



DRE's Licensing System Goes "On-Line"

The DRE has long recognized the need to convert to an "On-Line" license processing system in order to better meet public and industry demands for more expedient processing and to provide ready access to current information. Now, after a great deal of research and hard work, this system has been implemented!

Since 1980 the Department has used what is referred to as a "batch" system of recording and updating licensing information. In this type of system, Licensing Technicians checked, verified, and coded applications and then passed them on to Key Data Operators for entry. This information was then "batched" together once a week and transmitted to the Teal Data Center to be integrated with the existing licensing database. The updated information would then be transmitted back to DRE and the licenses would then be printed. Within a few days, the Public Information and Licensing Staff would receive updated microfiche records.

With the new "On-Line" Tandem Computer System, the Licensing Technicians are



Commissioner James A. Edmonds, Jr., presented the first new license produced by the DRE's on-line computer system to Sacramento area licensee and former chief of the department's Subdivision Technical Section, Bill Kewley.

The Department of Real Estate has new Post Office Boxes serving the correspondence needs of licensees and the public writing to the Sacramento Principal Office. The new P.O. Boxes appear in the Editorial Block on page 2 of this Bulletin.

by Darlene North, Office Services Supervisor III Pre-Licensing and Examinations

now able to directly input information into the computer system and it is instantaneously integrated with the existing licensing database. Transactions that generate a license should be completed on the same day the data is entered. Each of DRE's six offices throughout the state also have interactive computer terminals for inquiry purposes. Therefore, licensing information is available to each of our offices as soon as it is entered into the system by the Sacramento Principal Office staff.

The Tandem System is designed to not only increase the accuracy of DRE's information files, but to also decrease response time. It is projected that this system will provide substantial cost savings over our previous "batch" system. Soon we hope to put the new Tandem System to further use by converting other existing "batch processed" operations in this Department, as well as many other specific office functions.

We hope you will share in our enthusiasm and reap the benefits of being provided a higher level of service and support.

Commissioner Appoints New Advisory Commission Members

Commissioner James A. Edmonds, Jr., has appointed Richard J. Rosenthal and Hosea White as industry members of the Real Estate Advisory Commission to replace past Commission members Arthur L. Godi and Thom L. Holmes. Mr. Rosenthal and Mr. White were installed at the Real Estate Advisory Commission meeting held on January 16, 1987 in Monterey. The Commission holds meetings on a quarterly basis. These meetings are open to the public and provide an opportunity for their views and suggestions to be considered.

Mr. White is owner of Hosea White Realtors, a Los Angeles real estate firm. He has been a Realtor in the Los Angeles area for twenty years and has been active in local, state and national real estate affairs, serving as President of the Southwest Board of REALTORS, as a Director of the California Association of REALTORS and as Chairman of many committees for these Associations. He was appointed to the 1987 Executive Committee of C.A.R. and was 1987 Federal District Coordinator of the California Association of Realtors and the National Association of Realtors. Mr. White is active in community affairs and has served as President of the Southside Chamber of Commerce, member of the City of Inglewood Development Advisory Committee and member of the Assessment Appeals Board.



Hosea White



Richard J. Rosenthal

Mr. Rosenthal is owner of Rosenthal & Associates, a Venice real estate firm specializing in corporate and client relocation services as well as investment real estate and property management. He is the Immediate Past President of the California Association of REALTORS. During his many years of involvement with C.A.R., he has been extremely active in the areas of real estate finance and local, state and national legislative matters. On the national level, he is serving as a Director of the National Association of REALTORS and as a member of the Federal National Mortgage Association Advisory Council. Mr. Rosenthal is active in civic affairs locally and statewide and has served on the California Senate Housing Task Force and the L.A. Advisory Committee for the Local Coastal Plan. □



**Disciplinary Action, continued from page 2**

**Recovery Account Analysis Completed**

*by Daven Bloedau, Deputy Commissioner I, Education Section*

Arthur Young and Company recently completed a study of the Real Estate Recovery Account conducted under a research contract approved in June of 1985. Objectives of the research were to determine the actuarial solvency of the Real Estate Recovery Account, recommend a flexible, long-term method of funding the account, and design and implement (1) a cash forecasting system of future solvency and (2) a case file tracking system.

The study found that if present trends continued, the Recovery Account would be bankrupt by 1990 if steps were not taken to increase its funding. The Department has introduced legislation to achieve this objective. The Department also expects other legislation to be introduced to "fine tune" Recovery Account funding and payouts.

Both of the systems the study was to design are now in place and will become fully operational once a complete history of the Recovery Account activity is entered into the system's computer database.

