recent formal hearing on this issue, a broker's license was suspended for 90 days with the last 60 days stayed for two years. The deci-

sion was based upon the broker's failure to pay his salesmen their earned commissions or to keep their share of commissions in trust, in accordance with an agreement with them. He ignored the demands for payment, and did not settle until the salesmen requested complaints with the Labor Commissioner and the DRE.

## Licenses Suspended During December 1967—February 1968

Name	Address	Effective date	Violation R.E. Law/Regulations
Shaherty, Urban Aloysius (REB) ..	7542 Topanga Canyon, Canoga Park	12/ 5/67 30 days	10177(d) (f) (g); 2830, 2832.1
O'Dowd, Car Joseph (REB) .....	13428 Osborne St., Arleta .....	12/ 5/67 15 days	10177(b) (f)
Rainey, Max Harvey (REB) .....	1760 W. Century Blvd., Los Angeles	12/ 5/67 60 days	10176(e) (i), 10177(d) (f) (j)
Carvalho, Claude Charles (RES)...	470 Warren Dr., San Francisco...	12/ 7/67	10177(b)
Celle, Victor (REB) .....	1501 Woodside Rd., Redwood City ..	12/ 7/67 60 days	10176(a) (g) (i), 10177(f) (j)
Krysiak, John Stanley (RES) .....	1621 El Camino Real, Mountain View	12/ 8/67	10177.1
Delaney, John Joseph (RES) .....	4203 MacArthur Blvd., Oakland ..	Indefinitely 12/21/67	10177(f) (g)
(Last 80 days stayed for period 2 years on conditions)			
Page, Olive M (REB) .....	391 Front St., Crescent City .....	12/21/67 10 days	10145, 10176(e), 10177(d) (f); 2830, 2832
Waldman, William Henry (REB) ..	1823 E. 17th St., Santa Ana .....	12/21/67 3 years	10160, 10162, 10165
(After 30 days from effective date of decision, remainder or any portion thereof, may be stayed on conditions)			
Sears-Porter Realty Co. (REC) .....	353 E. 2nd St., Chico .....	12/22/67 180 days	10145, 10176(e), 10177(d) (f)
Justin Thomas Smith, Pres. (REO)			
(Last 170 days stayed for period 3 years on terms and conditions)			
Hutchinson, Edna May (REB) .....	204 N. Rossmore Ave., Los Angeles	12/28/67 2 years	10160, 10162, 10164, 10165, 10177(f)
dba Bruin-Rude Realty			
(After 30 days from effective date of decision, remainder or any portion thereof, may be stayed on conditions)			
Holmwood, Harlan David (RES) ..	108 N. Topanga Canyon Blvd., Topanga	1/ 9/68	10177(f) (j)
Algeo, Eldon Stewart (REB) .....	5033 Fair Oaks Blvd., Carmichael ..	1/26/68 15 days	10162, 10177(d)
Herzog, Don Gary (REB) .....	1801 Harrison St., Oakland .....	1/27/68 120 days	10177(f)
(Stayed for 3 years on conditions)			
Kaiser, Marceline M. (RES) .....	521 Calvados Ave., Sacramento ..	1/30/68 60 days	10177(b) (f)
Barnett, Joseph Phillipson (RREB) ..	550 S. Vermont, Los Angeles .....	1/31/68	10156.7
dba Mortgage Co. of America			
Altamirano, Mario (RES) .....	4941 S. Durfee Ave., Pico Rivera ..	Indefinitely 2/ 2/68	10177.1
Delgadillo, Sergio (REB) .....	3310 W. Beverly Blvd., Montebello ..	Indefinitely 2/ 6/68	10176(a) (i), 10177(d) (g) (j); 2900,
(Last 90 days stayed for 3 years on conditions)			2901, 2902
D'Orazi, Victor William (RREB) ..	340 Kearny St., San Francisco .....	120 days 2/ 8/68	10156.7
dba D'Orazi Investment Co.			
Walker, Priscilla May (RES) .....	15840 Ventura Blvd., Encino .....	Indefinitely 2/15/68	10176(a), 10177(g)
(Last 20 days stayed for 1 year on conditions)			
Fancelli, Margie (RES) .....	1855 MacArthur Blvd., Oakland ..	30 days 2/20/68	10137, 10177(f)
(Last 10 days permanently stayed)			
Bourdon, Eugene Joseph (REB) .....	1318 N. Martel Ave., Unit No. 2, Los Angeles	15 days 2/26/68	10160, 10162, 10164, 10165, 10177(f)
dba Golden Key Realty			
(After 30 days from effective date of decision remainder of any portion thereof, may be stayed on conditions)		6 months	

## Licenses Revoked During December 1967—February 1968—Continued

Name	Address	Effective date	Violation R.E. Law/Regulations
Grimes, Leslie Ernest, Jr. (REB) ..	3844 Geary Blvd., San Francisco ..	2/21/68	10145, 10176(e) (i), 10177(d) (f)
(Right to RREB license on terms and conditions)			
Wallis, Raymond Paul (REB) .....	5027 Russell Dr., Paradise .....	2/21/68	10176(a) (g) (i), 10177(f)
Tripp, James Humphreys (RES) .....	319 Miller Ave., Mill Valley .....	2/23/68	10177(b) (f)
(Right to RES license on terms and conditions)			
Cornelius, Gilbert S. (REB) .....	73-825 Larrea, Palm Desert .....	2/29/68	10177(b) (f)
dba Palm Desert Realty (Stayed for 2 years on conditions)			
Gulley, Woodie Frank (REB) .....	No. 2, Bell Ct., Palo Alto .....	2/29/68	10177(b)
dba Esquire Realty of Sacramento (Right to RREB license on terms and conditions)			
Kristiansen, Haakon (RES) .....	17293 Palm St., Fountain Valley ..	2/29/68	10177(b) (f)
Sadler, James Charles, Jr. (RES) ..	1488 Solano Ave., Berkeley .....	2/29/68	10177(b) (f)
Western Republic Inc. (REC) .....	406 Wilshire Blvd., Santa Monica ..	2/29/68	10176(i), 10177(d) (f) (j), 10130

\* Not previously published.

