

REAL ESTATE BULLETIN

CALIFORNIA DIVISION OF REAL ESTATE

EARL WARREN, Governor

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R. S. DAVIS, Assistant Commissioner

Licensees Requested to Wait for Renewal Forms

Licensees are asked to withhold the mailing of their license renewal applications and fees for the 1948-49 year starting July 1, 1948, until they receive renewal application forms from the division. Compliance with this request will result in better service and simplify and speed up the issuance of renewals.

In former years, the renewal blank was attached to the license. This practice has been discontinued. Renewal application forms will be mailed to each broker. He will also receive those of his salesmen.

These renewal applications will show the names, addresses, etc., registered on the current licenses.

Please do not attempt to renew your license until you receive these renewal forms in the mail. They will be mailed some time during the month of May and, so far as is practicable, the salesman renewal applications will be mailed out in the same envelope with that of the employing broker. If you do not receive your renewal forms by June 10th, it is suggested that you then make inquiry.

The application forms for broker and salesman will be alike, except for the color and name imprint. They should be properly signed in the space provided, and any necessary corrections made. Space is provided for the broker to list his branch offices and his salesmen for whom renewal licenses should be issued. All applications and fees for a given broker and his salesmen should be mailed to the division in one envelope. One check or money order may be used to cover the total fees of the broker and his salesmen. As far as possible, both broker and salesman licenses will be returned to the broker in one envelope.

This procedure will greatly assist rapid and accurate issuance of licenses and allow the completion of the broker and salesman records in one operation instead of the rather cumbersome method of issuing, entering, and mailing salesman and broker licenses as separate transactions.

A more attractively designed license will be issued for the coming year. These will be issued as the applications are received, and the mailing will not be delayed to any specific date. If, after these licenses are issued, the licensee reports, prior to July 1st, a change which could not be foreseen, a corrected license will be issued without further charge. Such changes which may occur are, for instance, a change of address or transfer of salesman to a new broker.

REALTY HOLDING CORPORATIONS

From time to time the Division of Real Estate receives inquiries from real estate brokers as to their position in the sale of real estate, the ownership of which is represented by stock in a corporation. Not long ago a real estate broker advised that he had practically effected the sale of a downtown office building which was the sole asset of a corporation. The corporation, however, insisted upon transferring ownership of the building by transferring 100 percent of the corporation stock. The broker's question was: "Does my real estate broker license entitle me to effect the transfer of the property by selling the stock of the corporation which owns it, and charge a commission for this service?"

The answer is that a real estate broker license does not entitle its holder to sell the stock of a corporation. Perhaps the leading case covering this point is *Van Wyke v. Burrows*, 98 Cal. App. 415.

The real estate broker, of course, may secure a listing in the regular manner from the corporation, and sell the corporation's property for a compensation. The corporation would then give a deed in the usual fashion.

In order to sell the stock and receive a compensation for that service, the agent must possess a stockbroker's license obtained from the Commissioner of Corporations. Among other requisites for such a license are the posting of a \$5,000 bond and an investigation of the applicant's business record. Past involvement in questionable promotion schemes may bar the applicant from receiving a license.

APPRAISAL STUDY

The coming months will see two unusual opportunities for the study of real estate appraising offered to all real estate brokers and salesmen. The courses are to be given in California universities by the American Institute of Real Estate Appraisers and seem well worthy of consideration by anyone interested in appraisal work. They are as follows:

1. Farm Land Appraisal Case Study Course at the University of California, College of Agriculture, Davis, June 21 to July 3, 1948; and
2. Urban Appraisal Case Study Courses I and II, at the University of Southern California, August 9 to September 4, 1948.

These courses have been endorsed by resolution of the Real Estate Board of California which serves in an advisory capacity to the Real Estate Commissioner. The resolution recommends the courses as being of superior quality and as offering genuine benefits to all real estate licensees interested in learning more about the fundamentals and procedures involved in estimating the value of real property.

Those interested may secure complete information and registration blanks from The California Real Estate Association, 117 West Ninth Street, Los Angeles, or from the American Institute of Real Estate Appraisers, 22 West Monroe Street, Chicago 3, Illinois.

