

REAL ESTATE BULLETIN

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No. 1

IMPORTANT CHANGES IN COMMISSIONER'S RULES AND REGULATIONS

Trust Fund Accounts to Be Maintained Subdivision Regulations Modified

After many months of careful study and consideration, the Real Estate Commissioner's Rules and Regulations were revised in the interests of clarity and more complete conformity with the intent of the law. The State Real Estate Board and the Attorney General's Office were consulted on all important points of the revision which went into effect May 18, 1950. The most important changes include requirements for the setting up and maintenance of trust funds by brokers and clarification of the rules relating to subdivisions.

Trust Fund Accounts

Sections 10176 (e), 10301 (e) and 10561 (e) of the Real Estate Law prohibit the broker from "commingling the money or other property of his principal with his own." Recently there has been a disturbing rise in the number of cases of "commingling" reported. To give force and effect to the aforementioned sections of the law, to make the broker's position in handling funds absolutely clear and to protect the public from possible loss, the following new rules and regulations relating to trust fund accounts have been adopted:

Rule 2830. When Trust Fund Account Is to Be Maintained. Set Up of Account. Every person, partnership or corporation holding a broker license under provisions of the Real Estate Law who does not immediately place all funds entrusted to him by his principal or others in a neutral escrow depository or in the hands of principals, shall maintain a trust fund account with some bank or recognized depository and place all such entrusted funds therein upon receipt.

Said trust fund account shall designate him as trustee and all such trust fund accounts must provide for withdrawal of the funds without previous notice.

Rule 2831. Records to Be Maintained. Subject to Inspection by Commissioner or His Deputies. Every broker required to maintain such trust fund account shall keep records of all funds deposited therein which records shall clearly indicate the date and from whom he received the money, date deposited, date of withdrawals, and other pertinent information concerning the transaction, and shall clearly show for whose account the money is deposited and to whom the money belongs.

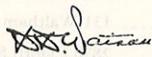
THANK YOU

In the *May Bulletin*, I asked that licensees cooperate in helping us handle efficiently our peak renewal work load by completely and accurately filling out renewal forms.

Renewal applications reached record proportions this year, but "old-timers" in the division tell me that this "renewal" has proceeded more smoothly and with fewer complications than any they can remember in the past.

We made careful preparations to process the flood of renewal applications. However, in the last analysis, it was your splendid cooperation and care that enabled us to do the job with a saving of time and money.

I offer my sincere thanks and appreciation.



D. D. WATSON
Real Estate Commissioner

All such records and funds shall be subject to inspection by the commissioner or his deputies.

Rule 2832. Failure to Maintain Account May Be Deemed Violation of Law. Failure to maintain a trust fund account when required and to deposit trust funds received promptly in said account may be construed to be commingling in violation of Sections 10176 (e), 10301 (e), and 10561 (e) of the Real Estate Law."

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License Renewal Trends

As we go to press, complete statistics bearing on license renewals are not available, but it appears that a record proportion of broker licensees retained license status. Of the approximately 55,000 persons holding individual broker licenses at the end of the 1949-50 Fiscal Year, well over 90 percent have renewed, judging from present incomplete data.

It is judged that some 68 to 70 percent of the persons licensed as regular real estate salesmen during the 1949-50 year renewed these licenses.

Perhaps, the most striking aspect of the "renewal" this year was the unusually large number of requests received to "issue and cancel" broker licenses. As nearly as we can determine, about 10 percent of those applying for renewal of licenses requested issuance and immediate cancellation.

Appraisal Courses at U. S. C.

Two new appraisal courses will soon be offered under the auspices of the American Institute of Real Estate Appraisers at the University of Southern California.

The primary course, Real Estate Appraisal I, consisting of lectures and illustrated by demonstration and case studies covering the fundamental theories and principles of appraising urban and rural property, will be offered August 14 to August 26, 1950.

Real Estate Appraisal II, an advanced case study course, will be held August 28 to September 9, 1950. Enrollment in this course is limited to individuals who: (1) have completed Real Estate Appraisal I, or (2) have had five years or more of real estate experience, or (3) pass an entrance examination.

For further information write the American Institute of Real Estate Appraisers, 22 W. Monroe St., Chicago, Ill.

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Inactive License Status

At license renewal time, there were many requests for issuance and cancellation of licenses. By so doing, persons who do not intend to be active in real estate for the present can maintain their license status subject to reinstatement for the entire year without penalty and an additional year subject to double fees. A considerable number of licensees seem to have had the mistaken impression that the renewal fee for an "inactive license" is only \$1. This is not the case. The renewal fee is the same whether or not the licensee intends to be active—\$5 for a broker and \$2 for a salesman.

The \$1 fee applies when the person maintaining an inactive license status decides to go back into business and wants his license reinstated.