The Cash Forecasting system reviews historical payouts and other data to forecast Recovery Account payouts five years into the future. This forecast, constantly updated, provides a clear picture of account solvency now and into the immediate future.

The File Tracking system will maintain current data on the status of all Recovery case files and is capable of generating various reports relating to critical time deadlines under the new Recovery Account claim procedure and monthly reports for Case management. The File Tracking system will be able to provide useful profile information concerning filed claims, such as the type of licensed activity involved (residential, sale, commercial, sale, property management), the type of wrongful conduct engaged in by the judgment debtor/licensee (fraud, misrepresentation, negligent misrepresentation), and reasons for not paying a claim (no licensed activity, no license at the time of the transaction, no pursuit of other liable persons, etc.).

According to the Department's Recovery Account Unit, they will meet the new Recovery Account claim procedure deadlines of SB 512 in a timely fashion, enabling faster payouts to meritorious claimants, and reducing costs and time invested by the Attorney General in representing the Department. □

NAME	ADDRESS	EFFECTIVE DATE	VIOLATION REAL ESTATE LAW REGULATIONS
Munson, Delbert Leroy (REO)	5341 Kunkel Dr., San Jose	10/6/86	490, 10177(b)(f)
Gritchfield, Harold Barneu (REO)	1340 Saratoga Sunnyvale Rd. San Jose	10/6/86	490, 10177(b)(f)
Zeimetz, T.J. (REB) aka-Zeimetz, Thomas Joseph	24500 S. Vemont, #300, Harbor City	10/7/86	10177.5
Ciacuch, James Walter (RES)	8413 Desoto Av., Canoga Park	10/7/86	490, 10177(a)(b)
Woodson, John Frederick (REB)(REO) Off-The Woodson Company	851 Irwin at 3d, San Rafael	10/14/86	10177(a)
Louk, A.V. (REB)	1342 Robsheal Dr., San Jose	10/14/86	490, 10177(b)(f)
Sills, Orval Ray (RES)	350 W. Alosta, Glendora	10/15/86	490, 10177(b)
Mohtes, Ken (RES)	331 E. Market St., Daly City	10/15/86	490, 10177(a)(b)(f)
Redding Financial Services, Inc. (REC)	1737 Yuba St., Redding	10/20/86	10176(a)(i), 10177(g)
Brown, Pauline Mac (REB)	2333 Northrop Av., Sacramento	10/20/86	10177(j)
Gothard, David Locke (REB)(REO)	280 W. Hamilton Av., Campbell	10/21/86	10177(d)(j), 10234
Andersen, Betty Ann (PRLS)	P.O. Box 2400, West Covina	10/26/86	2853, 10167.3(a), 10167.9(a)(8), (c), 10167.10(a)(1), (b) 10145, 10177(d)
Monterey Bay Real Estate, Inc. (REC)	1760 Fremont Bl., Seaside	10/27/86	10176(a)(i), 10177(g)(j)
Ali, Mohammad Akber (RES)	7480 Avenue 308, P.O. Box 4191, Visalia	10/27/86	10176(a)(i), 10177(b)
Pierson, Jon Micken (RREB)	567 W. Shaw, B2, Fresno	10/28/86	10176(a)(i)
Thompson, Lue E. (RES)	2503 Medidi Ct., Stockton	10/28/86	490, 10177(b)
Alvarez, Yoni (RES)	1397 Fredricks Ln, Upland	10/29/86	10177.5
Piers, James Coleman (REB)(REO)	P.O. Box 5053, Phoenix, AZ	10/29/86	490, 10177(b)
National Security Mortgage Co. (REC)	12416 Burbank Bl., No. Hollywood	10/29/86	2715, 2832.1, 2834, 10177(d)
Smith, Dennis Louis (REB) Dbas-Landlord Services Co. Lansco LTS	2501 Colorado Bl., F, Los Angeles	10/30/86	10167.9(a)(1)(6),(c), 10167.11(a)(b)(1)(2)(4), 10167.12, 10177(d)(h)
Carol Hall Enterprises Inc. (REC)	3304 Midway Dr., San Diego	10/30/86	2731, 2853, 10167.9(a)(8), (c), 10167.10(b), 10167.11(a), 10167.12(a)(i), 10176(a), 10177(d)
Cannon, R. Lee (RES)	P.O. Box 1182, Mill Valley	10/30/86	490, 10177(b)(f)
Azimi, Mohammadhossein Behrooz (RES)	1294 Masters Ln., Anaheim	11/6/86	490, 10177(b)
Leahy, Austin Joseph (REB)	1100 Quail St., Newport Beach	11/12/86	10176(a)(i), 10177.5
Cordova, Maria Consuelo (RES)	2556 South 9th St., Fresno	11/17/86	490, 10177(a)(b)
Stevens, C. Robert (RES)	P.O. Box 17816, South Lake Tahoe	11/17/86	490, 10177(b)
Wayne, Barbara Sue (REO) Off-Golden Homes, Inc.	2285 Cleveland Av., Santa Rosa	11/17/86	2830, 2832, 10145, 10176(a)(e)(f), 10177(d)(f)
Golden Homes, Inc. (REC)	2285 Cleveland Av., Santa Rosa	11/17/86	2830, 2832, 10145, 10176(a)(e)(f), 10177(d)(f)
Wayne, Virgil Michael (RES)	2285 Cleveland Av., Santa Rosa	11/17/86	10176(a)(e), 10177(f)
Edwardsen, Cary Haws (RES)	346 Terrace Bl., Healdsburg	11/17/86	10177(b)(j)
Williford, Donald Allen (RES)	4664 American Av., Bakersfield	11/18/86	10177(g)
Howard, Samuel Louis (RES)	8625 Mooney Dr., Roseville	11/20/86	2832, 10130, 10131, 10137, 10145, 10176(e)(f), 10177(d)
Schwegman, Walter James (RES)	2787 Moorpark Av., San Jose	11/20/86	490, 10177(b)
Stephens Anchor Investment Company, a Califormis Corporation (REC)	100 Sequoia Dr., Vacaville	11/24/86	10148, 10177(d)(f)
Sanchez, Miguel Antonio (RES)	3226 Roosevelt Av., Richmond	11/26/86	10176(i), 10177(f)(j)
Morgan, Fredrick Owen (REB)	938 The Alameda Bl., #A, San Jose	11/28/86	2832.1, 10145, 10176(e)(f), 10177(d)
Reese, Gail Diane (RES)	3050 Bradshaw Dr., San Jose	11/28/86	490, 10177(b)(f)
DeMartini, Allen Francis (REB)	20661 Oak Creek Ln., Saratoga	11/28/86	490, 10177(b)(f)