## SUBDIVIDERS MUST IMPOUND MONEY FOR "EXTRAS"

DRE auditors find that many subdividers fail to impound moneys collected from purchasers for "extras" such as a fireplace, special cabinetwork and so on.

When a subdivider contracts separately with a purchaser to provide for an "extra" which is not standard in the homes in the tract being offered for sale, its cost is considered a portion of the purchase price. The additional money must be impounded under Section 11013.2 or 11013.4 (B & P Code), and it may not be dis-

bursed until the parties have met the conditions in these sections.

The subdivider, however, may include a clause in the agreement which provides for a portion of the funds to be paid to the subdivider as damages in the event the purchaser defaults.

When there is a preliminary report, all funds including extras must be impounded with a provision for full refund without deduction if the buyer should elect not to proceed with the purchase.

## State Unemployment and Disability Insurance Available to Licensees

Licensed real estate brokers and salesmen paid solely by commission are not included in the required coverage provisions of the Unemployment Insurance Code. An employing broker, however, engaging real estate brokers and salesmen whose services are exempt under the code, may elect to cover them for both unemployment and disability insurance, providing an employer-employee relationship in fact exists.

Self-employed real estate brokers may also elect coverage of their own services for disability insurance only. Furthermore, individual proprietors or partners who are "employers" may elect coverage of their own services for both unemployment and disability insurance or for disability insurance only.

The employing broker is taxed up to 3.5 percent of his payroll up to \$3,800 per individual in a calendar year for unemployment insurance. He also withholds 1 percent of wages up to \$7,400 per individual in a calendar year for disability insurance, and is liable for the deductions and payment of the employee's 1 percent.

When a self-employed broker elects to cover his services under the disability insurance provisions of the code, deductions at the rate of 1.25 percent are required on the taxable wage limitation for the calendar year (\$7,400).

If sole owners or partners have elected unemployment and disability insurance coverage, unemployment insurance contributions are due on the first \$3,800 in wages reported for each covered individual at the regular employer contribution rate. Disability insurance deductions are due on the first \$7,400 in wages reported for each such individual at the rate of 1.25 percent instead of the 1-percent rate that applies to employees.

Full information concerning these elective coverages can be obtained from any state unemployment insurance office.

## **More About Finders**

### **ACTING AS "MIDDLEMAN" IS RISKY**

In the *Real Estate Bulletin* of October 1966, an article cited a decision of the appellate court (*Porter v. Cirod, Inc.*, 242 A.C.A. 892), in which it was held that an agreement to pay a finder's fee upon the sale of real property was valid even though the finder was not a licensed real estate broker or salesman.

The article brought many inquiries to the DRE regarding the matter of "finders" and "finder's fees." It therefore seems advisable to discuss the question further, and to urge that much caution be exercised in any real property transaction in which an attempt is made to secure a fee as a "finder," not requiring a license, rather than as a licensed broker or salesman.

#### **Cases Cited**

For example, in the case of *Rench v. Harris* (1947) 79 CA 2d 125, the court held that a person may act for paid or anticipated compensation in a single transaction only, and still be acting in a capacity requiring a license. In that case, the nonlicensee was careful enough to have the prospective seller sign a paper appointing him as a "finder," but that did not determine whether he did in fact act only as a finder, in which capacity he would not require a real estate broker license, or whether his actions were those of a broker for which a license would be required.

The cases are clear that a person acts as a mere "middleman" or "finder" when his entire activity in the transaction is limited to arranging an introduction between an owner of real property and a prospective purchaser. (*McConnell v. Cowan* (1955) 44 C. 2d 805; *Spielberg v. Granz* (1960) 185 CA 2d 283). Any activity beyond this point, however slight, may result in the intermediary being classified as an agent. Thus, where the intermediary participated in the actual negotiations for the purchase and sale of the property, he could no longer be classified as a mere middleman.

On October 25, 1965, the case of *Evans v. Riverside International Raceway* (237 CA 2d 666) held: "A person is not a broker . . . where he merely brings a buyer and seller together so that they may make their own contract without aid from him, but any

#### **FRESNO D.O. DISCONTINUES PROCESSING SUBDIVISIONS**

The Fresno district office discontinued processing subdivision filings on April 1, 1968. Subdividers whose properties are located in Inyo, Mono, Mariposa, Merced, Madera, Fresno, Tulare, Stanislaus, San Luis Obispo, Kings, and Kern (west of the Tehachapis) Counties now will file with Subdivision Section, Central Regulatory Area, P.O. Box 2407, Sacramento 95811.

This change does not preclude subdividers and licensees from consulting with DRE deputies in Fresno on subdivision matters.

participation, however slight, in the negotiations will bring him within the definition." (Emphasis added.)

#### **Finder Defined**

A more precise designation for a finder, said the court, would appear to be an "intermediary" or a "middleman." A finder, the case continues, is one who finds, interests, introduces, and brings the parties together for the deal which they themselves negotiate and consummate. It is the duty of a broker to bring the parties to an agreement on his employer's terms. **The case holds that the distinction between a finder and a broker lies in the finder's bringing the parties together with no involvement on his part in negotiating the price or any of the other terms of the transaction.**

Thus, it is evident that whether one is a "finder" or a "broker" can only be determined by an analysis of the facts in each individual case. It might be noted that the middleman status is further complicated by an amendment to Section 1624 of the Civil Code of the Statute of Frauds which would require the "finder" to have a written memorandum of intention of parties to pay him for his introduction service.

## **Commissioner Urges Licensees To Review Pest Control Act**

Under Section 8614 of the Structural Pest Control Act any person may request from the Structural Pest Control Board, upon payment of a fee, certified copies of inspection reports and completion notices filed during the preceding two years by any structural pest control operator.

When a real estate broker is involved in a transaction for which a license is required and any party to the transaction makes a request for a "wood-destroying organism inspection of the property," Section 8616 provides that the broker must give written notice to each party of the provisions of Section 8614 and receive acknowledgment of that notice.

Section 10177(I) of the B & P Code provides that the commissioner may suspend or revoke the license of any real estate licensee who has violated Section 8616. These laws have been on the books since 1964, and all real estate licensees are expected to be conversant with them.

