

REAL ESTATE BULLETIN

Official Publication of the Division of Real Estate—D. D. Watson, Commissioner

Vol. X

MAY, 1951, SACRAMENTO, CALIFORNIA

No. 6

Obsolete Applications Should Be Destroyed

It will expedite the processing of applications for real estate salesman or broker licenses if the applications are submitted on the revised form which our offices have had available for the last 14 months. The latest form (and the one which must be used) is identifiable by these characteristics:

(1) It is hinged to the top rather than the side and

(2) It requires a full explanation of any violation of law, regardless of how minor it may appear to be.

Please—Don't Remit Cash!

Every day the several offices of the Division of Real Estate continue to receive cash remittances through the mail from persons making application for licenses and from licensees requesting changes of name or location, transfer of employment or other services for which a charge must be made.

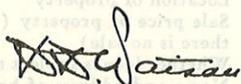
Again we must ask you not to mail cash because we cannot be responsible for "cash enclosures." In addition, the practice adds unnecessarily to the cost of handling and often results in delay in rendering the service which the licensee or applicant is requesting.

TO ALL LICENSEES:

I would personally appreciate your cooperation again this year in being careful to fill out your license renewal applications completely and accurately.

The division's workload is many times normal at license renewal time, and action on incomplete applications usually must be held in "suspense" until the bulk of the licenses have been issued. This means delay in issuing your licenses and extra expenses to the division.

Thanks for your cooperation as in the past.



Real Estate Commissioner

Renewal Reminders—Read and Note Carefully

SAVE THIS BULLETIN FOR RENEWAL REFERENCE

Wait for License Renewal Application Forms Which Will Be Mailed From Sacramento to All Licensees About May 25th.

Use these official forms to make your renewal applications. However, if you do not receive your renewal application forms by June 10th, you should request them from one of the division's offices and send in within the time limit.

Remember that renewals must be made on or before June 30th to avoid penalty. Renewals postmarked before midnight of June 30th will make the deadline.

Please read and carefully follow the instructions on the renewal application. Be sure application is complete in every respect and the proper fee is attached before mailing.

Give any change in name or address on renewal application. If change is to be effective as of July 1st, no fee is required for the change. However, if change has been made, or will be made prior to July 1st, enclose a \$1 fee for each license involving a change of address or name.

Brokers—Please mail your broker renewal application and fee in together with the renewal applications and fees of your employed salesmen. Use one envelope. Make sure that you and the employed salesman sign the salesman renewal application.

Salesmen—Be sure that you and your employing broker both sign your renewal application. Your renewal application should be mailed to the division in the same envelope with that of your employing broker because your salesman license cannot be renewed until your broker renews.

Do not mail currency. Remit by money order or check. If currency is lost, there is no way to prove its enclosure. You would have to pay another fee and possibly an additional penalty fee. Make all checks, drafts or money orders payable to *State Division of Real Estate*.

Personal checks will be accepted subject to collection. If a check is returned by the bank *unhonored for any reason*, and proper fee is not remitted prior to midnight June 30th, a *double fee* will be required. In most instances, it is impossible for the division to notify the applicant of an unhonored check in time to allow him to avoid the double fee.

Because of the great number of renewal applications always received during the last few days in June, it is impossible to have all licenses issued and mailed to applicants by July 1st. Sections 10156.2 and 10279.2 of the Real Estate Law provide that a licensee may continue to operate under his existing license after the expiration date if proper renewal application and fee were mailed before midnight of June 30th of the year for which such licenses were issued.

The "inactive" broker licensee, to maintain his license right, must make renewal application and remit the full renewal fee. If he intends to continue in an "inactive" status, he should write across the face of the renewal application: "Issue and Cancel." *Renewal applications are being sent to all "inactive" brokers.*

The "inactive" salesman must make renewal application and pay the full renewal fee. He must find a broker willing to sign his renewal application and should have this broker send the signed application in. The signing broker is relieved of responsibility for the "inactive" salesman, so far as this division is concerned, by writing across the face of the salesman renewal application: "Issue and Cancel." *Renewal application forms are not being sent to "inactive" salesmen, but the forms may be obtained at any division office.*

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VOL. X MAY, 1951 No. 6

Published Bimonthly by the

**DIVISION OF REAL ESTATE
STATE OF CALIFORNIA**

EARL WARREN, Governor

D. D. WATSON

Real Estate Commissioner

M. R. GRIFFIN, Administrative Assistant

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DISCIPLINARY ACTION—MARCH AND APRIL

NOTE: Any person whose license has been suspended or revoked, or whose license application has been denied, has the right to file a petition for writ of mandate. Generally, this must be done within 30 days after the effective date of the decision.