**LICENSES REVOKED WITH A RIGHT TO A RESTRICTED LICENSE**

NAME	ADDRESS	EFFECTIVE DATE	VIOLATION REAL ESTATE LAW REGULATIONS
Brock, Milton L. (RREB)(RREC) Off-Golden State Equity Corporation (Right to RREB license after 30 days on terms and conditions)	591 Camino De La Reina, #426, San Diego	8/13/86	2950(g)(f), 10159.2(a), 10177(d)(g)(h)
Golden State Equity Corporation (RREC) (Right to RREC license after 30 days on terms and conditions)	591 Camino De La Reina, #426, San Diego	8/13/86	2950(g)(f), 10177(d)(g)
Youngflesh, Christina Olivia (RES) (Right to RRES license on terms and conditions)	13320 San Pasqual Rd., Escondido	8/20/86	10176(a), 10177(g)

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## Arthur L. Godi Appointed Chairman of Revamped Continuing Education Advisory Committee

Arthur L. Godi, an immediate past member of the Real Estate Advisory Commission, has been appointed by Commissioner James A. Edmonds, Jr., as the Chairman of the restructured Continuing Education Advisory Committee. Mr. Godi has been active in the real estate industry and in real estate education on local, state, national and international levels.



The Continuing Education Advisory Committee is comprised of real estate licensees representing various segments of the real estate industry, and public members with expertise in real estate. The Committee will advise the Commissioner concerning his responsibilities to implement the real estate continuing education program and will assist in establishing standards and goals for continuing education.

The Committee held its first organizational meeting in Monterey on January 15, 1987. □

## Mortgage Loan Advertising Review Moved to Sacramento Office

by Larry W. Smith,  
Mortgage Loan Activities Manager

Hervey Berry, Deputy Commissioner III, retired from DRE at the end of February 1987 with more than 20 years of state service. Hervey, known to many real estate brokers in the mortgage lending business, handled the statewide mortgage loan advertising review function from the Los Angeles District Office for the last three years.

The mortgage loan advertising review function will now be assigned to Deputy Commissioner III, Harold McDonald. Mr. McDonald has experience in regulatory and subdivision processing and, most recently, timeshare and out-of-state subdivisions.