**Disciplinary action could result if a broker failed to notify his principals about their right to obtain earlier termite reports.**

## **Do Not Rely on Oral Contracts**

The *Jaffe v. Albertson* decision (243 C.A. 2d 592) reaffirms that an agreement authorizing or employing an agent or broker to sell or lease real property has no standing in law unless some note or memorandum thereof is in writing and signed by the party to be charged.

The decision reads in part: ". . . A real estate broker, being licensed as such only after he has demonstrated a knowledge of laws relating to real estate transactions, requires less protection against pitfalls encountered in transactions regulated by those laws, and he must show clear compliance with Civil Code Section 1624, subdivisions 4, 5, and Code of Civil Procedure Section 1973, subdivisions 4, 5, providing that an agreement for a commission, to be valid, must be in writing and subscribed to by the party to be charged or by his agent . . ."

## SOME LICENSE EXAMINATION ITEMS

Over the years, the real estate license examinations have changed materially, always with the intent that they be improved as a measure of the knowledge needed to render the services the public is entitled to expect from a licensee. As a matter of record, it is interesting to note that prior to August 14, 1929, the applicant for real estate broker or salesman license was not required to take an examination at all; for some years thereafter the examination failure rate did not exceed 3 or 4 percent.

Still the subject of examinations seems to be of interest to licensees, no matter how long they have been in the business. And it is readily understandable that examinations should be of very considerable moment to those who are facing the prospect of a test to qualify for license—be it broker or salesman. Taking into account this interest, a few typical license examination items or questions, borrowed from the DRE's "Item Bank," will be published from time to time in the *Bulletin*.

To start with, the following questions or items were selected at random from different subject areas. Answers are furnished on page 839, should you want to see how you fare with them.

1. *The broker who most likely has earned a commission is the one who has:*

- (a) communicated acceptance by seller to buyer
- (b) communicated offer to seller
- (c) secured acceptance to an offer
- (d) secured a substantial deposit with an offer.

2. *The Subdivision Map Act requires:*

- (a) delivery of a copy of the Real Estate Commissioner's public report to all prospective purchasers
- (b) a subdivider to prepare a tentative map and file it with the city or county
- (c) insertion of release clauses in all blanket mortgages covering subdivision property
- (d) submission of proposed sales contracts for subdivision lots to the local governing agency for approval.

3. *Which of the following is an example of functional obsolescence?*

- (a) Rotten mud sill
- (b) Massive cornices in an apartment building
- (c) Decline of the neighborhood.
- (d) Adverse zoning across the street from subject property.

4. *The interest rate for a "conven-*

*tional" loan secured by a first trust deed is usually:*

- (a) the same as for an FHA loan
- (b) more than an FHA loan
- (c) the same no matter what the source of the funds
- (d) the maximum rate allowed by law.

5. *The California "standard form" policy of title insurance on real property insures against loss occasioned by:*

- (a) a forgery in the chain of recorded title
- (b) liens or encumbrances not disclosed by official records
- (c) rights of parties in possession of the property
- (d) actions of governmental agencies regulating the use or occupancy of the property.

## COURT DENIES ATTORNEY'S CLAIM TO COMMISSION SPLIT

The decision in a recent California case, *Provisor v. Haas Realty, Inc.* (256 ACA 961), hinged on the terms of Section 10137 of the Real Estate Law which provides: "It is unlawful for any licensed real estate broker to employ or compensate, directly or indirectly, any person . . . who is not a licensed real estate broker, or a real estate salesman . . ." The claim of the plaintiff, an attorney seeking compensation for his part in a real estate transaction, was denied by the court because the claimant was not licensed as a real estate broker.

The attorney had been brought in by the purchaser and participated in the negotiations. In this role, he imposed a condition on the broker—an agreement to split the resulting commission. In two separate memorandums, the broker consented to do so. As the escrow was opened, the attorney was asked for his real estate license number. He could not show he was licensed; thereupon the broker, acting on the advice of his own attorney, refused to relinquish any portion of the commission.

The court held the memoranda agreements were unlawful and sus-

## License Suspended; Buyers Not Fully Informed

A salesman's failure to exercise professional and legal self-discipline not only resulted in suspension of her license but involved her clients in an unsuccessful suit for specific performance.

Prior to making an offer to purchase the property in question, the buyers, while viewing its backyard, asked the salesman: "What's going in behind this property?" They alluded to vacant land extending from the rear fence of the premises to a natural boundary line—a distance of approximately 1,500 feet. She told them the property belonged to the developer who had subdivided the tract and that he intended to build additional residences on it. **However, she failed to mention that the state had adopted a freeway route which would occupy a 600-foot-wide portion of the 1,500-foot strip.**

An offer was made and accepted by the sellers. Although the buyers shortly became aware of the proposed freeway, they moved into the home, but subsequently refused to complete the purchase, citing the imminent freeway construction as their reason.

The sellers filed suit for specific performance. Finding in favor of the buyers, the court found that a fraud had been committed on behalf of the sellers and the suit was denied.

As for the licensee—to quote from the hearing officer's findings, ". . . failure to fully inform the buyers of the extent of planned future use of the property behind the . . . premises after stating her knowledge of the . . . development plans, constitutes making a substantial misrepresentation within the meaning of Section 10176(a) of the Business and Professions Code and cause for suspension of her license."

tained the broker's position that the payment to the attorney would be illegal under Section 10137. The reason: the attorney did not come within the exemption provision of Section 10133, in that the claimed compensation was not solely for services rendered in his capacity as a lawyer.

# CALIFORNIA REAL ESTATE EDUCATION

## The Junior College Story

### JC REAL ESTATE EDUCATION BLANKETS THE STATE

The name for the junior college story in California is "Miracle," say admiring educators throughout the nation as they attempt to emulate its success. Due largely to the cooperative efforts of organized real estate and college administrators, encouraged and coordinated by the DRE's education and publications personnel, the success of the JC real estate education program has been just as miraculous.

There are now 80 functioning junior colleges in the state, 76 of which offer one or more of the six approved California real estate certificate program courses: real estate principles, practice, legal aspects, finance, appraisal and economics.

