



Real Estate Bulletin

Official Publication of the California Division of Real Estate

RONALD REAGAN, *Governor*

Summer 1968

BURTON E. SMITH, *Commissioner*

1968 LEGISLATURE ENACTS MAJOR REAL ESTATE LAW CHANGES



Governor Ronald Reagan hands signed education bill to Commissioner Burton E. Smith, as Senator Walter Stiern of Bakersfield, the bill's author, looks on.

Governor Reagan Signs Education Bill Into Law

Acclaimed as one of the most important single pieces of real estate license legislation since enactment of the original license law, SB 253, authored by Walter Stiern (D-Bakersfield), was signed by Governor Ronald Reagan on June 12. The bill was sponsored as "departmental" legislation by Commissioner Burt Smith and, signing it, the Governor complimented him, the State Real Estate Commission, the real estate industry and Senator Stiern for their efforts in realistically raising standards for admittance to real estate brokerage practice for the ultimate benefit of the public.

Effect of Bill

In existing law, applicants for broker license complete a three-unit college-level course in legal aspects of real estate and a like course in real estate practice or are required to take a special supplementary test in each of these subjects. As of January 2, 1970, the new legislation will make it mandatory that these courses be completed in order to *qualify* for the broker license examination. After that date,

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Among New Enactments: Subdivision Fees Raised

Apart from the education bill discussed in the adjoining column, several other bills were introduced this year at the instance of the Real Estate Commissioner and these and other pieces of legislation relating to the Real Estate Law and the Subdivided Lands Act are discussed in this column.

Subdivision Fees Raised

A DRE study revealed that subdivision filing fees did not meet the costs involved in processing, inspection and issuance of public reports. To remedy this situation, Senator Sherman, at the behest of the Real Estate Commissioner, introduced SB 386, which was passed by the Legislature and signed by the Governor. It boosts subdivision filing fees to this schedule:

- Application for out-of-state subdivision permit: \$500 per subdivision, plus \$3 for each lot.
- Application for out-of-state renewal permit: \$100.

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REAL ESTATE BULLETIN

Official Publication of the
California Division of Real Estate

Vol. 28, No. 2 Summer, 1968

STATE OF CALIFORNIA
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Real Estate Commissioner

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The Real Estate Bulletin is a quarterly published by the State of California, Division of Real Estate, as an educational service to all real estate licensees in the state under the provisions of Section 10083 of the California Business and Professions Code.

From the license renewal fee, \$1 is allocated to cover subscription to the Bulletin. Application to mail at second-class postage rate pending at Sacramento, California.

Disciplinary Action—March 1968—June 15, 1968

REB—Real estate broker RES—Real estate salesman REO—Real estate officer
RREB—Restricted real estate broker RRES—Restricted real estate salesman REC—Real estate corporation
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 to whom licenses are denied upon application are not published.