DEMAND FOR EXAMINATIONS AND LICENSES CONTINUES STRONG

At the end of March the total number of real estate broker's and salesmen's licenses issued in California during the 1947-48 year reached 75,051, some 8,000 more than the 67,001 issued at the same time in the previous year.

The figures quoted above are subject to some discounting and do not accurately represent the number of persons actively engaged in the real estate business. The attrition represented by cancellation or revocation of licenses, by death, by removal from the State or by other causes is not considered in arriving at the quoted figures.

The salesman cancellations are naturally high as it is a common experience for people to try the business and find themselves unsuited to it or to accept opportunities for employment in other fields.

Likewise, broker cancellations run high each year. Many persons licensed as brokers but not presently engaged in that business renew their licenses each year and immediately cancel them. In this way they are prepared to, at some time in the future, again actively engage in the business, if they should choose to, without the delay, expense and examination incident to the obtaining of an original broker license.

Adding the number of other types of licenses issued by the Real Estate Division to the real estate licensees, the total as of March 31 was 83,109, compared to 73,111 a year ago. This shows a gain of 10,000 licensees. The business opportunity group accounts for 7,573 of the total licenses issued.

If new real estate licensees continue to enter the business at the present rate, total real estate licensees by the end of the year on June 30th will exceed 80,000, an all-time record.

Naturally, the number of license examinations which the division must give is considerably greater than the number of licenses issued, taking into account the percentage of failures. Examinations have been running well over 2,000 per month. Conducting the examinations and properly supervising the large number of examinees is a considerable task in itself. New examinations must be constantly prepared and printed, records of the applicants must be kept, assignments for examinations and reexaminations made, and the papers carefully graded. With the exception of actually giving the examination at the designated time, the remainder of the work is carried on by the Sacramento office.

Reexaminations of applicants who fail to pass the first examination are rather heavy. In the month of March, for instance, 1,107 broker applicants were examined and 433 failed, or about 40 percent. In the same month, 769 regular salesmen were examined, with 351 failing. The number of provisional salesmen who failed is relatively small, being about 5 or 6 percent.

This year, salesman renewal blanks for 1948-49 licenses will be mailed to the broker. Check with your broker.

The renewal license fee for a broker is \$5; for a salesman \$2. In the case of a partnership license, each partner's renewal fee is \$5. A corporation renewal fee is \$5, which fee includes the president, and \$5 for each other broker-officer. Branch office renewal fee is \$1.

HEARINGS

During the first quarter of 1948, the division held 41 formal hearings on charges of violation of the Real Estate Law. The commissioner's decision has been issued in 88 cases. Eight licenses were suspended, four revoked, two reinstated, two licensees were issued restricted licenses, and six cases were dismissed.

While the complaints which resulted in these hearings fell into three or four general classifications, each case had its own peculiarities. A brief statement of the nature of the offense which resulted in a revocation or suspension is given below:

- Broker was guilty of fraudulently securing a secret profit.
- Broker obtained a net listing by using misrepresentation.
- Failure to disclose that broker was buying the property himself through a relative.
- Misrepresented the amount of net earnings from a business.
- Kept a deposit, although he did not consummate the transaction, and finally gave a bad check for the amount.
- Broker obtained a license by denying that he had a criminal record, whereas he had been twice convicted and sentenced.
- A fraud judgment was rendered by the court against the broker (violation of Section 10177.5 of the Real Estate Law).
- Broker took deposits from three different prospective purchasers on the same property, which he could not deliver to any of them, and used the money for his own purposes.
- Salesman accepted a commission from persons other than his employing broker.
- Broker took a \$1,000 deposit and was unable to complete the deal, using the money for his own benefit. Broker made two secret profit deals by using dummy.

It is encouraging to note that although the volume of complaints is large, a comparison of the number of complaints with the number of licenses issued shows a ratio of fewer complaints per licensee in recent years.

TITLE VI

President Truman has signed the bill extending Title VI of the National Housing Act through April 30, 1948, and providing for a \$400,000,000 increase in insurance authorization. All applications for insurance under Title VI which were received on or before March 31, 1948, will be processed as heretofore on the basis of necessary current cost. Since March 1, 1948, commitments were released only upon authorization from Washington. As of April 2, FHA has been authorized to release to the lending institutions all Title VI commitments which had been prepared up to and including March 26, but which were held awaiting the Washington authorization. Subsequent commitments are subject to the same release conditions. As of April 1, 1948, all applications, including both Title II and Title VI, will be processed in the order of their receipt.