Although a number of hearings are held on denials of licenses where the applicant's good reputation is concerned, the Real Estate Commissioner does not feel that any public purpose would be served by the publication of the names of those applicants to whom the privilege of licensing is denied.

LICENSES REVOKED DURING MARCH AND APRIL, 1951

Name	Address	Effective date	Violation
Taylor, Laurence Thomas Real Estate Broker	Lagoon Road, Belvedere.....	3/15/51	Sec. 10177 (b), (f)
Miyata, Sam Isamu Real Estate Broker	2833 W. Olympic Blvd., Los Angeles	3/27/51	Secs. 10176 (a), (g), (i); 10177 (f) & 10302 (a)
Maxwell, William Robert Real Estate Broker Business Opportunity Broker	1411-1413 Westwood Blvd., Los Angeles	3/27/51	Sec. 10177 (b), (f)
Scruggs, Grace Kosa Real Estate Broker	231 W. Grand Avenue, Escondido	12/27/50	Secs. 10176 (i) & 10177 (f)
McDonald, John Winston Real Estate Broker	1738 W. 23rd Street, Los Angeles	4/10/51	Sec. 10176 (e), (i)
King, David Edward Real Estate Broker	6208 So. San Pedro St., Los Angeles	4/20/51	Secs. 10176 (e), (i); 10177 (f) & 11020. Sec. 2830 Cal. Ad. Code
Dunn, Beatrice Coates Real Estate Broker	3631 So. Flower Dr., Los Angeles	4/20/51	Secs. 10176 (e), (i); 10177 (f) & 11020. Sec. 2830 Cal. Ad. Code

LICENSES SUSPENDED DURING MARCH AND APRIL, 1951

Name	Address	Effective date and term	Violation
Waldman, Albert Real Estate Broker	5225 Wilshire Blvd., Los Angeles	3/14/51 15 days	Sec. 10177.5
Kidd, L. E. Real Estate Broker	2212 S. San Pedro St., Los Angeles	3/20/51 1 year	Secs. 10176 (e), (i) & 10177 (f)
Hargrove, Bruce Lyle Real Estate Broker	1543 Glendale Blvd., Los Angeles	4/10/51 60 days	Sec. 10176 (a), (i)
Watt, Robert Peter Real Estate Broker	Fair Oaks Blvd. Ranchos & Frontier Way, Carmichael	4/23/51 30 days	Secs. 10177 (f) & 11020. Sec. 279 Cal. Ad. Code
Hunter, James Lester Real Estate Broker Business Opportunity Broker	105 4th Street, Orange Cove	4/23/51 90 days	Secs. 10176 (a), (b); 10177 (f) & 10302 (e)
Kelly, Vincent Aloysius Real Estate Broker	10335 Laurel Canyon Blvd., Pacoima	4/23/51 30 days	Sec. 11020. Sec. 2795 Cal. Ad. Code
Kelly, Brian Real Estate Broker	10335 Laurel Canyon Blvd., Pacoima	4/23/51 30 days	Sec. 11020. Sec. 2795 Cal. Ad. Code

Let's Help Reservists

It has come to the attention of the commissioner that there have been instances of discrimination against young men and women who are in the armed forces reserve or who are subject to being drafted, in that they are being refused employment or loans on real estate.

This is unfair to those who may be called upon to make substantial sacrifices for our common welfare. Many may be reluctant to remain in the Reserve in times of peace if they find they are to be discriminated against just because they may be called into service.

The Governor has instructed all state agencies that a person's eligibility for service as a draftee or reservist is, under no circumstances, to weigh against that person's chance for employment or advancement, and the various departments are carrying out this program.

This is vital to all of us, and it might help if you would take this matter up with local banks, other lenders, employers and service clubs. *Urge them not to discriminate against those who may be called upon to make the supreme sacrifice in our behalf*—THINK IT OVER—HELP DO SOMETHING ABOUT IT!

Real Estate Loan Brokers Under Regulation X

The Federal Reserve Bank of San Francisco in a general letter dated April 25, 1951, clarifies the responsibilities of real estate and mortgage loan brokers under Regulation X which applies to credit extended with respect to residential and non-residential property on which new construction was begun after noon of August 3, 1950.