Of these 76 schools, 67 offer both a 24-unit certificate curriculum and a 60-plus-unit AA degree program; the former including, in addition to the six listed courses, such optional specialized subjects as exchanges and taxation, tax aspects of real estate, real property management, residential structure and design, commercial and investment properties, etc.; the latter covering a much broader educational spectrum.

The dramatic impact of the junior college's exceptional—and still growing—contribution to higher professional standards for real estate practice in California, can probably best be measured by the following statistics.

In 1963, the first year of the certificate program, total enrollment in JC real estate certificate courses was 16,719.

Total state enrollment in all real estate courses offered by JC's from 1963 through the 1966-67 school year was 129,133.

During 1966-67, 21,896 licensees, prelicensees and professionals in businesses closely related to real estate took advantage of this remarkable educational opportunity.

During the fall semester of the 1967-68 school year, when the real estate business was still contending with a depressed market situation, 11,188 students were climbing this ladder of knowledge. Moreover, 1,064 persevering students had received the real estate certificate; 199 had earned the AA degree in real estate, and most

#### *U.S.C. Report*

The research study, "Opportunities for Real Estate Research," by Professor A. Coskun Samli, University of Southern California, is now available from the DRE, P.O. Box 2407, Sacramento 95811, at \$1.58 per copy. This report delves into the general topics of the effectiveness of the overall research program in the Los Angeles area, its strengths and weaknesses and the possible future avenues of research.

of these are now making their achievement apparent through the quality of their professional service.

This burgeoning of educational opportunity has been no accidental happening. It has been planned and worked for by a DRE coordinator, working with the statewide Junior College Real Estate Education Advisory Committee, and by campus-based advisory committees made up of leaders in real estate and related businesses who provide a bridge of understanding between practitioners, community and colleges.

In addition, the DRE instructional aids for each of the basic courses, together with its standard publications and a good many supplemental materials and services, have served as a continuing stimulus to growth and improvement. Of particular significance is the achievement of uniformity of course content, title, description and quality of instruction throughout the state.

All this leads to the same healthy conclusion: **Whenever public institu-**

### Returns on Large-Scale Community Development

In an article entitled "Large-Scale Community Development," by Professor Paul F. Wendt, appearing in *The Journal of Finance*, he indicates that such development in California is influenced by two major characteristics of the developer, i.e., possession of larger equity capital and acceptance of a generally longer time horizon of investment.

Land development investment analysis requires estimation of cash flow for each year until the project is completed, calculated on a yearly basis.

The article presents a rate of return model which can be adapted to cash flows from any large-scale investment in land development. Professor Wendt presents a brief historical review of the origins and development of a programmed computer model written at the Center for Real Estate and Urban Economics, University of California, Berkeley. The prototype project was a tract of approximately 4,500 acres of unimproved land in reasonable proximity to areas of expanding employment opportunities. Development of the property is traced from the acquisition of title.

Output from the computer program for a 12-year period on the prototype development indicates a **projected target rate of return only slightly above 6 percent. Rate of return on the entire development, assuming sales continue at the present scale, would rise to almost 20 percent.**

Free reprints of this article are available at the Center for Real Estate and Urban Economics, 260 Stephens Memorial Hall, University of California, Berkeley 94720. Ask for Reprint No. 46.

tions of higher education, the DRE, and organized licensees put their shoulders to the same wheel, the inevitable result is progress. This explains in simple terms why the progress of JC real estate education in California has more than kept pace with the miracle of the junior college story.

# ATION AND RESEARCH PROGRAM

## Selection Process for Real Estate Research Topics

Much has been said about the comparatively limited dissemination of research reports and findings resulting from studies financed by appropriations from the Real Estate Education, Research and Recovery Fund administered by the commissioner. Program administrators have learned that California's practitioners know very little about how topics for research are conceived and selected for funding. This article is intended to explain the process.

Each state college participating in the real estate research program has an advisory committee composed primarily of real estate practitioners, although related industries are also represented. Meetings with researchers and appropriate college administrators provide the environment for discussion of research issues, needs, and alternatives, as well as the interests and capabilities of available faculty members. This is a creative function and, hence, one of the most critical and difficult phases of the whole process. As a supplemental means of generating meaningful research topics, machinery was recently established within the DREA to encourage critical thinking about current issues, to facilitate the movement of ideas from local boards through association administrators and on to DRE research coordinators and their advisory committees. This gives an opportunity to evaluate all ideas and assign priorities according to greatest need and prospective benefit. Suggestions emanating directly from industry are circulated to the colleges and the University of California.

Once an idea (topic) for research is conceived, a proposal for studying and reporting on it is prepared by an interested researcher. The proposal usually includes objectives, methodology, researcher's capability, a preliminary bibliography, and a budget. Participating schools normally are expected to submit proposals to the DRE about 14 months in advance of starting time. The State College Real Estate Screening and Advisory Committee reviews the proposals, hears explanations by the authors, and makes tentative allocations—recommending revisions or redirection of emphasis as deemed necessary. In

(Continued Col. 1, Page 838)

### Real Estate

#### Correspondence

Courses—1968

- Fundamentals of Land Titles
- Principles of Real Estate Law
- Real Estate Administration and Practice
- Real Estate Economics
- Real Estate Finance
- Principles of Residential Appraisal
- Tax Planning for Real Estate Transactions

For a catalog of courses write:

Department of Correspondence Instruction,  
University of California  
Extension  
Berkeley 94720

## WORKSHOPS ASSURE INSTRUCTIONAL EXCELLENCE

Addressing itself to the thesis that, more than any other factor, the caliber of the instructor determines the quality of a course of study, the DRE has sponsored, over the past seven years, a series of 24 credential qualifying workshops for junior college real estate instructors. At the close of the 1966-67 fiscal year, 661 teachers had sharpened their mastery of subject matter and classroom instructional skills at one or more of these projects.

Currently, 43 instructors are profiting from a 60-hour curriculum seminar and methodology workshop being offered by the University of California under contract with the DRE, and an additional seminar is planned at the Berkeley campus for June 23-29.