Licenses Revoked During March 1968—June 15, 1968

Name	Address	Effective date	Violation R.E. Law/Regulations
Staton, Starling Thomas (RES).....	6179 Imperial Ave., San Diego.....	3/ 9/68	10177(b) (f)
(Right to RRES license on terms and conditions)			
Ainley, Ralph Gray (RES).....	3200 Los Osos Rd., San Luis Obispo	3/12/68	10177(d), 11010, 11018.2
Reynolds, Frederick Samuel (RES).....	10968 Lower Azusa Rd., El Monte	3/12/68	10177(b) (f)
(Right to RRES license after 45 days on terms and conditions)			
Coletti, John (RES).....	11850 Wilshire Blvd., Ste. 5, Los Angeles	3/13/68	10176(g), 10177(f) (j)
(Right to RRES license on conditions)			
Cole, Ella Rieden Walker (REB) ..	114 E. Oak St., Visalia.....	3/14/68	10176(e) (i), 10177(f) (j)
dba E. R. Walker Realty			
Clay, Deryck Carl (RES).....	12507 Gail Ave., Sunnyvale.....	3/19/68	10176(a) (b) (i), 10177(f)
(Right to RRES license after 90 days on terms and conditions)			
Cohee, William Lee (REB).....	6676 E. 14th St., Oakland.....	3/19/68	10145, 10176(e) (i), 10177(d) (f)
(Right to RREB license on terms and conditions)			
Reid, Randon William (RES).....	401 S. Hartz, Danville.....	3/19/68	10177(b) (f)
Stinson, Gilmore (REB).....	12478 San Pablo Ave., Richmond ..	3/26/68	10145, 10176(g), 10177(d) (f)
(Right to RREB license on terms and conditions)			
Castle, Donald Duane (REB).....	22732 Foothill Blvd., Hayward....	3/27/68	10176(a) (i), 10177(f) (j)
dba Security Mortgage & Investment Co. (RES).....	36859 Dauphine Ave., Fremont		
Woodall, George Herbert (REB).....	3566 Dimond Ave., Oakland.....	4/ 2/68	10177(b)
Pres., Renal Enterprises, Inc. (REO); Pres., Woodmor Realty, Inc. (REO)			(Right to RREB license on terms and conditions)
Paulson, Forrest Huntington (RES).....	12775 Poway Rd., Poway.....	4/ 4/68	10177(a) (b) (f)
Shubin, Fred (RRES).....	1029 S. Union Ave., Apt. 5, Los Angeles	4/ 4/68	10177(b) (f) (k)
McMoyler, Richard Gerald (REB).....	2480 Whitney Dr., Mt. View.....	4/ 8/68	10176(g), 10177(f)
(Right to RREB license on terms and conditions)			
Altamirano, Mario (RES).....	8341 Dalewood Ave., Pico Rivera..	4/ 9/68	10177(a) (b) (f)
(Right to RRES license on terms and conditions)			
Lawson, Albert Eugene (RES).....	1539 Rancho View Dr., Lafayette..	4/10/68	10145, 10176(e) (i), 10177(d) (f)
O'Leary, Gail Ann (RES).....	1306 Bridgeway, Sausalito.....	4/10/68	10177(b)
Parker, Barbara Robar (RES).....	1166 Locust Ave., Anaheim.....	4/10/68	10145, 10176(g), 10177(d) (f) (g) (j)
Robison, George Edward (REB).....	5120 Peck Rd., El Monte.....	4/10/68	10176(g), 10177(d) (f) (g) (h) (j), 2831, 2831.1, 2833, 2950(d) (g) (i)
Pres., Bolsa Properties, Inc. (REO)	12732 Garden Grove Blvd., Garden Grove		
dba J and E Realty			
dba Colonial Mortgage Company	P.O. Box 2501, 1130 S. Lemon, Anaheim		
Silvers, Barry Charles "Steve" (REB) (Right to RREB license on terms and conditions)	2160 Royale Rd., Sacramento.....	4/10/68	10177(b)
Sesslin, Gerald Virgil (RES).....	6141 Pine Ave., Maywood.....	4/11/68	10177(b) (f)
Youngberg, Ronald J. (RES).....	6630 Greenhaven Dr., Sacramento	4/11/68	10177(b)
Petty, James Miller (RES).....	330 Newman Dr., South San Francisco	4/16/68	10176(a) (i), 10177(f) (j)
(Right to RRES license after 180 days on terms and conditions)			
Minor, George Michael (RES).....	4209 22nd Ave., Sacramento.....	4/17/68	10176(e) (i), 10177(f) (j)
Friesen, Lola Winona (REB).....	2801 St. Marys, Bakersfield.....	4/23/68	10177(b)
(Right to RREB license on terms and conditions)			
Kier, Thomas Francis (REB).....	Rt. 1, Box 175-A, Oroville.....	4/23/68	10176(a) (i)
Pledger, Eddie Donald (REB).....	9801 S. Broadway, Apt. 1, Los Angeles	4/23/68	10177(f) (j)
Smith, Frederick Lee (RREB).....	12036 Susan Dr., Granada Hills... dba Equity Trust Deed Co.	4/23/68	10177(b) (f) (j) (k)
Steinberg, Hyman David (REB) ..	2016 S. Shenandoah, No. 109, Los Angeles	4/23/68	10026, 10885, 10145, 10146, 10176(i), 10177(d) (f), 2971
Wall, Charles Stanley (RES).....	16200 Ventura Blvd., Encino.....	4/23/68	10177(b) (f)
(Right to RRES license on terms and conditions)			
Greenblatt, Morris (RES).....	5322 Quakertown, Woodland Hills	4/25/68	10130, 10137, 10177(d) (f)
(Right to RRES license on terms and conditions)			
Norwood, Kelley (REB).....	550-D E. Chapman Ave., Orange.. dba Capitol Mortgage Company	4/30/68	10145, 10146, 10176(e) (i), 10177(d) (f), 2830
Tabor, Alvin Lee (REB).....	Box 2175, 881 Dover Dr., Newport Beach	5/ 1/68	10177(d), 11010, 11018.2
dba Jack Tabor (Right to RREB license after 15 days on conditions)			
Quick, Brenda Patricia (RES).....	5406 Fidler Ave., Lakewood.....	5/ 2/68	10177(b)
Sioussat, Herbert Parker (RES) ..	11104 Weddington St., North Hollywood	5/ 2/68	10177(b) (f)
(Right to RRES license on terms and conditions)			
Webster, E. E., Inc. (REC).....	2481 Shattuck Ave., Berkeley.....	5/ 7/68	10145, 10176(e) (i), 10177(d) (f)
Harold Ivory Morrison, Pres. (REO) (Right to RREO license on terms and conditions)			
Cannon, John Franklin (RES).....	220 Arroyo Dr., Pacific.....	5/ 9/68	10137, 10176(a) (b) (i), 10177(f) (j)
Salazar, Louis Patrick (REB).....	2191 S. Garfield Ave., Monterey Park	5/ 9/68	10177(f) (j)
(Right to RRES license after 60 days on terms and conditions)			
Tadlock, Lewis David (REB).....	4787 Mission St., San Francisco... (RES).....	5/14/68	10177(f) (j)
Bradley, William Frederick (REB).....	90 Westgate Dr., San Francisco		
745 West Ave., J-9, Lancaster.....		5/20/68	10177(c) (d) (f) (j), 11012, 11013.2(a), 11013.4(a), 11018.1, 11022, 2795, 2799.1(2) (3) (15) (16), 2800, 2801, 2814
Anderson, Robert T. (RES).....	19709 Ventura Blvd., Woodland Hills	5/21/68	10177(b) (f)
(Stayed for 2 years on conditions)			
Jones, Phil Realty, Inc. (REC).....	6925 Fair Oaks Blvd., Carmichael.	5/21/68	10176(e), 10177(f)
Phillip Wendell Jones, Pres. (REO) (REB) (Right to RREC, RREO and RREB licenses on terms and conditions)			
Jongeward, Gordon Zane (RES).....	210 Mason St., Arroyo Grande....	5/21/68	10177(b)
Koch, Edwin Arthur (REB).....	P.O. Box 848, Sierra Hwy, Mojave	5/22/68	10176(e) (i), 10177(d) (f) (j)
(Right to RREB license on terms and conditions)			
Huff, Charles Herman (REB).....	291 W. Main St., Woodland.....	5/23/68	10177(f) (j)
(Right to RREB license on terms and conditions)			
Ogren, Robert Lee (RES).....	2195 Danville Blvd., Walnut Creek	5/28/68	10176(e), 10177(d), 2832
Barnes, Forrest Franklin (RES) ..	210 Seaview Ave., Santa Cruz.....	5/28/68	10177(b)
Williams, Joseph Oscar (RES).....	4425 Overend Ave., Richmond....	5/29/68	10145, 10176(i), 10177(f)
(Right to RRES license 30 days on terms and conditions)			
Woods, George Gilbert (RREB).....	2144 Concord Blvd., Concord.....	6/ 3/68	10145, 10176(e) (i), 10177(d) (f) (k), 2832
dba Concord Realty (Right to RRES license on terms and conditions)			