Some salesman licensees sent in \$2 to cover renewal but the accompanying application or letter did not have an employing broker's signature. Even when the request is made to "issue and cancel," a license cannot be issued to a salesman without the signature of an "employing" broker.

There is no provision in the law allowing a salesman to maintain an "inactive" license status without the actual issuance of his license each year.

LICENSES SUSPENDED OR REVOKED IN MAY AND JUNE

Continuing the policy started in the May *Bulletin*, we are publishing the names of those persons whose licenses were suspended or revoked by the Real Estate Commissioner during the last two months. In the future, each *Bulletin* will carry a record of suspensions and revocations in the two months preceding publication.

The commissioner's decision to publish the names of those whose conduct brought disciplinary penalties against them, apparently has been favorably received. Brokers, officials of title and escrow companies, and others have expressed approval of this policy.

It should be remembered that 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.

In addition to the cases listed below, a number of hearings were held inquiring into applicants' "honesty, truthfulness and good reputation." The names of those persons whose applications for licenses were denied are not published.

Licenses REVOKED During May and June, 1950

Name	Address	Effective date	Violation
Bianchi, Paul A. Real Estate Salesman	P.O. Box 1, Friant	6/ 5/50	Sec. 10177 (a), (f)
Stevick, Guy L., Jr. Business Opportunity Salesman	512 Van Ness Ave., San Francisco	6/ 5/50	Sec. 10302 (a), (e)
Ortiz, Jose N. Real Estate Salesman	1245 N. Cahuenga Blvd., Los Angeles	6/ 8/50	Sec. 10177 (a), (f)
Hill, Jack R. Real Estate Salesman	1515 Leonard Ave., Sonoma	6/12/50	Sec. 10177 (a), (f)
Keefer, Bernard G. Business Opportunity Broker	1019 Chestnut St., Newhall	6/27/50	Sec. 10301 (i), 10302 (e)
McCready, Duane S. Real Estate Broker	5600 York Blvd., Los Angeles	6/27/50	Sec. 10177 (b), (f)
Dresser, Gordon T. Real Estate Salesman	1653 W. 71st St., Los Angeles	6/29/50	Sec. 10177 (a), (f)
Ault, Jesse A. Provisional Salesman	617 Pal Mal Ave., Temple City	6/29/50	Sec. 10177 (a), (b)
Cerney, Wanda O. Real Estate Salesman	962 E. Kingsley St., Pomona	6/29/50	Sec. 10177 (a), (b)
Lingo, Arthur J. Real Estate Salesman	1919 W. 65th Place, Los Angeles	5/ 3/50	Sec. 10177 (a), (f)
Kunde, Albert H. Real Estate Salesman	4116 Santa Rita St., Oakland	5/ 5/50	Sec. 10177 (a), (f)
McArthur, James A. Real Estate Broker	205 S. Beverly Dr., Beverly Hills	5/25/50	Sec. 10177 (f)
Cedrone, Bruno Real Estate Salesman	1021 W. Sixth St., Los Angeles	5/25/50	Sec. 10177 (a), (b), (f)

Licenses SUSPENDED During May and June, 1950

Name	Address	Effective date and term	Violation
Moore, Arthur A. Real Estate Broker	1920 Market St., Oakland	6/ 5/50 30 days	Sec. 10176 (a), (b), (e), (i), 10177 (f)
Krafft, Rudolph H. Real Estate Broker Business Opportunity Broker	2240 El Camino Real, San Mateo	6/ 5/50 5 days	Sec. 10177 (f), 10302 (e)
Colla, Thomas S. Real Estate Salesman	2403 23d St., San Francisco	6/ 5/50 30 days	Sec. 10177 (a), (f)
Newton, George F. Real Estate Salesman	131 Waltham Rd., Concord	6/19/50 90 days	Sec. 10177 (a), (f)
Mosley, Hiram M. Real Estate Broker	2830 Eighth St., Berkeley	6/22/50 30 days	Sec. 10176 (a), (b), (i), 10177 (f)
Huff, Ralph T. Real Estate Broker Business Opportunity Broker	4101 W. Third St., Los Angeles	6/27/50 90 days	Sec. 10177 (f), 10302 (e)
Richard, A. A. Real Estate Broker	16255 Ventura Blvd., Encino	6/27/50 30 days	Sec. 10177 (d)
Nealon, Ivan, Jr. Business Opportunity Broker	57 Sala Terrace, San Francisco	5/12/50 60 days	Sec. 10301 (i), 10302 (e)
Killeen, Theodore T. Real Estate Broker Business Opportunity Broker	934 Taraval St., San Francisco	5/12/50 10 days	Sec. 10176 (i), 10177 (f), 10301 (i), 10302 (e)
Burns, Frank J. Real Estate Broker	4354 Mission St., San Francisco	5/22/50 60 days	Sec. 10176 (i), 10177 (f)
de St. Germain, E. A. Real Estate Broker	2078 Chestnut St., San Francisco	5/26/50 15 days	Sec. 10176 (a), (i)
Thompson, Edward L. Real Estate Broker Business Opportunity Broker	824 S. Bascom Ave., San Jose	5/29/50 60 days	Sec. 10176 (a), (b), (i), 10177 (f), 10301 (i)