This continuing program of education for instructional excellence highlights the year after year effort of

(Continued, Col. 2, Page 839)

## San Jose State Reports On Mobile Homes

*The Characteristics, Economic Resources and Housing Preferences of Mobile Home Occupants in Santa Clara County* is the title of a report prepared out of a study by Drs. P. S. Wang and R. W. Travis at San Jose State College.

Discussing mobilehome parks, the authors noted a similarity in the county and national trends—"newer parks are physically larger and more luxurious than their predecessors; density per acre has decreased; rather strong restrictions on admission are practiced; and the transient is to be tolerated only until the park is full. Older parks are still competitive, primarily because of a lack of sufficient new parks . . . Most political units tend to view mobilehomes as a form of second-class housing and relegate the parks . . . to marginal locations."

Concerning mobilehome occupants, the authors found them no different from the average occupant of standard housing. Certainly they're no longer the "wandering gypsies" of yesteryear who followed seasonal shifts in employment. Apparently, Santa Clara County has a larger number of older families and fewer younger families living in parks than the nation as a whole—attributable in part to the mild local climate. "The small number of children under 18 years of age makes the frequently heard objection that mobilehome parks tend to overcrowd schools rather meaningless," said the authors.

In regard to housing preferences of mobilehome occupants, the authors concluded the trailer dwellers "are quite happy with this form of housing and intend to continue with it. In fact, a whole new sales and rental housing market appears to be developing outside of the traditional framework of the real estate market to accommodate this demand." The reader's attention is invited to the growing interest of financial institutions in the area of mobilehome financing as evidence of the acceptance of mobile housing.

## PROFESSIONALIZATION THROUGH EDUCATION

By Karl F. Venter and Deborah Shumpert

A recognizable and vitally important concept has been evolving relating directly to the education and activities of the real estate broker, attributing to him a higher degree of knowledgeability, judgment and skill. It is now a generally recognized tenet of business economics that the broker making recommendations within the prescribed scope of his legal and ethical responsibilities, must be equipped to understand, interpret, and implement the language of various professions, including law, architecture, tax accounting, appraising, finance, and others. In a lifetime, the broker cannot be expected to become expert in all the above areas, but he should have some working knowledge and appreciation of these factors as they are involved in decision making.

Fortunately, there is education available to provide for development of this kind of talent in real estate. The University of California Extension, through its continuing education in real estate program, offers, without prerequisite, a program of basic courses leading to a *certificate without specialization*. In addition it gives advanced courses qualifying for a *certificate with specialization*.\*

The program leading to the *certificate with specialization* permits the student to select a field of concentration from the areas of marketing, finance or appraising. The *marketing specialization* provides in-depth courses such as *Tools of Real Estate Research*, enhancing the capability of the broker through the development of research skills and feasibility studies; *Advanced Real Estate Finance*, exploring new financing techniques, leaseholds, sales and leasebacks; and *Income Tax Factors of Real Estate Investment*, which develops greater awareness of the estate planning implications of real estate investments. Response to the specialization program (launched in the fall of 1966) has been gratifying.

Admission to the specialization program is limited to those persons who have had either (1) formal real estate education of record; (2) four years' full-time experience as a real estate salesman; (3) two years' full-time experience as a real estate broker, or (4) extensive experience in mortgage lending or appraising. Every attempt is

\* Available only in southern California.

### REFERENCE BOOK

An updated edition of the *Reference Book* is now available for distribution at \$3.41 per copy, including sales tax, a nominal price which should encourage the licensee to keep a copy handy. The 1966 edition, however, with supplements, is still adequate. Copies of older issues might be discarded!

made to evaluate fairly and realistically the student's background so that he avoids needless repetition.

Students are expected to submit the application for candidacy and select an area of specialization at the time they enroll in their first course. The program is comprised of eight prescribed courses: four advanced courses selected from the areas of practice, law, finance and appraising; two courses selected from the student's area of specialization; and two elective courses.

Those persons already holding the *certificate without specialization* need take only four courses: three in the area of specialization and one elective.

Real estate education in California could not have attained its present level of excellence without the constant support and interest of the Real Estate Commissioner and the California Real Estate Association. The University of California will continue to provide leadership in real estate education and research as the vocation moves toward professional standards.

Extension invites prospective students to call upon its program advisers for assistance in setting up a course of study. Complete information regarding the *certificate with specialization* or *without specialization*, is available from Continuing Education in Real Estate, University of California Extension, 1100 South Grand Avenue, Room 317, Los Angeles 90015 (telephone: (213) 749-2041, ext. 26).

## NATIONAL CORPORATIONS ENTER REAL ESTATE INVESTMENT FIELD

The large-scale planned community development, backed with varying degrees of publicity, permanence, and capital commitment by national corporations, is a fairly recent phenomenon but one of growing importance, according to David Lee Peterson in a recent research report, *The Planned Community and the New Investors: Economic and Political Factors in Corporate Real Estate Investment* (Special Report No. 4). Many of these corporate investors are new to direct real estate investment. Nevertheless, the size of the capital resources at their disposal makes them at least potentially significant shapers of future patterns of real estate development activity. The infusions of investment capital from these new sources have stimulated some responses in the form of altered development regulation. Others may be forthcoming.

Peterson attempts to trace and explain some of the relationships between currently evolving real estate investment strategies, on the one hand, and emerging patterns of governmental regulation in the development field, on the other.

The analysis shows how some of the current projects and corporate combinations came into being and suggests some of the directions which future activity of this type might take. The findings of the study also indicate the degree to which the volume of this type of real state development activity is dependent on conditions existing and decisions made in other areas of finance and regulation.

While the study does not attempt to answer the questions "Who will make money on the large development project, how, and why?", it should provide a comprehensive overview of the intricate mix of variables which must be considered in any attempt to provide meaningful answers to these questions.

To order a copy of the report, write: Center for Real Estate and Urban Economics, 260 Stephens Memorial Hall, University of California, Berkeley 94720. Price is \$2.50 plus 7 percent sales tax if ordered in California.

## A REPORT ON CURRENT RESEARCH STUDIES

Seven research projects have recently been completed under the DRE's education and research program by state colleges and the University of Southern California. The reports are available at the Sacramento office of the Division of Real Estate at \$1.58 per copy (includes sales tax).