Real estate brokers previously submitting mortgage loan advertising, lender/purchaser disclosure statements, and "advance fee" contracts to the Los Angeles Office are to now submit them to the Sacramento Principal Office at P. O. Box 160009, Sacramento, CA 95816, Attention: Harold McDonald. McDonald may be reached at (916) 739-3580. □

## Disciplinary Action, continued from page 3

NAME	ADDRESS	EFFECTIVE DATE	VIOLATION REAL ESTATE LAW REGULATIONS
Bennett, Malcolm Nathaniel (REB) (Right to RREB license on terms and conditions)	11215 S. Western Av., Los Angeles	9/2/86	2731, 2830, 2831, 2831.1, 10145, 10176(e), 10177(d)
Denny, Ann Marie (RES) (Right to RRES license on terms and conditions)	50 White Water Dr., Corona Del Mar	9/3/86	490, 10177(b)
Schmidt, John Steven (RES) (Right to RRES license after 30 days on terms and conditions)	P.O. Box 1551, Grass Valley	9/4/86	10177.5
Burke, Charles Allen (RES) (Right to RRES license on terms and conditions)	9985 Park Terrace Ct., Elk Grove	9/8/86	490, 10177(b)
Srivastava, Subhash Chandra (RES) (Right to RRES license after 30 days on terms and conditions)	562 2nd Av., San Francisco	9/8/86	2785(a)(10), 10145, 10177(d)
Sally Aloysius (RES) (Right to RRES license on terms and conditions)	591 Camino De La Reina, #426, San Diego	9/15/86	10177(g)
Cripe, Michael Allen (RES) (Right to RRES license on terms and conditions)	831 Florin Rd., Sacramento	9/29/86	490, 10177(b)
Kaplan Lawrence Michael (REB)(REO) (Right to RREB license on terms and conditions)	4020 Moorpark Av., #112, San Jose	10/2/86	10145, 10177(d)
Parthemore, Ina Don (REB) (Right to RREB license on terms and conditions)	6456 Blucher Av., Van Nuys	10/2/86	490, 10177(b)
Lauranzano, Jocelyn Mara (RES) (Right to RRES license on terms and conditions)	3052 Roundup Circle, Thousand Oaks	10/7/86	490, 10177(b)
Allen, Leonard Glenn (REB) (Right to RREB license on terms and conditions)	77 W. Las Tunas Dr., Arcadia	10/7/86	490, 10177(b)
Griffith, Marlene Carol (RES) (Right to RRES license on terms and conditions)	400 N. Santa Anita Av., Arcadia	10/14/86	490, 10177(b)
Pitman, Daren Jr. (REB) (Right to RRES license on terms and conditions)	94 W. Browning Av., Fresno	10/14/86	10177(g)
Law, Lawrence Loong-Tak (RES) (Right to RRES license on terms and conditions)	7571 Phinney Pl., San Jose	10/15/86	490, 10177(b)(f)
Gee, Edward Kin Check (RES) (Right to RRES license on terms and conditions)	1601 Poinsettia, #304, Los Angeles	10/15/86	490, 11077(b)
Robey, Jesse H. (RES) (Right to RRES license on terms and conditions)	597 Aileen St., Oakland	10/21/86	10145, 10177(d)
Edous, John Robert (REB) (Right to RREB license on terms and conditions)	3545 Fifth Av., San Diego	10/21/86	10177(h)
AAA Homes Ltd. (REC) (Right to RREC license on terms and conditions)	2034 El Cajon Bl., San Diego	10/21/86	10167.9(a)(b), 10167.10(b), 10167.11(b)(2)(4), 10167.12(a)(1), 10177(d), 10176(a)(b)(i), 10177(d)(g), 10237.4, 10237.5, 10237.6, 10238.3
Fischl, Ilona Veronica (REB) (Right to RRES license on terms and conditions)	177F Riverside Dr., Newport Beach	10/23/86	10145, 10177(d)
Banks, Robert Morris (REB)(REO) (Right to RREB license on terms and conditions)	209 Pearl St., Monterey	10/27/86	2830, 2832, 10145, 10177(d)
Shanks, Shirley Jane (REB) (Right to RREB license on terms and conditions)	1187 Coast Village Rd., St. 10P, Santa Barbara	10/28/86	490, 10177(b)
Solem Roger G. (RES) (Right to RRES license on terms and conditions)	1424 W. Washington Bl., Venice	10/29/86	10177(h)
Spevack Samuel (REB)(REO) Off-National Security Mortgage Co. (Right to RREB license on terms and conditions)	52 Roma St., Rancho Mirage	10/29/86	10130, 10177(d)
Austin, Wendy Lee (REB) (Right to RREB license on terms and conditions)	4655 Cass St., Ste 405, San Diego	11/12/86	490, 10177(b)
Hawkins, Ronald Hardin (REB)(REO) (Right to RREB license on terms and conditions)	233 Shady Ln., #55, El Cajon	11/12/86	490, 10177(b)(f)
Solorio, Dorothy Diane (RES) (Right to RRES license on terms and conditions)	910 Monterey St., #116, Hollister	11/24/86	10177.5
Rivera, Irma (REB) (Right to RREB license after 5 days on terms and conditions)	1861 Knoll Dr., Ventura	11/26/86	