Licenses Suspended During March 1968—June 15, 1968

Name	Address	Effective date and term	Violation R.E. Law/Regulations
Casanova, Jack Henry (REB) (RES)	190 Summit, No. 16, Auburn	3/ 6/68 30 days	10176(a) (i), 10177(f)
Ball, E. J. (REB) (Stayed for 1 year on conditions)	890 Price St., Pismo Beach	3/12/68 30 days	10177(d), 11010, 11018.2
Ball, Wilbert Melvern (REB) dba Bill Ball Realty (Stayed permanently)	340 S. Murphy Ave., Sunnyvale	3/12/68 15 days	10145, 10176(e), 10177(d), 2831, 2831.1, 2832
Moore, William E. (RES) (Stayed for 1 year on conditions)	890 Price St., Pismo Beach	3/12/68 30 days	10177(d), 11010, 11018.2
Golden Gate Investment & Loan Co. (REC) dba Golden Gate Way Stanley Keiles, Pres. (REO)	1156 Arroyo Ave., San Carlos	3/26/68 60 days	10176(a) (i), 10177(d) (f), 10237.3, 10237.4, 10238.3
Keiles, Stanley (REB)	2220 University Ave., Palo Alto	3/26/68 60 days	
Murphy, Sinnott Patrick Bernard (REB) dba Murphy Bros	186-F Sunnoaks Ave., Campbell	3/26/68 60 days	10137, 10177(d) (f), 10237.3, 10237.4, 10238.3
Edwards, Harold B. (RREB) (RES)	501 Boyd St., Vacaville Rt. 1, Box 330, Vacaville	3/27/68 Indefinitely	10470
Laurie, William Joseph (REB) (Last 30 days stayed permanently)	5790 Mission St., San Francisco	4/ 1/68 90 days	10137, 10177(d) (f) (g)
Calvert, Howard Max (REB)	5508 Crest Rd., Palos Verdes Peninsula	4/ 4/68 30 days	10177(f) (j)
Darracott, Walter Lewis (RES)	73 S. California St., Ventura	4/ 4/68 60 days	10137, 10176(l), 10177(d) (f) (j)
Crockett, Barbara Jean (RES) (After 30 days from effective date of decision, remainder or any portion thereof, may be stayed on conditions)	2950 Dohr St., Berkeley	4/10/68 679 days	10177(d), 2754
Kisling, Loyal Elitta (REB)	1258 Gainsborough, Sunnyvale	4/10/68 90 days	10177(f) (j)
O'Donnell, John Cornelius (REB)	1200 First National Bank Bldg., San Diego	4/10/68 15 days	10145, 10176(a) (e), 10177(d) (g), 2830, 2832, 2832.1
Stokes, William Leslie, Jr. (RES)	1110 W. Avenue 1, Lancaster	4/22/68 30 days	10176(a) (f) (j), 10177(d), 11012, 11018.1, 2975
Domeny, Harold Henry (RREB)	833 York St., Rm. 2, Oakland	5/ 9/68 30 days	10177(k)
Barnett, Joseph Phillipson (RREB)	10540 Wilshire Blvd., Los Angeles	5/21/68 72 days	10085, 10146, 10176(e) (i), 10177(d) (j), 2970, 2971, 2972, 2974
Burt, Howard Edward, Jr. (RES)	8212 Twin Rocks Rd., Loomis	5/21/68 30 days	10176(a) (i), 10177(f)
Gaumont, Leopold J. (RES)	6914 La Tijera Blvd., Los Angeles	5/21/68 2 months	10177(f)
Morgan, James Edward (REB) (After 30 days from effective date of decision remainder or any portion thereof may be stayed on conditions)	4916 W. Adams Blvd., Los Angeles	5/21/68 229 days	10160, 10162, 10164, 10165, 10177(f)
Phillips, James Anthony (RES)	651 S. Winchester Blvd., San Jose	5/21/68 15 days	10176(a) (i), 10177(f)
Allen, John Wilson (REB) (After 30 days from effective date of decision, remainder or any portion thereof, may be stayed on terms and conditions)	1861 Katella Ave., Anaheim	5/23/68 588 days	10160, 10162, 10164, 10165, 10177(f)
Duffel-Smoot Company, The Joe Allen Duffel, Mem. (Stayed permanently)	3696 Mt. Diablo Blvd., Lafayette	5/23/68 15 days	10176(a) (e), 10177(d) (f) (e), 2832, 2832.1
Koehler, Rachel Elaine (REB) (RES)	3696 Mt. Diablo Blvd., Lafayette 54 Los Valley Dr., Orinda	5/23/68 15 days	10176(a), 10177(f) (g)
Maybon, McCoy (REB)	2870 Sacramento St., San Francisco	5/29/68 30 days	10177(f) (h)
Needels, Fred, Jr. (RES)	3226 Mission St., San Francisco	5/29/68 Indefinitely	10470
McClure, Marvin Oscar (REB) Pres., Etiwanda Investment Corp. (REO) (Stayed for 3 years on terms and conditions)	4680 Mission Blvd., Ontario	6/13/68 90 days	10177(d) (f)