Space permits summarization of several here.

Thompson, Willard M., *The Effectiveness of Salesmanship in Selling Real Estate*, Sacramento State College, 1967. Thompson reports some interesting observations about the identification of outstanding salespeople, their attitudes toward real estate selling, their selling practices, their impact on clients, their prospects for improvement and their professional contributions to real estate practice. The author recommends that similar studies be conducted in other communities for comparative purposes; that an attempt be made to suggest how basic techniques and theories of salesmanship should be applied in real estate; and that groups of real estate salesmen should be trained in such basics and compared scientifically with control groups to determine extent of training benefits.

Hippaka, William, *The Changing Office Space Market in Downtown San Diego, California: 1958 through 1967*, San Diego State College, 1967. In this report, Dr. Hippaka discusses the changing office space market in downtown San Diego, examines development of demand for office space, and gives results of a survey of tenants and leasing agents. Significant observations and conclusions include: importance of timing in creation of a project; estimating size of building economically feasible; that large office buildings require more knowledge and should command the attention of real estate researchers in the future.

Most prospective tenants for new office space came from the local community, tenants moved into new high-rise office buildings to improve quality of space, as well as to add space, and to benefit from the prestige attached to occupancy in new, well-designed, modern, high-rise buildings. Tenants were found willing to pay a significantly higher rate for this prestige, and the occupancy rate for new buildings was above 95 percent in 1967 while vacancy rates on older

buildings showed significant increases. Hippaka added, however, that, though vacancy rates for the second quarter of '67 for older buildings were higher than most owners preferred, they were not really critical.

During the last 30 years in San Diego, there have not been many improvements in the methods employed to determine the economic feasibility of new office buildings and the advantages of leasing space in them. The author feels that a need exists for more research designed to move such processes from an empirical state to the status of a more exact science if future decisions in these areas are to be as accurate as they should be.

Agnew, Allen, *An Analysis of Foreclosures in Fresno County in 1966*, Fresno State College, 1967. A significant presentation of facts and figures,

(Continued, Col. 3, Page 838)

### STATE COLLEGE RESEARCH REPORTS AVAILABLE

A limited supply of the following new research reports are obtainable from the DRE's principal office, P.O. Box 2407, Sacramento 95811, at \$1.50 per copy, plus 5 percent state sales tax, if ordered in California:

- Chico State College—Management Practices and Personality Traits of Small Real Estate Brokers in Northern California.
- Sacramento State College—Effectiveness of Salesmanship in Selling Real Estate.
- San Diego State College—The Changing Office Space Market in Downtown San Diego, California: 1958 to 1967; Factors Contributing to the Success or Failure of Residential Condominium Developments
- San Jose State College—Characteristics, Economic Resources and Housing Preferences of Mobile Home Occupants in Santa Clara County; Characteristics, Preferences, and Home Buying Intentions of Apartment Residents in San Jose; and Mortgage Lending by Commercial Banks in the Nine Bay Area Counties.
- San Francisco State College—San Francisco Consumer Buying Plans and Economic Expectations.

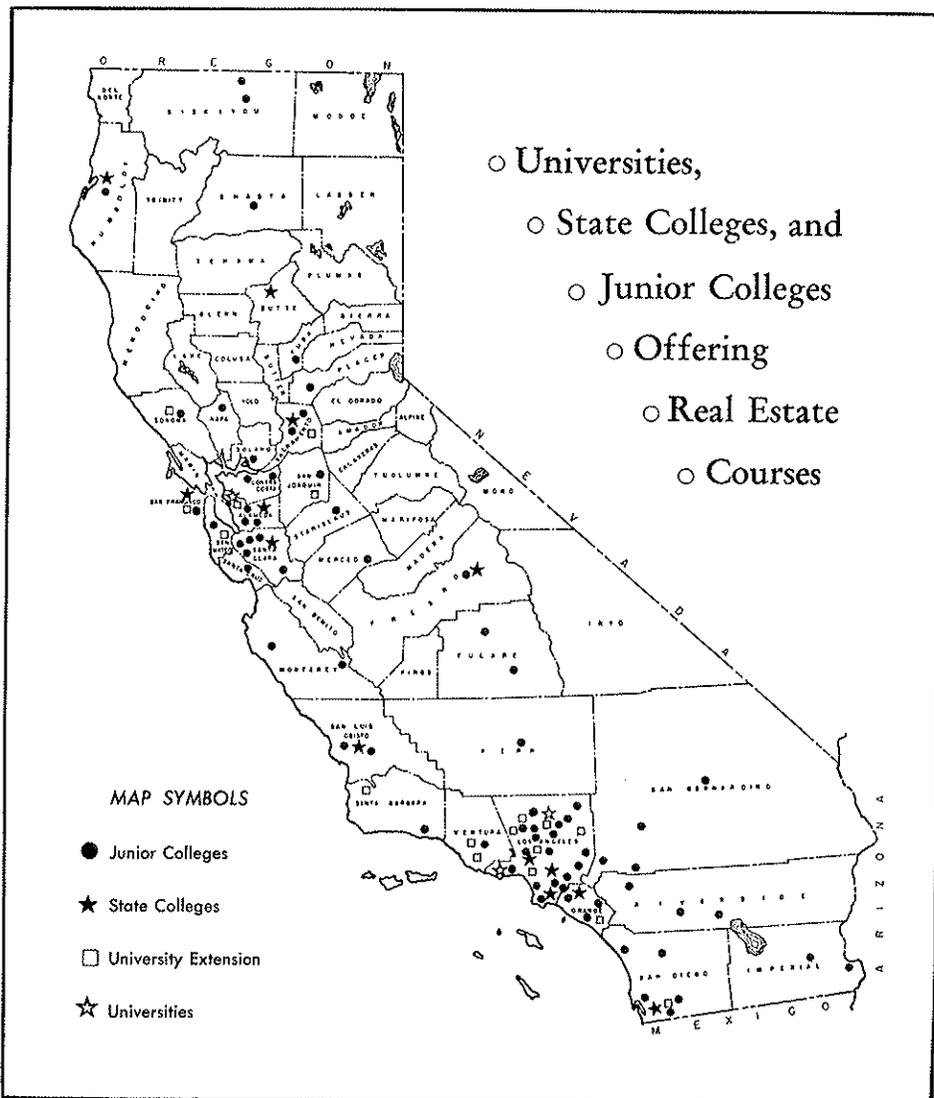
## STATE COLLEGE REAL ESTATE EDUCATION AND RESEARCH

This is one of a series of articles designed to acquaint readers with the continuing real estate education and research programs conducted at California's state colleges. This series has been concerned with the role of *research* in building and enriching a college real estate *education* program, and this article summarizes the education programs offered at each participating state college.