The bank stated: "A broker who regularly makes real estate loans in his own right as a fiduciary or as an official representative of some lending organization is, of course, a registrant under Regulation X—Brokers—do act as agents of lenders, and as agents of lenders, they are subject to the regulation. If a broker placed more than three loans this year or last, or placed loans aggregating more than \$50,000, and received fees or commissions from the lenders for his services in arranging the loans, that broker is considered a registrant under Regulation X and is subject to the regulation's requirements—"

"In a typical sale of real estate where a broker acts as sales agent, the broker may also arrange the financing for the sale. In such cases, if the broker receives a fee from a lender for his services in arranging the financing, whether the lender is a seller of the real estate who is taking back a purchase-money mortgage, or a third party, the broker ordinarily would be considered an agent for the lender.

"At this time all brokers in this district are automatically registered and it is not necessary for those who are subject to the regulation to register with the Federal Reserve Bank. Formal registration may be required at some future time. It is necessary, however, that certain records be maintained which, upon inspection, will indicate compliance with Regulation X. In many cases, this means that a statement of the borrower should be taken when arrangements for a loan are made.

"For his own protection and to facilitate examinations, it might be well for the broker to maintain a record of all loans placed including the following information:

- (1) Date of application
- (2) Amount of loan
- (3) Location of property
- (4) Sale price of property (or valuation if there is no sale)
- (5) Whether loan is subject to Regulation X
- (6) Name and address of borrower
- (7) Name and address of lender
- (8) Date of transfer of mortgage papers."

True Copies of Subdivision Public Reports

An amendment to the Real Estate Commissioner's Rules and Regulations requires the subdivider to deliver to the prospective lot purchaser a copy of the subdivision public report *which has been prepared by the Division of Real Estate*. Reprints prepared by the subdivider may not be used unless the reproductions are exact copies of the official report using the same size of type throughout, including the heading and the two opening paragraphs.

This is in accordance with Section 2795 of the Commissioner's Rules and Regulations (Title 10, Chapter 6, Administrative Procedure Code), effective May 9, 1951, which is quoted in full as follows:

"Copy of Public Report to Be Given to Prospective Purchaser. The owner, subdivider, or agent shall not accept a deposit or execute an agreement of sale on any lot or parcel in a subdivision until a true copy of the Commissioner's public report on the subdivision has been given to the prospective purchaser and his receipt taken therefor. Receipts shall be kept on file in the possession of the owner, subdivider, or agent, subject to inspection within a reasonable time by the Commissioner or his deputies.

"The true copies of the Commissioner's public report shall be those prepared by the Division of Real Estate; provided, however, that exact reproductions may also be used. These reproductions must use the same size of type as the copies prepared by the Division, and a sample of such reproduction must be filed with the Commissioner prior to use. However, this rule shall not apply where the filing of a questionnaire or fee has been waived by the Commissioner."

When the subdivision public report is issued by the commissioner, the subdivider is mailed a normally sufficient supply of reports to hand to all prospective purchasers. If more reports are needed, they can be secured from the Division at a nominal cost.

NOTE: Subdividers are prohibited from offering to sell until the report has been issued, and also prohibited from taking an offer to purchase unless the prospective purchaser has been handed a copy of the report, given an opportunity to read it, and his acknowledgment of same is taken indicating that these requirements have been met.

Community Apartments Are Subdivisions

Recently, the Real Estate Commissioner received an opinion of the Attorney General, No. 50/209 to the effect that **the initial offering of apartments in a community apartment house in which each grantee receives an undivided interest in the property plus exclusive occupancy of an apartment, is subject to the subdivision law (B. & P. C., Section 11000 et seq.).**

Such offerings are known to have been made extensively for the past few years, starting with the shortage of rental properties. The usual practice is for the owner to deed an undivided fractional interest in the described piece of land and confer upon the grantee the exclusive right to occupy a particular apartment in the building situated on the property, together with the use of hallways and other public portions of the building.

The deed further reserves to the grantor, or his successors, the exclusive occupancy of all other apartments, requires the grantee to pay monthly charges for services, maintenance, taxes and insurance, and provides for a board of governors, elected by the

apartment owners, to operate the building. The grant runs from the grantee "and to his heirs and assigns forever," thus creating a freehold or perpetual estate.

The Attorney General renders the opinion that in cases of five or more sales where the deed in question runs from the developer of the property and is not a subsequent transfer from the owner of an individual apartment to a buyer thereof, that the grantee receives a lot or parcel within the meaning of Section 11000 of the Business and Professions Code. The transaction, regarded as the initial sale of a divided interest, is thus subject to the requirements of the subdivision law.

Based upon this opinion, therefore, the commissioner hereafter will require persons who propose to make sales in this manner to make the necessary filings with him. The opinion covers not only newly erected apartment buildings, but applies also to those old buildings which are being sold in this manner for the first time.