Section 603 of Title VI and Section 203 of Title II of the National Housing Act provide for the insurance of loans covering properties for one to four-family units on a single parcel of land. Section 608 provides for insurance of loans involving rental housing projects of eight or more dwelling units. Meanwhile the Senate Banking and Currency Committee kept bottled up the long-range bill extending Title VI for a year to March 31, 1949, with a two billion dollar additional authorization, despite the fact that the House rushed this through to passage within eight days as emergency legislation.

—L. A. Realtor

HOSPITALS AND SANITARIUMS

Real estate brokers and salesmen who have occasion to handle the sale or lease of property to be used for the purpose of operating a hospital, sanitarium, rest home, nursing home, etc., should keep in mind that a property can be operated for these purposes only if it is eligible for license by the State Department of Public Health, and can obtain the required fire clearance from the State Fire Marshal. These requirements are provided for in the Hospital Licensing Act, which became effective January 1, 1946. Several instances have been called to attention wherein individuals have purchased or leased property for such purposes, and found themselves unable to put the property to the desired use.

A more complete list of uses which require a license and fire clearance are listed in Section 1401 of the Hospital Licensing Act.

COMMISSIONER RESIGNS

Real Estate Commissioner Hubert B. Scudder tendered his resignation to Governor Earl Warren, effective March 1st. The Governor accepted it with expressions of his regret.

Mr. Scudder, after five years as Real Estate Commissioner, decided to enter the congressional race from his home district. Prior to his serving as Real Estate Commissioner, Mr. Scudder was a State Assemblyman for 16 years and will be remembered as the sponsor of effective real estate legislation during that time.

At this writing Governor Warren has not appointed a regular successor to the post, but in the interim has authorized Mr. R. S. Davis, Assistant Commissioner, to carry on the functions of the division. Mr. Davis had many years of experience in responsible administrative positions with the State prior to his appointment as Assistant Commissioner.

COMPLAINTS

Recently an inquiry was made of the Real Estate Commissioner regarding the number of complaints filed with the Division of Real Estate at the present time, as compared to the prewar period. A check of the files was made, and some rather interesting facts developed.

In considering the number of complaints handled in any particular year, naturally the number of licensees for that year should be taken into consideration. In the license year 1946-47 there were about 77,000 licensees, and 2,190 complaints were received. In the year 1943-44, when the licensees totaled 32,000, there were 1,938 complaints, or nearly as many as last year when the licensees were more than double the number. While there remain two or three months in the current license year, 1947-48 (with about 83,000 licensees), the total of complaints is now 1,815. It will probably not run over last year's mark.

The conclusion to be drawn from these figures is that theoretically the number of complaints per licensee is about one-half what it was in the early years of the war and during the war period. As a matter of fact, past experience shows that in times of depression when the licensees are lowest in number, the complaint work remains steady and even increases. It is for that reason that it is important to maintain an adequate staff of investigators during the lean years, even though the income of the Division is less.

BACK TO SCHOOL

Hundreds, perhaps thousands, of real estate brokers and salesmen are going back to school for two days to learn and review business-stimulating methods, according to present plans of the California Real Estate Association.

In a state-wide program of educational conferences sponsored by the association, two-day meetings are being held in strategic cities. Plans call for the employment of staffs of expert instructors.

While the complete schedule has not been prepared and released as this publication goes to press, sessions have been completed at Burbank, Long Beach and Pasadena and another is proposed in Santa Ana, May 20-21.

The sessions last all day, each of the two days, recessing only for lunch. The proper writing of sales agreements, the escrowing of transactions, the salvation of deals by proper financing, and other similar subjects are discussed by experts in the various fields. A nominal fee is charged. Those interested can receive further information from the secretary of the real estate board in any city where a conference is slated.