It should be noted that none of the state colleges receives direct support from the REER&R Fund for curriculum development or compensation of instructors, but all are eligible for allocations to conduct research projects of a regional or statewide nature. This generally has helped in the recruitment of faculty members who are interested in both research and teaching real estate classes.

The following is a quick glance at real estate instruction throughout the state college system:

College	Major or degree offered (real estate emphasis)	Number of real estate courses offered	Does real estate research
1. Fullerton	BS & MBA	6	Yes
2. Long Beach	BS (emphasis)	3	Yes
3. Los Angeles	BS (emphasis)	6	Yes
4. Cal Poly at S.L.O.	BS	3	Yes
5. Chico	BS	3	Yes
6. Fresno	BS	6	Yes
7. Humboldt	BS	5	Yes
8. Sacramento	BS & MBA	4	Yes
9. San Diego	BS, MS, & MBA	7	Yes
10. San Fernando	BS (emphasis)	3	Yes
11. San Francisco	BS (emphasis)	3	Yes
12. San Jose	BS & MBA	6	Yes



### Selection Process for Real Estate Research Topics

(Continued from Col. 1, Page 835)

August, the committee meets again, this time to review revised proposals and prepare a final recommendation to the commissioner on state college research allocations and projects for the coming fiscal year. In September, the Commissioner's Real Estate Education and Research Advisory Committee (the CREERAC) reviews total education and research program possibilities including the state college participation and makes its recommendation to the commissioner. In turn the program budget for the following year is prepared for submission to the Department of Finance and finally to the Legislature.

A similar procedure is followed at the University of California, Los An-

geles and Berkeley where real estate research programs have been maintained since 1950 and at University of Southern California, which lately has also engaged in real estate research. In the case of the University of California the President's Real Estate Advisory Committee membership is principally real estate personnel. Meeting in the spring, faculty and industry suggestions for research and university extension real estate offerings are examined; the total final recommendations to the CREERAC for proposals and budget for the following fiscal year are drafted.

As the studies are finished, findings are summarized in the *Real Estate Bulletin* and trade journals and final reports are made available for pur-

### RESEARCH STUDIES

(Continued from Col. 2, Page 837)

about trustees' sales for six months in Fresno County in 1966, this study provides an analysis of foreclosure data and presents some characteristics of defaulting parties. Noteworthy findings included: That one-half of all notices of default become foreclosures, the sale prices of foreclosed properties ranged from \$100 to over \$150,000, the majority of prices were around \$13,000; that the purchasers of foreclosed properties are often financial institutions; the composite "foreclosee" in Fresno County had been paying on his loan between three and five years, had received two notices of default before the foreclosure sale was carried out, did not own other property in Fresno County at time of foreclosure, had a history of slow payment, had been in financial difficulty for some time, and had been "self employed" as either a skilled craftsman or salesman with average income of approximately \$7,900 per year. It was also noted that the location of foreclosures indicates residences in the "affluent" section of the city are more likely to be lost in foreclosure than residences in many other areas. "The granting of loans to many of the defaulting parties appears to have been poor credit policy, particularly in light of the accurate and timely information available" said the author.

Other studies include:

Davis, Irving, *A Study of Fresno Multiple Listing Service Estimates of Residential Prices*, Fresno State College, 1967.

Carr, Robert; Bedrosian, Sarah; Titus, Charles; *Profile Analysis of the San Joaquin Valley*, Fresno State College, 1967.

All of these studies offer considerable information of direct interest to real estate practitioners—information which will vary in value according to the circumstances and location of the licensee's operation.

chase by the general public. Journal reprints are frequently supplied by the University of California at no charge. Reports are reprinted as demand makes necessary.

**CONDOMINIUMS****Meet Many Different Needs**

Every state now has legislation relating to condominium ownership. Undoubtedly, most California licensees are familiar with this concept of ownership, but associate it only with apartment structures or cluster housing, overlooking its commercial potentialities.

For example, formation of an industrial condominium enables small firms to obtain prime locations with access to elevators, loading docks, spur tracks, etc. The total condominium may involve a large warehouse or light-industrial plant, with each condominium unit consisting of an agreed upon amount of space with common facilities available to all owners under the condominium concept.

**ANSWERS TO EXAMINATION'S QUESTIONS**

1. (a); 2. (b); 3. (b); 4. (b); and 5. (a).

**Legislative Report**

(Continued from Col. 2, Page 829)

to change of address procedures for motor vehicle driver licenses.

(b) Would remove implication that evidence of broker sponsorship must accompany real estate salesman license examination application. Sponsorship still required before salesman license issued.

(c) Would make it definite that exemption from real estate license requirements under Section 10133.1 applies to *lenders*, not agents negotiating loans; that loan correspondents must be licensed but are not subject to the provisions of Articles 5, 6, and 7.

● *SB 421* (Sherman)—Amendments would bring existing "Recovery Fund" statutes into conformity with original legislative intent.

● *AB 1550* (Knox)—Would transfer jurisdiction over real estate syndicates from Corporations Commissioner to Real Estate Commissioner.

**Note:** A number of other bills of interest to real estate licensees and subdividers have been introduced. The provisions of those emerging from the legislative mill will be covered in the *Bulletin*.

**WORKSHOPS**

(Continued from Col. 2, Page 835)

colleges and DRE to place in the real estate course classrooms highly qualified teachers.

These instructors are practicing specialists in the field within which their teaching responsibility falls. When this fact is considered in the light of a recent survey which showed the average junior college real estate instructor has 5½ years of college training behind him, the conclusion becomes inescapable that, in general, the student who enrolls in California's junior college real estate classes is making a wise investment of time and energy for a successful real estate future.