Sewage Disposal in New Subdivisions

Effective immediately the Real Estate Commissioner is making the following requirements regarding the filing of subdivisions which are not to be served by public sewers.

If it is proposed that local means of sewage disposal are to be used, a required document in the subdivision filing will be a letter or statement from the local health officer, or authority having jurisdiction, *stating that the installation of septic tanks or cesspools will be permitted on all lots in the subdivision.* Any exceptions to this statement which might exist should be set forth, but it must be clear that the means of sewage disposal which are represented by the subdivider as being suitable will in fact be permitted on all of the parcels in the subdivision.

Intent of Requirement

The intent behind this requirement is to make sure that any purchaser of a residential lot will be able to dispose of sewage. The commissioner believes that before a prospective homeowner pays out his money, he is entitled to know definitely whether or not he can employ such disposal methods on the lot he buys.

In the past many letters in this regard from health officials have been indefinite and ambiguous. These letters will not be accepted in the future as complying with the requirement. The Commissioner will insist on knowing definitely that such disposal units will be permitted.

Many Licenses Inactivated

During the first 10 months of the fiscal year, over 12,000 licensees have requested that their licenses be canceled or "inactivated." That over 13 percent of those licensed during the year "inactivated" their licenses is attributed to a vigorous program of office surveys by division personnel and to explanatory articles appearing in the *Bulletin*.

California's Cities Grow

California now has more cities or "urban places" of 10,000 or more population than any other state in the Union.

License Required for Sale of Building Stock

The California Supreme Court on February 20, 1951, handed down a decision holding that an agent who effects the transfer of real property by means of selling the stock in the corporation owning same, must hold a license issued by the Corporation Commissioner.

A real estate broker was employed to sell a large Los Angeles office building. The owners decided, for tax purposes, to sell the stock of the corporation owning the building in order to effect the transfer of title. A written authorization was given to the real estate broker to bring this about. He found a buyer for the stock, and the sale was consummated.

In a court action to secure the commission, the defendants maintained that, under the Corporate Securities Act, a person was required to have a license issued by the Commissioner of Corporations in order to collect the commission. The superior court consequently granted judgment to the defendants.

The Appellate Court, Second District, reversed the decision of the lower court. The matter was then heard by the Supreme Court which held with the lower court and reversed the District Court of Appeal, holding that a license to sell securities was necessary to collect a commission under the circumstances. This decision is reported in 36-A.C.-714.

Changing From Broker to Salesman Status

Frequently, a licensed broker will surrender his broker license to become a licensed salesman in the employ of another broker. The mechanics of making the change from broker to salesman are simple. Merely fill out a salesman application (recommenders are not necessary), secure the signature of your prospective employing broker on the application; send it to the Division of Real Estate along with a \$2 fee and your broker license, requesting that the latter be made inactive. The salesman license will be issued immediately. No examination is required, and there is no charge for inactivating your broker license.

The individual who has thus surrendered his broker license to become a licensed salesman can reinstate his broker license if he renews his broker

license from year to year, paying the regular renewal fee. Otherwise he loses his broker license-right and, to become a broker, would have to go through the whole process demanded of an original broker applicant, including examination.

Names on Brokers' Signs

If the broker license is issued to a partnership or a corporation, the legal name of the partnership or corporation must appear on the sign which the broker licensee maintains.

If the licensee is an individual broker operating under an approved fictitious name, the licensee is at liberty to use the fictitious name, his real name, or both his real name and the fictitious name on the sign required.

SUBDIVISION PROPERTY FOR SALE

The State of California proposes to take sealed bids about July 1st on approximately 160 acres of desirable subdivision property located at Blackstone and Shields Avenues, Fresno.

For further information including prospectus of the property and outline of bid form, contact:

H. C. Vincent, Jr., Chief, Public Works and Acquisition Division, Department of Finance, 1103 O Street, Sacramento.

Brokers Should Check Salesman Applications Thoroughly Before Endorsing

Brokers are again reminded of the fact that this division still receives applications for salesman license, endorsed by brokers, in which application question No. 6, relative to criminal record, has been left unanswered. In other instances, the answer given to that question has proved to be false and the salesman applicant has, in fact, had a criminal record.

The broker, in recommending a salesman applicant, makes a very strong statement to the effect that he has ascertained upon investigation that the applicant is honest, truthful and of good reputation. Our records indicate many brokers sign salesman applications apparently without any investigation. Brokers should not regard their signatures lightly in this respect.

The Real Estate Commissioner feels licensees should be interested in maintaining high standards and should "police" their own business from within as much as possible.