RAY DABLER APPOINTED ASSISTANT COMMISSIONER—S.F.

Raymond M. Dabler, who has been heading the San Francisco office of the DRE and in charge of its northern regulatory area, was appointed to the position by the Commissioner on July 1, confirming him in the post he has held since November 1, 1967. Dabler, first in the statewide examination for the position, succeeds Gaylord K. Nye, who had retired after 49 years of state service.



RAYMOND M. DABLER

Dabler, following several years in the Marine Corps during World War II, went into state employment in 1947. In 1958, he joined the DRE as deputy commissioner in the Los Angeles office. Moving to Sacramento, he eventually headed the examination section, thereafter transferring to San Francisco, where he was second in charge for four years under Nye until the latter's retirement.

Federal Lease Guarantee Program for Small Businesses

Small Business Administration guaranteed leases are now available to qualified small businesses unable to obtain prime commercial space, such as that provided by shopping centers or industrial parks, because their credit rating is below the desirable triple-A rating.

A lease guarantee is an insurance policy issued to a small businessman, guaranteeing to the landlord that rent payments will be met. Shortest term for this insurance is five years, the longest 20 years. SBA will issue direct lease guarantee insurance policies only on leases of 15 years or longer. Lease guarantees for shorter periods must be SBA participation policies written by private insurance companies.

Anyone interested in this new type of credit assistance can obtain full information by getting in touch with the nearest Small Business Administration office, located in San Diego, Los Angeles or San Francisco.

Licenses Revoked During March 1968—June 15, 1968—Continued

Name	Address	Effective date and term	Violation R.E. Law/Regulations
Bequette, Albert Joseph (REB) dba A-A-A Home Rental Service dba Bequette Real Estate Co. (Right to RREB license on terms and conditions)	2222 Marconi Ave., Sacramento 1009 J St., Sacramento	6/11/68	10137, 10145, 10177(d) (g) (h)
Cameron, Roger Eugene (RES)	1523 McKinnon Ct., San Jose	6/11/68	10177(f) (j)
Choye, Jennie Yee (REB) (Right to RREB license on terms and conditions)	3569 Geary Blvd., San Francisco	6/11/68	10177(b) (f)
Gregory, Billy Ivon (REB)	1475 Arboga Rd., Marysville	6/11/68	10160, 10162, 10164, 10177(d) (f) (j)
Kenyon, Donald Edward (RES)	1816 Calif. St., Apt. 1, Concord	6/11/68	10145, 10176(e) (i), 10177(d) (f)
Searle, Robert Marion (REB) Pres., Preferred Real Estate Brokers, Inc. (REO)	729 S. Greenleaf Ave., Whittier 2506 1/2 W. Beverly Blvd., Montebello	6/11/68	10177(b) (f)
D'Orazi, Victor William (RREB) dba D'Orazi Investment Co. (Right to RREB license after 120 days on terms and conditions)	340 Kearny St., San Francisco	6/12/68	10145, 10176(e) (i), 10177(d) (f)
Gandy, Allen Joe (REB)	6510 Brynburst Ave., Los Angeles	6/13/68	10177(f) (j)
Holefield, Franklin D. (REB) dba Hilton Properties dba Hilton Realty Co. dba Security Escrow Co. (Right to RREB license on terms and conditions)	2501 W. Florence Ave., Los Angeles 5504 W. Adams, Los Angeles 2503 W. Florence Ave., Los Angeles	6/13/68	10145, 10176(e) (i), 10177(f), 2830
Stevens, Robert Earl (RES)	4856 N. Bannister Ave., El Monte	6/13/68	10177(a) (b) (f)

Your Zip Code Number, Please!

Please attach your zip code number to the return address on all correspondence, and forms of any kind submitted to the Division of Real Estate. This will insure you better service.