## LICENSES SUSPENDED

NAME	ADDRESS	EFFECTIVE DATE	VIOLATION REAL ESTATE LAW REGULATIONS
Golden, Linn Bryce (REB) Off-Rygold Investments, Inc.	2444 Moorpark Av., Ste 317, San Jose	9/8/86 (50 days)	10176(a)(i), 10177(j)
Rygold Investments, Inc. (REC)	650 S. Winchester, #103, San Jose	9/8/86 (50 days)	10176(a)(i), 10177(j)
Coffman, Anne Deloras (REB)	2963 Mowry Av., Fremont	11/4/86 (5 days)	10177(g)
Abreu, Joseph Anthony (RES)	2000H Driscoll Rd., Fremont	11/4/86 (5 days)	10177(g)

**Disciplinary Action, continued from page 4**

NAME	ADDRESS	EFFECTIVE DATE	VIOLATION REAL ESTATE LAW REGULATIONS
Zolot, Paul Jack (REB) Dbm-Golden Rule Realty, Paul Zolot Realtor	23649 Via Andorra, Valencia	11/28/86 (30 days)	2785(a)(9), 2830, 10145, 10176(a), 10177(d)
Zolot, Shirley (REB)	23212 Via Barra, Valencia	11/28/86 (30 days)	2785(a)(9), 2830, 10145, 10176(a), 10177(d)

**LICENSES SUSPENDED WITH STAYS**

NAME	ADDRESS	EFFECTIVE DATE	VIOLATION REAL ESTATE LAW REGULATIONS
Guenther, Hyette O. Wayne (RES) (Stayed for 1 year on terms and conditions)	249 Calle Familis, San Clemente	4/3/86 (30 days)	10177(g)
Hodge, George Edward (REB)(REO) (Stayed for 1 year on terms and conditions)	2604 El Camino Real, Ste B, Carlsbad	7/22/86 (10 days)	10177(f)(g)
Loving, Conchita Tan (RES) (Stayed for 1 year on terms and conditions)	2 East Valley Bl, Ste 210, Alhambra	9/23/86 (60 days)	10176(a)
TNT Realty Inc. (REC) (Stayed for 1 year on terms and conditions)	23922 S. Avalon Bl., Carson	9/24/86 (35 days)	2831, 2831.1, 2832.1, 10145, 10177(d)
LINT Realty, Incorporated. (REC) (Stayed for 1 year on terms and conditions)	23922 S. Avalon Bl., Carson	9/24/86 (35 days)	2831, 2831.1, 2832.1, 10145, 10177(d)
Tatum, L. Jeanette (REB)(REO) Off-TBT Realty, Inc. LINT Realty Incorporated (Stayed for 1 year on terms and conditions)	2991 Magnolia St., Long Beach	9/24/86 (35 days)	2831, 2831.1, 2832.1, 10145, 10159.2, 10177(d)(h)
Harck, John Frederick (RRES) (May be stayed after 30 days on condition)	Box 23444, Pleasant Hill	10/6/86 (until 9/9/89)	10177(k)
Sweeney, Charlene (REB)(REO) Off-American Guarantee Mortgage Corporation (Stayed for 1 year on terms and conditions)	434 S. Euclid Av., Anaheim	11/12/86 (30 days)	10177(h)
American Guarantee Mortgage Corporation (Stayed for 1 year on terms and conditions)	1507 W. Yale Av., Orange	11/12/86 (30 days)	2715, 10137, 10163, 10177(d)