BUILDING COSTS

Building costs, during the past six months, apparently have leveled off and even declined to some extent. This decline has been comparatively small, but it is nevertheless definite. Builders advise that wages and sub-contract costs comprise as much as 80 percent of the cost of some houses, and wages in general have not been reduced. The savings, therefore, can be attributed to somewhat lower material costs and an improved degree of building efficiency.

The Bureau of Labor Statistics reports that in 1946, 330,000 homes were built in the United States, while in 1947 the number increased to 850,000. As is evident to anyone, there is still a shortage of residential units, particularly in California.

RENT CONTROL

Federal rent controls, slightly modified, are continued for one year from April 1, 1948, according to a law recently passed. The Senate refused to grant to local rent advisory boards final authority to decontrol rental areas or to order blanket rent increases. The local boards may make recommendations to the rent control section of the Office of the Housing Expediter and, if rejected by that office, the matter may be heard by a Federal Emergency Court of Appeals which must approve the recommendation of the local board if it is reasonably substantiated. The court may hold hearings anywhere in the country.

The new act includes various other provisions, such as requiring the Housing Expediter to grant rent increases in hardship cases when the owners prove insufficient investment return. Restrictions on the use of building materials for construction of recreational facilities are also removed.

This year a renewal application will be mailed to each broker, together with additional applications for his salesmen. These should be received before the end of May. Do not renew your license until these application forms are received, unless you fail to receive them by June 10th.

MANY SUBDIVISIONS LAUNCHED

New subdivisions, totaling 182, were filed with the Division of Real Estate in March, reaching the highest figure in many months. While many of these tracts were intended for immediate improvement by builders, over half were offered for sale to investors who propose to build their own homes in the not too distant future. It is noteworthy that a large number of these tracts are highly restricted and command high lot prices.

The previous year in March, 1947, 173 subdivisions were filed with the division. The total filed since last July 1st is 1,184, as compared with 1,320 for the same period a year ago.

Veteran Housing

Those veterans who are over 40 years old are no longer required to pay an extra premium for life insurance when purchasing homes or farms under the California veterans plan, as was formerly the case. California veterans may obtain up to \$7,500 for the purchase of a home, or up to \$13,500 for the purchase of a farm under the state program. Liberal repayment terms include a low rate of interest, currently 3 percent.

No renewal form for your 1947-48 license was attached to the last license you received. This form will be mailed to you in May and contain the same data as your present year's license. Salesman renewal applications will be mailed to the broker's office. Each renewal application should be properly signed and accompanied by the correct fee. A broker should return his own renewal application, together with those of all his salesmen, at one time and in one envelope. One check or money order may be used to pay the total fees.

According to the Federal Reserve Bulletin, the volume of money in circulation as of December 31, 1939, was \$7,598,000,000. By October 31, 1947, it had jumped to \$28,552,000,000—an increase of 277 percent, or 30 percent a year, while consumer goods had increased only 17 percent.

SUPERVISOR ILL

Wayne T. Wilcox, Supervising Deputy of the Los Angeles Office, was stricken with a heart ailment early in January and has not to date sufficiently recovered to return to his duties. He was confined to a Los Angeles hospital for seven weeks, and is currently recuperating at home. His progress is reported to be highly satisfactory, and he has requested that his appreciation be expressed to his many friends and well-wishers who have sent his messages.

During his illness, the management of the office has been temporarily assumed by Ray Westcott, veteran deputy of the division.

Housing Bond Issue

Under a proposed initiative measure, California voters would decide whether a one hundred million dollar bond issue should be authorized to finance the construction of 100,000 low and moderate rental dwellings, subsidized through annual state appropriations. It will take 204,672 voters' signatures to qualify the initiative for the November general election ballot.

Sponsors of the program estimate that the State would contribute about 20 percent of the funds, and that local housing authorities would be required to raise the remaining 80 percent from private sources, or from local bond issues.

More Figures

What is the population of California? The latest official estimate during January, 1948, was 10,048,150.

The state fiscal program for 1947-48 totaled \$771,500,000, with about \$400,000,000 going to the local governments.

The state-wide assessed value of taxable property for the current year is \$10,994,622,625.

Five of the leading multiple listing realty boards report approximately six million dollars in sales during February, 1948. This is a greater volume of business than the same boards did in February, 1947.