Caution Urged—Watch Out For Unrecorded Tracts

Judging from some of the complaints registered with the DRE and resulting disciplinary actions, more than a few licensees are confused as to what constitutes a subdivision, or real property securities, or both. With considerable frequency, licensees have negotiated lot sales without determining if the lots had been created legally. In other instances, illegal disposal of real property securities was involved.

Although the legality of the transactions appeared doubtful, instead of checking with the DRE, the licensees involved were inclined to take the word of the owner that a subdivision public report was not required. Understanding of the Real Estate Law and the Subdivided Lands Act and operations within their scope would have prevented the disciplinary actions invoked.

To most readers this is probably "old hat," but Sections 11000 and 11004.5 of the Business and Professions Code define a subdivision as land or lands divided or proposed to be divided for the purpose of sale, lease or financing, whether immediate or future, into (a) five or more lots or parcels; (b) any planned development containing five or more lots; (c) any community apartment project containing two or more apartments; (d) any condominium project containing two or more condominiums; or (e) any stock cooperative having or intended to have two or more shareholders.

A copy of the public report, when issued, *must be given to each purchaser* prior to accepting a deposit or the execution of any agreement for the sale or lease of a subdivision lot or a unit in a community apartment, condominium or stock cooperative project. Receipt for delivery must be obtained.

Real property securities involvements usually arise in subdivisions from either a series of real property sales contracts executed by one party or a series of promotional notes on parcels in a tract or contiguous tracts. (Section 10237.1 B. & P. Code.) Then

License Examination Questions

Real estate salesman license examinations are constructed using multiple choice items; tests are machine scored. Target date for conversion of the real estate broker examination to a similar format is January 1, 1969.

Reproduced here are some additional typical license examination items borrowed from the DRE's "Item Bank," published because of the considerable interest evinced in the subject. The items were selected at random from different subject areas. Answers are on page 848.

1. *You are a California real estate broker. A prospect is referred to you by an out-of-state broker and a sale is consummated by you. You want to split your commission with the co-operating broker. Under the California Real Estate Law:*

- (a) You may pay a commission to a broker of another state.
- (b) You cannot divide a commission with a broker of another state.
- (c) You can pay a commission to a broker of another state only if he is also licensed in California.
- (d) None of the above.

2. *An individual has been appointed by a life insurance company to solicit loans on real estate which will be secured by first trust deeds on the properties. He will receive a commission from the lending institution for each such loan consummated. Under these circumstances, it will be required that he:*

- (a) Possess an active real estate broker license.
- (b) Secure a real property securities dealer endorsement.
- (c) Secure a surety bond in the amount of \$5,000.
- (d) All of the above.

3. *In searching the records at the county recorder's office, you can usu-*

too, out-of-state subdivisions fall within the purview of the real property securities sections of the law.

The commissioner feels the great majority of licensees are deeply interested in maintaining high standards of operation. This necessarily means conversance with the law under which the state has granted their licenses.

ally distinguish a second trust deed from a first trust deed by the:

- (a) Heading of the recorded document.
- (b) Information contained in the note.
- (c) Recorder's declaration.
- (d) Time and date of recordation.

4. *A real estate broker negotiated the sale of an investor's note secured by a second deed of trust. It was a \$4,500 note for a two-year term. The maximum legal commission for this transaction would be:*

- (a) \$225.00.
- (b) \$450.00.
- (c) \$675.00.
- (d) Unlimited.

5. *As the result of the sale of a home, \$1,600 was charged by a lender for "discount points." The buyer obtained a maximum FHA loan. All details of the sale were processed through escrow. The payment of the points would be provided for by:*

- (a) A deduction from the principal amount of the loan to the buyer.
- (b) A deduction from the amount due the seller.
- (c) An addition to the principal amount of the buyer's loan.
- (d) A deduction from the buyer's down payment.

MORAL TURPITUDE

A prospective candidate for real estate salesman license writes, "I understand that I might not be able to get a license if I was once convicted of a crime involving 'moral turpitude.' What does that mean?"

This is a nice question which has been the subject of a great deal of legal literature. But generally, "anything done contrary to honesty and good morals may be defined as 'moral turpitude.' It includes acts of baseness, vileness or depravity in the private and social duties which a man owes to his fellow-man or to society in general."

Incidentally, such an offense not only serves as a barrier to licensure; commission of a crime of this kind may result in suspension or revocation of a license already granted. (Sec. 10177(b), B. & P. Code.)

Some Brokers Might Well Review Employment Practices

Applying the terms of the real estate license law, despite any private agreements to the contrary, a salesman is an employee and the employing broker is responsible for his acts, conduct and representations. Nevertheless, many brokers are lax in their hiring practices, and pay scant attention to the caliber of persons upon whose performance and integrity hinges their own success in real estate.

Every salesman enters the real estate business on the strength of some broker's certification, under penalty of perjury, that he has ascertained the applicant to be "honest, truthful, and of good reputation." In addition, the broker promises he will "exercise careful supervision over (the salesman's) real estate activities while so employed." The broker who realizes his full legal responsibility is not going to make this certification lightly; he will make as certain as possible that the applicant he is going to entrust with the public's money and his own money and reputation is trustworthy.

At a later date, when and if the salesman decides to apply for a broker license, the employing broker has another opportunity to pass honest judgment on his employee's activities when he is asked to certify that the applicant has been a full-time employee between specified dates and report on the transactions handled by the applicant and on his approximate earnings. If he has been exercising proper supervision, the broker knows how the salesman has been performing and he jeopardizes his own license if he inflates that performance, out of friendship or for other reasons.