**CHANGES IN REGULATIONS**

(Continued from Col. 3, Page 829)

suspended or revoked. (Authority still remains in the case of corporation or partnership licenses.)

*Section 2722*—Repealed. (Section had prescribed certain time periods for investigation prior to issuance of license.)

*Section 2761*—Amended to eliminate reference to supplementary oral interviews in connection with license examinations.

*Section 2820*—Amended to make it clear that only brokers are licensed under the mineral, oil and gas designation.

*Section 2850* \*—Added to clarify the definition of an advance fee rental agent.

*Section 2852* \*—Added to specify certain content and/or clauses which must be included in advance fee rental agents' written contracts with rental seekers.

*Section 2852.1*—Repealed. (Section had specified conditions under which advance fees collected by rental agents would be refunded.) Conditions now included in Section 2852.

*Section 2979.1*—Amended to clarify conditions under which licensed officers or members of corporations or partnerships operating as securities dealers must obtain endorsements as real property securities dealers.

\* Old Sections 2850 and 2852 were repealed and new sections bearing the same numbers were adopted.

**OF HUMAN INTEREST****The Lure of California**

**EDITOR'S NOTE:** This is a report of an exchange of correspondence which we found interesting and we think readers will too. The first letter is from a young lady who lives in a small town in Michigan. It reads:

"Dear Governor Reagan:

I am eleven years old. My brother and I were thinking about living together when we grow up. *We would like* information on houses in Beverly Hills. I would like pictures and please try to *estimate how much houses cost*. I figured around 60,000 dollars. My brother and I are saving money for college and a very pretty house in California. We would be very happy if you would return an answer."

Yours truly

Kathy B.

The Governor replied:

"Dear Kathy:

Judging from the quality of your letter and the kind of long-range planning you and your brother are doing, I should think California is going to acquire a couple of useful citizens when you two have finished college.

"It is pretty difficult for me—and for you for that matter—to estimate what your needs might be when you grow up, have graduated from college, have gone to work and saved the money which will enable you to acquire the house of your dreams.

"I am sure you can buy a very nice home in Beverly Hills for the amount mentioned in your letter, although as you probably know, some homes in that area would be priced a good deal higher. I haven't any picture at hand of houses in Beverly Hills, but I will ask the State Real Estate Commissioner, Mr. Burton E. Smith, to see if one of his friends in that area has some pictures to spare which can be sent to you in the near future.

"I was pleased to hear from you, and wish you and your brother every success."

Sincerely,

Ronald Reagan  
Governor

BULK RATE  
U. S. POSTAGE  
**PAID**  
Permit No. 157  
SACRAMENTO, CALIF.

## **TRAINING PROGRAMS**

### **How Does Your Office Rate?**

Perhaps the considerable space devoted to education in this *Bulletin* will motivate some employing brokers to pause a moment and take stock of what has to be a very important phase of their operations—a sound training program or a disastrous lack of one.

Since a broker is responsible for the actions and conduct of salesmen licensed in his employ, it should be unnecessary to state he is obligated to see to it that they are adequately trained in real estate procedures and ethics.

Look about you. Is it a pleasant experience for you and your staff to cooperate with the broker down the street who has failed to realize the extent of his responsibility for the actions of his salesmen whose tactics reflect anything but credit on the industry from the point of view of public and other licensees alike? It has been said that the untrained salesman is either lacking in confidence or he is overconfident to the point he loses clients and customers and the respect of his fellows.

In contrast, it is a pleasure to do business with the neighboring broker whose salesmen are products of a well-developed training program conscientiously carried out in an atmosphere of confidence and cooperation. "Office jumping" is rare in this type of environment and broker and salesmen seem to enjoy a prosperous, steady and sound growth through the years.

Real estate is a vocation where careful attention to detail and accuracy means avoidance of many problems; probably there is no single

## **TWO KINDS OF COMMINGLING**

How does one define commingling? Auditors engaged in inspecting and examining brokers' records report considerable misunderstanding of the legal implications of the term. Many brokers think that commingling is limited to removing or withholding a client's funds from the trust account and mixing or using them with one's own. That is only one form of commingling. For convenience, call it "commingling (1)."

The other type of commingling consists of depositing of one's own funds into the trust account. Since this usually has much less potential for harm than the first, the information that this practice also constitutes commingling comes as a surprise to many brokers. For discussion, call this "commingling (2)."

Commingling (1) produces a trust fund shortage, too often resulting in misappropriation of clients' funds. Thus it can be a most serious infraction, resulting in disciplinary action.

Commingling (2) produces a trust fund overage. Should the broker die, go bankrupt, get involved in other financial difficulties or in litigation, the trust account may be tied up pending legal or judicial action. This happens when the litigants or other parties suspect or know the broker

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aspect more valuable to a real estate firm in resolving problems and attaining success and public confidence than efficient training and sales meetings which keep open the avenues of communication and foster camaraderie and the feeling that all are working together as a team.

### **SALESMAN TRANSFER APPLICATION**

After June 1, all salesman license transfer applications must be submitted to the DRE on Transfer Application Form 214. To avoid delay of transfer, make certain that the form contains either the signature of the former employing broker or the salesman's certification that he has notified him in writing of his intention to transfer to another broker's employ.

In reinstating an inactive salesman license, the previous employing broker's signature or salesman's certification is not necessary.

has his own money in his trust account.

In commingling (2) the hazard is that clients' funds may be withheld for long periods of time. Commingling (2) is not generally as serious as commingling (1), but it is still a violation for which a broker's license may be suspended or revoked.

Recognizing that there are legitimate reasons for keeping small cushions in their trust accounts, the commissioner has established a policy which allows any broker to maintain \$100 of his own money in his trust bank account.

To recapitulate, commingling is primarily a mixing of broker's and client's funds, which essentially is done in two ways: commingling (1), i.e., mixing clients' funds in with broker's own funds, and commingling (2), i.e., mixing broker's funds in with clients' funds in the trust account.

And finally, clients' funds belong in broker's trust account or in an independent escrow, but never in broker's personal or commercial bank accounts.