**INDEFINITE SUSPENSIONS UNDER RECOVERY FUND PROVISIONS**

NAME	ADDRESS	EFFECTIVE DATE
Mukai, Alexander (REB)	25381 Helena Cir, Mission Viejo	9/5/86
Roggentine, James Paul (RES)	5666 Lewis Av., Riverside	9/18/86
Chahidi, Ali (REB)	P.O. Box 6672, San Jose	9/18/86
Capineri, James Carl (REB)	1734A El Camino Real, Mountain View	9/18/86
Esperanza, Romeo Ayson (RES)	P.O. Box 5532, San Francisco	9/18/86
Esperanza, Patt Ganai (REB)	P.O. Box 5532, San Francisco	9/18/86
The Cosmic Corporation (REC)	P.O. Box 429, San Jose	9/18/86
Rendon, Andres Jr. (REB)	P.O. Box 1610, Chula Vista	10/8/86
Morgan, Fredrick Owen (REB)	2801 Moorpark Av., Ste 4, San Jose	10/10/86
Roth, Charles (REB)	25827 Lawton Av., Loma Linda	10/8/86
Bell, Larry D. (REB)	1029 56th St., Sacramento	10/10/86
Fallin, Don (RES)	6830 Antelope Rd., Citrus Heights	10/10/86
Walker, Grant (REB)	107 Janet Way, Grass Valley	10/10/86
Fullner, Britten J. (RES)	3075 Solano Av., Napa	10/15/86
Edwrd Scharf & Assoc., Inc. (REC)	8383 Wilshire Bl., Ste 644, Beverly Hills	10/21/86
Enterline, Norman W. (REB)	402 W. Broadway, San Diego	10/30/86
Cabrillo Home Loan Corp. (REC)	402 W. Broadway, San Diego	10/30/86
Leach, Claudia Mae (REB)	17110 Nannette St., Granada Hills	11/13/86
Baltes, Michael Jerome (REB)	1750 Kala Kaua #3-232, Honolulu, HI	11/20/86

**California Franchise Tax Board**

The Franchise Tax Board is working with local regulatory agencies to deny certain deductions from rental income to owners of substandard rental properties.

When a local regulatory agency notifies the Franchise Tax Board that a rental property is substandard - not in compliance with local building ordinances - the Franchise Tax Board will identify the owner of the property and disallow deductions for taxes, interest, depreciation, and/or amortization related to that property. The expenses will be unallowable until the local regulatory agency informs the Franchise Tax Board that the property has been brought into compliance with local ordinances.

If the property is sold while it is substandard, the new owner will be subject to the same disallowances even if he/she is unaware that the property has previously been declared to be substandard. □

**REMINDER****New Continuing Education "Agency" Course Requirement**

As a result of recently chaptered Senate Bill 491 (Montoya), completion of a 3-hour DRE approved "Agency" course is now required as part of the total 45-hours of continuing education credit for all real estate licenses renewable\* on or after July 1, 1987. Also, a licensee whose license is due for renewal prior to July 1, 1987, but who renews on a late basis on or after July 1, 1987 will be required to show evidence of meeting the new "Agency" requirement. As is now the case with the "Ethics" course requirement, completion of the mandatory "Agency" course will also be necessary during each subsequent 4-year license period.

The curriculum of a DRE approved "Agency" course provides licensees with the opportunity to obtain valuable information relating to "Agency" relationships and duties required by law in the brokerage practice. Also, to be included in "Agency" approved courses will be instructions in the disclosures to be made and confidences to be kept in the various agency relationships between licensees and the parties to real estate transactions.

Licensees are strongly urged to check with the sponsor prior to enrollment in an "Agency" course to determine if the course being offered is approved by DRE to meet the new "Agency" requirement. Several courses addressing the general subject of agency have been approved for continuing education credit over the past years; however, unless specifically approved under the new requirements, they will only be acceptable for credit under the "Consumer Protection" category. They will *not* be acceptable under the new "Agency" category. Licensees who previously completed an "Agency" course should contact the course sponsor or the Department of Real Estate to determine whether the course is acceptable.

It is expected that many courses designed to meet the new "Agency" requirement will soon be approved and available to licensees. Again, you are strongly advised to check with the course sponsor prior to enrolling in any "Agency" course to determine if the particular course being offered will satisfy this new requirement.

\* The effective renewal date of a license with an expiration date of 6-30-87 is 7-1-87; thus completion of the new "Agency" course would be required for renewal. □

# HOW ♦ TO ♦ ADVERTISE ♦ CONSUMER ♦ CREDIT

This article was excerpted from a Federal Trade Commission Manual for Businesses entitled, "How to Advertise Consumer Credit." The Federal Trade Commission enforces the Truth in Lending Act and the rules issued by the Federal Reserve Board under the Act known as Regulation Z.

## Real Estate Advertisements

Real estate advertisements which also promote consumer credit must comply with the advertising provisions of the Truth in Lending Act.

### 1. Rate Disclosure Examples

As with other advertisements of closed-end consumer credit,<sup>1</sup> if only the annual percentage rate is disclosed, additional disclosures are not required. An advertisement may simply state, "Assume 12% annual percentage rate mortgage" or "14% annual percentage rate mortgages available."