In most lines of endeavor the employer is keenly interested in the past performance and record of the applicant for employment, but in real estate a "let well enough alone" attitude frequently seems to prevail when hiring a salesman who has been previously licensed. When contemplating taking on the services of a salesman with prior experience, good business practice would dictate that the broker check the salesman's record with his former employing brokers.

The DRE, upon written request by an employing broker, will review the license history of a transferring salesman. If the record reveals any disciplinary action against the salesman's license, the broker will be so notified.

ARE YOUR CLIENT'S FUNDS COVERED BY FEDERAL DEPOSIT INSURANCE?

The answer is yes, providing you keep adequate trustee records. This means your trustee or custodial bank balance must be supported by separate records for each transaction or beneficiary.

In addition, the bank's record—signature card, etc.—should show specifically that the account is a trustee account, maintained by you as trustee in compliance with applicable law and regulations.

If you have met the above requirements, the funds of each individual client, represented in the trust account, are insured up to \$15,000, subject to various other F.D.I.C. rules.

GI LOANS

Obtaining a Release of Liability

When a licensee is in course of selling a GI home, he should advise the veteran owner to get a release of liability from the Veterans Administration, otherwise the seller may be liable in the event of a later foreclosure loss.

To obtain a release, the seller should notify the chief of services and claims at the regional office (San Francisco or Los Angeles) nearest the property. He should designate the location of the property and full names of the buyers (both husband and wife).

The VA will require the seller to have the buyers sign an assumption agreement. When the form is returned to the VA, it is to be accompanied by a \$6 fee to cover a credit report. The release will not be issued if the new buyers do not measure up as acceptable credit risks.

A release of liability will not restore the veteran's eligibility for another GI loan. This is possible only when the VA is no longer liable to the lender on the guaranty or under certain other limited circumstances.

Regulations Concerning Commingling Are Specific

Since a large percentage of complaints received by the DRE involves commingling, it is of major importance that licensees know and understand Sections 2830 through 2835 of the Commissioner's Regulations relating to the handling of trust funds and accounts. The regulations are specific, covering, among other things, the necessity of maintaining accounts, requirements for records, handling of checks, withdrawals, and custody and control of funds.

A broker is in violation of the law when he places purchase deposits, rent collections and other moneys entrusted to him in his own personal bank account or keeps such funds in his own office. Any course of action other than placing such monies in a neutral escrow depository or in his trust fund account or in the hands of principals can lead to disciplinary measures and possibly to litigation.

Commission Collected, But No Sale

Frequently when spot checks and investigations turn up violations, the broker pleads mitigating circumstances. For example, a broker has received a down payment on a transaction and the commission amounts to more than the deposit and so he feels justified in using the amount of the commission immediately without bothering to follow the course specified by the law and supplementing regulations. Even if the transaction does not fall through, the broker has failed to comply with the law.

When investigation of such a complaint indicates a licensee has violated his fiduciary relationship the matter is set for formal hearing, and his license is revoked or suspended if he is found guilty of the infraction charged.

Few requests are received for this service, despite the very evident fact

that the public judges the broker's office by the actions of his salesmen.

Governor Reagan Signs Education Bill Into Law

(continued from Col. 1, Page 841)

the applicant must have completed three-unit college-level courses in real estate finance and real estate appraisal, or be faced with special tests in these subjects. Starting in January 1972, completion of all four of these courses will be a required prerequisite for examination for real estate broker license. Basic course nomenclature is used here; completion of an equivalent course of study will qualify an applicant.

This legislation does not affect current broker licensees or persons qualifying for broker license prior to January 1970. The timetable for implementation of the act allows ample time for prospective brokers to meet the requirements.

Presently there are no educational requirements for real estate broker or salesman licensure in California, not even completion of high school. The new law does not change that and it does not require any specified degree of formal education at the secondary school level or completion of a given number of years of generalized college work. Its requirements are confined to completion of the *named specialized courses* intended to be helpful to the real estate broker in pursuing his vocation successfully and in the best interests of the public he is expected to serve.

Availability of Required Courses At College Level

This poses no problem. In the last 10 years, California's institutions of higher learning, realizing the increasing impact of real estate activity on the general economy of the state and the growing complexities of real estate practice, have established broad real estate educational opportunities for the state's citizens. The University of California and the University of Southern California offer a variety of real estate courses at the graduate and undergraduate level, as do 13 of the state colleges. Presently throughout the state, 76 junior colleges offer a selection of courses as do the University of California Extension and its correspondence division.

State College Reports

The Effect of the Property Tax on Manufacturing Location, Charles R. Benton, Young P. Joun, California State College at Fullerton.

The product of an 18 months' study of site selection within a geographically concentrated urban area (Orange County), attempting to weigh the relative significance of property taxes and other factors as determinants of industrial plant location. Conclusions could be helpful to real estate brokers, investors, city officials, planners and other professionals involved in matching potential new industry to existing locations.

The Economic Feasibility of a Real Estate Management Firm in Chico, California, Howard A. Harlow, assisted by John Andreae, Chico State College.