Commissioner's New Rules and Regulations

(Continued from Page 1, Col. 2)

The commissioner will not attempt to prescribe the exact form in which the records described in Rule 2831 are to be kept, so long as they clearly give the information called for by the regulation. Most brokers already maintain such trust accounts and records, or place money received in escrow.

It should be understood that the broker who immediately places "all funds entrusted to him by his principal, or others, in a neutral escrow depository or in the hands of principals" does not have to maintain a trust account. However, these brokers should keep records showing the disposition of such funds.

In the near future the commissioner's deputies will begin a check of offices for compliance with the trust fund regulations.

Commissioner Establishes New Subdivision Policy

The commissioner's new revised Rules and Regulations provide for more flexible handling of subdivision filings with the division without weakening the public protection features, and at the same time follow the express provisions of the law. Heretofore the rules provided that in each instance, without exception, subdivision filings were to be made upon a prescribed questionnaire and accompanied by filing fees. While this practice will no doubt continue to hold, in some borderline cases, the commissioner may, when in his judgment circumstances justify, waive the filing of the complete questionnaire.

In some cases where a few large parcels of farm land are being sold from a large holding, or where parcels of industrial property are to be sold to conform with the size and shape required by the industry, it may not always be necessary to file a complete questionnaire.

OBTAIN A COPY OF THE COMMISSIONER'S NEW RULES AND REGULATIONS AT ANY DIVISION OFFICE, or mail request to Sacramento office. Copies are free to licensees.

Requests for Directory of Licensees Must Be Made Before Printing to Insure Obtaining a Copy

The Directory of Brokers and Salesmen Licensees of the Division of Real Estate will go to the printer when the 1950-51 license lists have been completed.

Last year's printing of 6,000 directories fell far short of the demand and many brokers were disappointed when the supply was exhausted before their requests could be filled. To avoid a recurrence of that situation, we offer the following plan for this year:

Any licensed real estate broker is entitled to a free copy of the Directory of Licensees. But, we ask the broker who wants a copy **TO PUT IN HIS**

REQUEST FOR IT NOW. SEND A POSTCARD OR LETTER ASKING THAT A COPY BE RESERVED FOR YOU AND GIVE YOUR NAME, BUSINESS ADDRESS AND LICENSE NUMBER. In ordering the printing of the publication, we shall be guided by the number of requests on hand from licensed brokers and will print only enough to take care of the indicated demand.

To repeat, if you are a licensed broker and want a free copy of the 1950-51 Directory of Brokers and Salesmen Licensees, mail your order now to the Sacramento Office of the Division of Real Estate, at 1021 O Street.

Examination Schedule—All Types of Licenses

Once again we are publishing the recently adopted examination schedule. If you contemplate taking on new salesmen, it might be well to keep the schedule conveniently at hand. Examinations for all types of licenses issued by the Division of Real Estate are given on the days indicated below. The list of examinees for any given date is generally closed from 7 to 10 days before the examination, so make sure applications are in well before the applicant hopes to take the test.

City	Address	Each month
Fresno.....	Seventh Floor Court Room, Security Bank Building.....	First Friday
Long Beach.....	Municipal Auditorium, Committee Room No. 1.....	Third Wednesday
Los Angeles.....	RKO Building, 815 South Hill Street.....	Second and Fourth Fridays
Oakland.....	1730 Franklin Street.....	First Friday
Sacramento.....	1020 N Street, Room 102.....	First and Third Fridays
San Bernardino.....	633 D Street.....	First Tuesday
San Diego.....	Bank of America Building, Room 315.....	Second Tuesday
San Francisco.....	Examination Room, 300 McAllister Street.....	First and Third Wednesdays

New License Application Forms Are Available

The application forms for all licenses issued by the Division of Real Estate have been revised. The new applications are to be distinguished by the wording of question No. 6 which must be answered by all applicants. It reads:

"6. Have you ever been convicted of any violation of law, or entered a plea of guilty or a plea of nolo contendere in a criminal proceeding? _____
Yes or No

All violations of law, without exception, whether misdemeanor or felony, must be reported specifically, including traffic violations and any matters which were subsequently dismissed under Section 1203.4 of the Penal Code of the State of California (change of plea after completing probation), or under a similar provision of law in this or any other state. Give full details on page 2 of this application, or make full list on separate piece of paper."