If the annual percentage rate offered may be increased after consummation of the transaction, the advertisement must state that fact. An advertisement for a variable rate mortgage with an initial annual percentage rate of 14% that may vary after settlement without any limit could be advertised as "14% annual percentage rate, subject to increase after settlement." This disclosure may be used for any type of mortgage instrument with a variable interest rate, including a renegotiable rate mortgage and a shared appreciation mortgage.

It may not be used in advertisements of graduated payment mortgages which have a fixed interest rate and payments which may increase during the loan. Fixed-rate "buydowns" and "step-rate" mortgages are also *not* variable rate mortgages. These mortgages involve different interest rates in effect during the life of the loan, all of which are known as settlement. A variable rate transaction involves future interest rates unknown at settlement.

The simple interest rate may *never* be displayed in lieu of the annual percentage rate. Where more than one simple interest rate is applied to the transaction (such as in a step-rate or buydown mortgage<sup>2</sup>), these rates may be advertised if all the interest rates and the limited term during which each rate applies are disclosed and the annual percentage rate is stated. For example, assume a step-rate mortgage in which the credit contract provides for 13% interest the first year, 14% the second year, 15% the third year, and 16% for the remainder of the term. In this transaction, the following is an acceptable rate disclosure:

- 13% 1st year
- 14% 2nd year
- 15% 3rd year
- 16% remainder of loan
- 15 3/4% annual percentage rate

Although an advertiser may disclose the different interest rates which are in effect during the loan, each loan has only one annual percentage rate. Thus, in the above example, it would not be proper to disclose any annual percentage rate other than 15 3/4%.

### 2. Triggering Terms

The following are examples of triggering terms that might be used in real estate advertisements:

- "20% down"
- "Pay only \$550 per month"
- "Only 360 monthly payments"
- "Pay less than \$600 per month"
- "30-year mortgage available"

The following are examples of terms which do *not* trigger the required disclosures:

- "No downpayment"
- "12% annual percentage rate mortgage available"
- "Easy monthly payments"
- "Graduated payment mortgages available"
- "Terms to fit your budget"
- "VA and FHA financing available"
- "100% VA financing available"

Whenever an advertisement displays triggering terms, the same three disclosures are required in a real estate advertisement as in other closed-end consumer credit advertisements.

The following example, for a house with a \$55,000 sales price, illustrates the required disclosures for a real estate advertisement which would comply with the Truth in Lending Act *if printed clearly and conspicuously*:

- "Downpayment — \$5,000;
- 360 monthly payments of \$592.44;
- 14% annual percentage rate."

### 3. Graduated Payment Loans and Mortgage Insurance

If an advertisement requiring disclosures promotes a mortgage in which the payments vary (either due to the inclusion of mortgage insurance premiums or because of a graduated payment feature), it is not necessary to disclose all of the different payments that will be required during the term of the mortgage. However, the advertisement must state the number and timing of the payments, the largest and smallest payments, and the other payments will vary between those amounts. The following example, for a house with a \$60,000 sales price, illustrates the required disclosures which would comply with the Truth in Lending Act *if printed clearly and conspicuously*:

- Downpayment — \$10,000
- Annual Percentage Rate — 9%
- 360 monthly payments
- The first 60 payments vary from \$303.94 to \$405.96. The remaining 300 payments are \$436.35.

### 4. Wraparound Loans

If an advertisement promoting a wraparound mortgage states the annual percentage rate, that rate should be determined by treating the transaction as a refinancing. If triggering terms are advertised, the required disclosures should also be calculated based upon an amount financed which equals the principal balance remaining on the initial obligation plus the new amounts advanced.

For example, assume a borrower has a first mortgage for \$36,800 at 7% for 30 years with monthly payments of \$245. The borrower wants an additional \$20,000 for home improvements and applies for a \$20,000 loan. (At this time, the balance remaining on the first loan is \$30,000.) The wraparound lender would require the borrower to sign a note for \$50,000 to mature in 30 years at the current 15% interest rate with equal monthly payments of \$632.22. The wraparound lender would agree to make each monthly payment on the first mortgage. In an advertisement, disclosures for this transaction would be based upon a \$50,000 amount financed, a 30-year term, and a 15% annual percentage rate (assuming no credit costs in addition to interest), and the monthly payments would be determined accordingly.

### Advertising Typical Terms

In some cases, it may be appropriate for advertisements to include examples of typical credit terms. For example, a home builder may want to advertise credit terms, but each house has a different price.