Surveys need for, and success probability of professional property management firm(s) in a semirural college community (in-city population 19,500, peripheral environs 41,000). Defines property management, outlines knowledge and skills involved and attempts by survey and analysis to evolve alternative answers to the stated problem. Of value to property management specialists contemplating operations within comparable communities, to investors, potential investors and as a resource document for instructors and students.

Residential Extension in the Fresno-Clovis Metropolitan Area, Richard G. Nicholls, Robert H. Carr, Bureau of Research and Service, School of Business, Fresno State College.

An attempt to estimate systematically the volume and location of future residential growth within a defined metropolitan region; presenting a projection model of the Fresno-Clovis area growth through 1975. Of specific interest to participating forces in the development of this or comparable areas: land developers, industrialists, retailers, planners of all types (i.e. federal, state, local), civil engineers, financiers, architects and, of course, real estate brokers and salesmen. The methodology used should

Landowner Attempts to Circumvent Subdivision Law

The Subdivided Lands Act makes clear the Legislature's intent to insure that no parcel of land in California is divided into more than four lots to be offered for sale or lease until the owner or subdivider has furnished the Real Estate Commissioner with detailed information concerning the land and method of its proposed sale. With the exception of certain divisions of land into parcels of 160 acres or more, the lots carved from the original holding cannot be offered until the commissioner's subdivision public report issues.

The DRE investigated a Shasta County situation in which the landowner's activities suggested he and his family were attempting to circumvent the law by utilizing six closed corporations, in which members of the family were involved as officers, directors and shareholders marketing what were in fact subdivided lands. Unrecorded contracts of sale were the instruments used to effect transfers.

Following the investigation, the commissioner issued desist and refrain orders prohibiting the landowner from offering or selling parcels in the subdivision until a public report was obtained.

The district attorney took appropriate action and indictments were issued by the grand jury. **Trial in Shasta County Superior Court resulted in conviction of the subdivider on two counts each of violation of Sections 11010 and 11018.2 of the B. & P. Code, and a 90-day jail sentence was imposed. Sentence was suspended for one year on condition that he obey all relevant laws and that the remaining scattered properties in fact owned by him be consolidated in his name. Sale or transfer of these properties, if any, must be reported to the probation officer or district attorney.**

prove of value to students, instructors, and entrepreneurs interested in community growth patterns.

Note: Reports available from Division of Real Estate, Box 2407, Sacramento, California 95811. Price per copy \$1.58—includes sales tax.

REAL ESTATE LAW CHANGES

Obituary

Hubert B. Scudder

Hubert B. Scudder, Real Estate Commissioner from 1943 to 1948, died July 4 in Sebastopol at the age of 79.

Mr. Scudder, after service as Mayor of Sebastopol, was elected to the State Assembly for several terms. In 1943, Governor Warren appointed him State Real Estate Commissioner. Mr. Scudder resigned that post in 1948 to run successfully for the United States Congress, representing the First District of California. He was reelected for four terms, finally retiring to live his last years in his hometown.

He leaves his wife, Helen, and numerous nieces and nephews.

ment secured directly or collaterally by a real property lien on which the broker has a bona fide authorization to sell or negotiate, or which he has bought and paid for. The new legislation adds a third alternative: an instrument of this nature which the licensee has obligated himself by an unconditional written contract to purchase. The legislation also provides that the broker may hold trust funds in connection with any such transaction for a maximum period of 60 days. Formerly the limit was 30 days.

Real Property Securities Dealers

AB 419 (Priolo), as enacted, amends certain sections of Article 6 of the Real Estate Law pertaining to real property securities dealers. While a permit from the Real Estate Commissioner will still be required, a broker need not have an endorsement as a real property securities dealer to sell "promotional" notes.

UNIVERSITY EXTENSION SETS FALL PROGRAM

University Extension, University of California, will offer a wide range of basic and advanced real estate courses this fall.

Classes will be given in Berkeley, Glendale, Los Angeles, San Francisco, Torrance, U.C.L.A., West Covina and Whittier.

For further information concerning courses get in touch with University Extension, University of California—2223 Fulton Street, Berkeley 94720, phone 845-6000 * or 1100 South Grand Avenue, Rm. 317, Los Angeles 90015, phone 747-4321, Ext. 33.†

* Classes begin the week of Sept. 30, 1968.
† Classes begin the week of Sept. 16, 1968.

Subdivision Fees Raised

(continued from Col. 3, Page 841)

- Application for out-of-state amended permit: \$300.
- Standard subdivision filing [\$50], plus per lot: \$3.
- Application for preliminary, amended, or renewal standard in-state subdivision report: \$50.
- Community facility subdivision filing: \$500 plus \$3 per lot.
- Application for preliminary, amended, or renewal community facility subdivision report: \$100.

Note: The term "community facility subdivision" as used above means any "planned development," "community apartment project," "condominium project" and any "stock cooperative project."

This measure was passed as an "urgency" statute, going into effect June 26, when it was signed by the Governor.

Partnership License Eliminated

Partnership licenses as such will be a thing of the past when SB 307 (Sherman) becomes effective (60 days after adjournment of the Legislature). Partnerships will, of course, continue to exist in the real estate business and all members of a partnership performing activities calling for a license must be licensed individually as brokers. The DRE will not issue "partnership" licenses.