With the form previously used, it sometimes happened that an applicant

conveniently "forgot" to mention past violations of law. Subsequently in the course of a hearing, the applicant would plead that he considered the unmentioned violation minor in nature and therefore had not seen fit to report it. The possibility of any misunderstanding of this kind is eliminated by the use of the new applications.

A number of now obsolete application forms are in the possession of brokers, real estate boards and schools. These should be destroyed or returned to the Sacramento office of the division to be replaced by the latest type of applications. **THE USE OF THE OLD APPLICATIONS MAKES FOR EXTRA CORRESPONDENCE, AND OFTEN CAUSES CONSIDERABLE DELAY IN OBTAINING THE LICENSE.**

New Rules and Regulations Available

The new Rules and Regulations adopted by the Real Estate Commissioner and made effective May 18, 1950, have been printed and are available for distribution. They are filed for record with the Secretary of State as provided by law, **AND HAVE THE FORCE AND EFFECT OF THE LAW ITSELF**. The license law provides for the adoption of Rules and Regulations by the commissioner in order to clarify the law and establish policies for its administration. As licensees must conduct themselves in accordance with these Rules and Regulations, they should obtain and read them.

License Law in Pamphlet Form

The license law, known as the "Real Estate Law" has been printed to include amendments made at the last regular session of the State Legislature, and which were effective October 1, 1949. Copies are available at any office of the Division of Real Estate for 25 cents. Send mail orders direct to the Sacramento office, 1021 O Street, Sacramento 14. Do not send cash or stamps.

Revised Reference Book

The Reference Book published by the Division of Real Estate and containing laws and information relating to real estate and real estate licensees has been extensively revised and brought up to date in the 1950 edition. A printing has been received by the division and it is available at a cost of \$1.50 per copy, plus 5 cents sales tax. The wide scope of information relating to real estate contained in this volume makes it of distinct value to any real estate office.

Subdivision Filings High

Beginning the first of the year, a tremendous upswing became apparent in the number of subdivisions filed with the Division of Real Estate. During the last six months of 1949, 678 subdivisions were reported—an average of 113 per month. In the first six months of 1950, 1,161 subdivisions have been filed—an average of exactly 193.5 per month and an increase of 58.6 percent over the first half of 1949.

Partnership and Corporation Licenses

Under the Commissioner's Rules and Regulations, all members of a licensed partnership must qualify as brokers if they are to act for, or on behalf of, the partnership in real estate agency transactions. As members of the partnership, they cannot be licensed as salesmen in its employ. This applies also to officers of licensed corporations.

A real estate broker license can be issued to a partnership composed of two or more members engaged in different vocations. For instance, a partnership made up of a real estate man, a contractor and an insurance man may obtain a real estate broker license. Only the real estate man need be qualified as a real estate broker, but only he can transact business for the firm when the transaction is one for which a real estate license is required.

Dissolution of Partnership

When a licensed partnership is dissolved, the Division of Real Estate should be notified of the changed situation immediately so that the persons who were members of the partnership can be licensed properly. The licenses which had served them as members of a partnership are no longer valid when the partnership arrangement is ended.

Members of partnerships are licensed only "to act for and on behalf of" the partnership entity. When the partnership arrangement is ended, the active broker members must become licensed as "individual" brokers. An examination is not necessary in such a case.

Record Number of Licenses Issued in 1949-50 Year

During the 1949-50 license year, record total of 91,198 licenses, not counting transfers, changes of name or address, etc., was issued by the Division of Real Estate. This figure was reached even though the volume of original broker licenses issued declined sharply after the effective date of the amendments to the law requiring the real estate broker applicant to have certain prerequisite experience or specialized education.

Applications for real estate broker licenses have dropped from an approximate average of 800 per month to about 80 per month. On the other hand, there has been a very pronounced increase in the number of applications for real estate salesman license.

In the 1949-50 year, 81,244 real estate licenses were issued of which 54,984 were brokers, 1,481 were officer or member brokers, 24,018 were regular real estate salesmen and 761 were provisional salesmen.

Licensed as business opportunity agents were 7,716 brokers, 199 officer or member brokers and 1,225 salesmen.

In addition, the division licensed 73 mineral, oil and gas brokers and, up to May 1, 1950, when they went under the jurisdiction of the newly created Cemetery Board, 743 cemetery agents were licensed.

No Pocket Identification Cards Issued to Branch Offices

The practice of issuing a personal pocket identification card with each broker branch office license has been discontinued. The 1950-51 renewal branch office licenses were not accompanied by identification cards.

Pocket identification cards were issued with each main office license, and this policy will be continued. For all practical purposes this is sufficient evidence of the licensee's status.

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