Or a bank wishing to advertise mortgage loans may make loans in varying amounts with different repayment terms. In these situations, if disclosures are required, the advertiser may advertise one or more examples of typical credit transactions as long as all the terms which apply to each example are disclosed. These examples must be typical of the credit that is actually available. The following illustrates disclosures for an advertisement which uses the "typical example" disclosure method:

#### Homeowners' Secondary Financing

Amount Financed	6 Year Financing 72 Monthly Payments Of	Annual Percentage Rate
\$2160	\$ 42.23	12.00%
\$3160	\$ 62.32	12.25%
\$4140	\$ 82.41	12.50%
\$5160	\$103.05	12.75%
\$6160	\$123.66	13.00%

**CONSUMER + CREDIT** *continued from page 6*

**Catalog and Multi-Page Advertisements**

Under certain circumstances, a catalog or other multi-page advertisement may constitute a single advertisement, meaning that only one set of disclosures may be necessary. In such a case, the disclosures must be clearly set forth in a table sufficiently detailed to show all the disclosures required by the Act. However, any credit or lease terms appearing elsewhere in the advertisement must include a *clear and conspicuous reference* to the page on which the table of disclosures appears.

Not every closed-end advertisement consisting of more than one piece of paper qualifies as a "multi-page advertisement." As used in the Truth in Lending Act, "catalogs and multi-page advertisements" consist of a *series of numbered pages*, such as a newspaper supplement. Thus, separate pieces of paper, even those mailed in the same envelope, are separate advertisements. For example, if a mailing consists of several pieces of paper, each of which promotes a different item of merchandise sold on credit, each piece of paper containing a triggering term must include a full set of disclosures.

**Other Considerations**

Even though advertising the period of repayment or the amount of the downpayment will trigger disclosure, statements such as "take years to pay" or "no closing costs" do not trigger further disclosure because they do not specifically state or imply the period of repayment or downpayment cost. However, the statement "Move-in costs \$600," which implies that the required cash downpayment is no more than \$600, does trigger full disclosure. Similarly, "up to 48 months to pay" limits the period of repayment and thus triggers disclosure. In general, the more specific a particular statement, the more likely it is to trigger disclosure.

<sup>1</sup> "Closed-end credit" includes all consumer credit that does not fit the definition of open-end credit. "Closed-end credit" consists of both sales credit and loans. In a typical closed-end credit transaction, credit is advanced for a specific time period, and the amount financed, finance charge, and schedule of payments are agreed upon by the lender and the customer.

<sup>2</sup> However, in buydown mortgages, the interest rate which must be used, for purposes of calculating and disclosing the annual percentage rate, is contingent on the legal obligation of the consumer. Assume the seller or a third party pays an amount to the creditor to reduce the consumer's payments for the first 3 years of a 30-year loan from 15% to 12%. If the lower rate is stated in the credit contract between the consumer and the creditor, the annual percentage rate should take the buydown into account. If the lower rate is not in that agreement, the annual percentage rate should not reflect the buydown. The latter situation can occur, for example, when the seller agrees separately with the consumer to subsidize the consumer's payments.

The Federal Trade Commission has two Regional Offices in California:

11000 Wilshire Boulevard  
Los Angeles, 90024  
(213) 209-7575

450 Golden Gate Avenue  
San Francisco, 94102  
(415) 556-1270

Single copies of the above referred to manual are available from either of the above offices. Although the Federal Trade Commission is unable to supply multiple copies of the manual, there is no prohibition against reproduction of the booklet. Quantity orders of not less than 50 copies may be obtained, for a charge, from:

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## NARELLO Digest Published

The National Association of Real Estate License Law Officials has announced the publication of its 1987 "Digest of Real Estate Laws." The digest is designed for real estate executive officers, educators, attorneys and those in need of state-by-state statistics on license law requirements. Information contained in the "Digest" has been used extensively in testifying and lobbying before legislative bodies throughout the U.S. and Canada.

Among the material included in the "Digest" is the following:

- Licensing requirements state-by-state;
- Educational requirements for licensure;
- Transferability of real estate courses;
- Reciprocity/non-residency;
- Agency/subagency update state-by-state;
- Legislative updates affecting licensees; and
- Subdivided lands and time share data.

The "Digest of Real Estate Laws" is available for \$30.00 by writing

NARELLO DIGEST  
P.O. Box 129  
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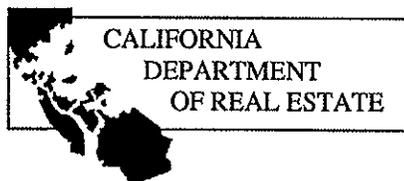
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