Change of Employment or Location

SB 420 (Sherman) as enacted provides three changes in the license law:

(a) Probably the most important of the changes is the provision that licensees will be responsible for keeping track of changes in location or employment. For example, a salesman, who is changing employment from one broker to another, sends the transfer application to the DRE along with the appropriate fee but a new license will not be issued. The licensee merely strikes out the name of the former employing broker, writing in the name of the new one. Essentially the same procedure will be followed by the

broker who is changing his place of business from one location to another.

(b) Removes from the law the implication that an application for real estate salesman license examination must be accompanied by evidence of broker sponsorship. **The sponsorship will be evidenced after the applicant passes the salesman license examination, and the license will not be issued until this is done.**

(c) Removes ambiguity about exception from real estate license requirement under Section 10133.1, making it quite clear that the exemption applies to lenders—not agents negotiating loans. Also provides that loan correspondents must be licensed but are not subject to the provisions of Articles 5, 6 and 7 of the Real Estate Law.

"Recovery" Statute Clarified

Certain sections of the law relating to the "recovery fund" and payment therefrom have been clarified with the passage of SB 421 (Sherman).

ADDITIONAL LICENSING LEGISLATION

Broker Required to Record Deed of Trust

As enacted, AB 417 (Priolo) adds Section 10141.5 to the Real Estate Law. It requires a broker to record a deed of trust executed in a transaction which he negotiated, or deliver the T/D to the beneficiary with written recommendation for recording within a week after close of the transaction. **Exceptions:** When broker has written instruction from beneficiary not to record; or when the transaction is closed through escrow and T/D is delivered to the escrow holder within the prescribed seven days.

Dealings in Trust Deeds and Contracts of Sale

Sections 10231 and 10231.1 of the Real Estate Law were amended by passage of AB 418 (Priolo). Under the present law, a real estate broker engaging in transactions in trust deeds or contracts of sale cannot accept funds in connection with such transactions or escrow such funds except in connection with a specific instru-

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DRE AUDIT PROGRAM

Spot-check audits and office surveys conducted by DRE auditors and deputy personnel uncover numerous irregularities and violations of license and subdivision laws. Licensees are apt to become apprehensive after a check of their records, some believing that even a minor violation automatically leads to a formal hearing. This is not so—the agency's course of action is determined after the circumstances have been evaluated by appropriate personnel.

ANSWERS TO EXAMINATION QUESTIONS

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

Generally, formal action is taken when the violation appears to be willful or grossly negligent, clients have been injured or placed in financial jeopardy, or when the licensee has derived unwarranted personal benefit or profit at the expense of his principal.

Where the revealed violation is minor—for example: there is no shortage, but the bookkeeping is somewhat faulty—the matter is treated informally on an educational basis, always granted the licensee corrects his accounting methods. If the fault shows up in an audit, a record is maintained in the audit file only and a complaint file on the broker is not set up.

In summary, violations may result in one of the following actions: (1) formal (administrative) hearing; (2) informal proceedings (with no complaint file set up); and (3) informal proceedings (with the processing of a complaint originated by a district office).

NARELLO TO MEET IN ST. PAUL

The 40th annual conference of the National Association of Real Estate License Law Officials will be held in St. Paul, Minnesota, September 22–25, 1968. John E. Hempel, Chief Assistant Real Estate Commissioner, and president of the organization this year, will preside at the conference. The 1969 NARELLO meeting will be held in San Francisco.

ATTENTION ALL BROKERS

At the request of Commissioner Smith, Fullerton and San Diego State Colleges are making a study of the conduct of escrows by real estate brokers and licensed escrow companies. Your answers to the two questions below will be exceedingly helpful. Check the appropriate blocks, sign and mail to: Sylvia Lane, Ph.D., Chairman, Finance Department, School of Business Administration and Economics, California State College at Fullerton, 800 North State College Boulevard, Fullerton 92630.

1. Do you handle escrows under the exemption provided for real estate brokers in Section 17006(d) of the California Financial Code? Yes No
2. Do you have a separate corporation for the handling of escrows? Yes No

Name

Street

City..... County.....

Zip

SPECIAL NOTICE

Reports and article reprints from the Center for Real Estate and Urban Economics, U.C. and from the Real Estate Research Program, UCLA are filled as received. Since quantities are limited, avoid disappointment by ordering promptly.

Restricted License Holder . . .

A restricted real estate license is issued by the Real Estate Commissioner only after careful deliberation and only in those cases where mitigating circumstances clearly appear to warrant. It may be issued to a broker or salesman who has been found in violation of the law after a hearing; or to an applicant for license who has met the experience and examination requirements, but fails to establish conclusively that he meets other requirements.

TAX LIENS

Tax liens on real and personal property now attach on the first day of March instead of the first Monday of the month.

A license may be restricted in various ways, such as by term, or by employment to a particular real estate broker, or by other special conditions set forth in the order granting a restricted license.

Examples of special conditions are: requiring a surety bond, requiring special treatment of trust funds and requiring regular reports of all transactions, etc. Transactions include all of the licensee's dealings whether undertaken as a principal or agent, and generally must be submitted on a quarterly basis. Failure to submit reports when due could result in suspension of the restricted license for an indefinite period, pending final determination after a hearing. The holder of a restricted license, who officially "inactivates" it, relieves himself of the responsibility of turning in periodic reports.