

# REAL ESTATE BULLETIN

Official Publication of the California Division of Real Estate

GOODWIN J. KNIGHT, Governor

Sacramento, July, 1956

D. D. WATSON, Commissioner

## Licenses To Go On Four-Year Basis

### Important License Law Changes Affect Fees and Set Up Educational Fund

All renewable licenses for brokers and salesmen will eventually be issued for a four-year term under the provisions of A. B. No. 5, passed by the Legislature during its 1956 Budget Session and approved by Governor Goodwin J. Knight. The legislation (Stats. 1956, Ch. 4), effective July 3, 1956, involved a number of important changes in the license law, all related to license fees and the disposition thereof.

Under the terms of the new legislation, a Real Estate Research and Education Fund is established; the fee for original salesman license is raised to \$10; and the fee for second or "final" examination for renewable license is established at \$5.

While many sections of the license law had to be amended in small details to bring the whole into uniformity, the important basic changes are briefly outlined below:

1. When a person who has an original one-year license is successful in passing the second or "final" examination, the renewal license to which he then becomes entitled will be a four-year license. For brokers the four-year license fee is \$50; for salesmen, \$30.

This is now in effect for those graduating from one year original license to renewable status.

2. On and after July 1, 1957, all renewal licenses, including those first issued prior to October 1, 1955, and previously renewed from year to year, go on the four-year basis with same fees as above. They will be issued on a staggered basis under regulations to be promulgated later by the Real Estate Commissioner.

3. On and after July 1, 1957, the fee for late renewal of license becomes  $1\frac{1}{4}$  times the amount of the regular renewal fee; i.e., broker fee, \$62.50; salesman fee, \$37.50.

4. The application fee for original one-year salesman license is \$10 (effective July 3, 1956).

5. The holder of an original one-year license applying for the second

(Cont. Page 251, Col. 1)

### DON'T WORRY IF YOU HAVEN'T RECEIVED YOUR LICENSE

If you mailed or delivered personally proper renewal application and fee to the division prior to July 1st and have not yet received your 1956-57 license, don't be too concerned about it.

Under these circumstances, the law entitles you to go right on operating in your capacity as a licensee, and this item is merely a reassurance and a plea not to phone or write about your license if you have performed as above. Refraining from making over-anxious inquiries will help your division's employees to concentrate on the workload at hand.

Reasons for some delay in issuing 1956-57 licenses are: (1) record number of licensees and unusually high percentage of renewal, with heavy volume at deadline date. (2) The Real Estate Commissioner wanted to clear up the apparent misunderstanding on the part of many licensees regarding the application of the new four-year license law. Therefore, this July *Bulletin*, which normally would be held up until after the 1956-57 renewal licenses had been mailed, is sent to you now. Consequently, the licensing process is delayed, since the same addressograph equipment is used for both licenses and *Bulletins*. (3) Confusion caused by changes in law. (4) The concurrent start of the program of the second or "final" examinations, and mailing of notices.

## Job Opportunities Open As Deputy Commissioners; Applications Invited

The Legislature has authorized the employment of additional deputy real estate commissioners. The jobs start at \$458 per month, rising over four years to \$556, with opportunity for further advancement.

These positions are under state civil service and applicants must qualify by written and oral examination. July 27, 1956, is the final date for filing applications, which must be made on an official form.

To qualify for examination, the applicant must have had either two years of full-time real estate experience or three years of full-time paid experience in field investigation work, plus education equivalent to graduation from college. Additional qualifying experience may be substituted for the required education on a year-for-year basis.

Anyone interested in becoming a Deputy Real Estate Commissioner I is urged to write the State Personnel Board, 801 Capitol Avenue, Sacramento, asking for an application form and further information, or inquire at the board's office in San Francisco or Los Angeles. Applications can also be obtained at any office of the State Department of Employment.

### QUESTIONS AND ANSWERS ON LAW CHANGES

For details on the application of the new changes in the license law to specific situations, see the Commissioner's Forum column on page 248 of this *Bulletin*. In this issue, the column deals exclusively with the effect of the amendments. Your question should be answered there, if not, send it in.

**REAL ESTATE BULLETIN**

Sacramento, July, 1956

Published Bimonthly by the  
**DIVISION OF REAL ESTATE**

STATE OF CALIFORNIA  
GOODWIN J. KNIGHT, Governor

D. D. WATSON

Real Estate Commissioner

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**DISCIPLINARY ACTION—MARCH 28 THROUGH MAY, 1956**

NOTE: Any person whose license has been suspended or revoked, or whose license application has been denied, has the right to seek a court review. This must usually be done within 30 days after the effective date of the commissioner's decision.

Therefore a list of actions is not published in this *Bulletin* until the 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 or to whom a restricted license is granted after suspension or revocation are not published.

**LICENSES REVOKED FROM MARCH 28 THROUGH MAY, 1956**

Name	Address	Effective date	Violation
Blanchard, Richard Andrew dba Blanchard Realty Co. Real Estate Broker Business Opportunity Broker	5276 Mission St., San Francisco	3/28/56 ✓	Secs. 10176 (e), (i); 10177 (f); 10302 (e) & Secs. 2830, 2831 & 2832 of R.E. Comm. Rules and Regulations
Elmore, George McKinley Real Estate Salesman	334 Frederick, San Francisco	3/28/56 ✓	Secs. 10176 (e), (i) & 10177 (f)
Rhodes, Carl Real Estate Broker	1382 Hearst, Berkeley	3/29/56	Sec. 10177 (b), (f)
Ferraro, Salvatore Anthony Real Estate Salesman	1007 N. Ave 64, Los Angeles	3/30/56	Sec. 10177 (b), (f)
Sherburne, Willard Allen Restricted Real Estate Broker	999 Lewelling Blvd., San Lorenzo	4/20/56	Secs. 10176 (a), (b) (g), (i) & 10177 (f)
Eisenhower, Gerald Victor Eisenhower Investment Co. Restricted Real Estate Broker	8255 Beverly Blvd., Los Angeles	4/25/56	Sec. 10156.6
Corbett, Florence P. dba Corbett Realty Real Estate Broker	326 E. 14th St., Oakland	4/27/56 ✓	Secs. 10176 (a), (b), (e), (i); 10177 (d), (f), (g) & Secs. 2830 & 2832 of R.E. Comm. Rules and Regulations
Schmidt, Kenneth Paul Real Estate Broker	1543 Serenade Terrace, Corona Del Mar	5/ 1/56	Secs. 10176 (i) & 10177 (f)
Burton, Robert McKay Real Estate Broker	833 York St., Oakland	5/20/56 ✓	Secs. 10176 (e), (i); 10177 (d), (f) & Secs. 2830 & 2832 of R.E. Comm. Rules and Regulations
Wenmoth, William Albert Real Estate Broker	1089 Valencia St., San Francisco	5/21/56 ✓	Secs. 10176 (a), (e), (i); 10177 (f) & Secs. 2830, 2831 & 2832 of R.E. Comm. Rules and Regulations
Lucky Enterprises, Inc. James Henry Howard, Pres. Real Estate Broker	1597 E. 14th St., San Leandro	5/22/56 ✓	Secs. 10176 (e), (i); 10177 (d), (f)
King, Herbert Spence Real Estate Broker	Skyway N. of Elliott Rd., P.O. Box 571, Paradise	5/24/56	Secs. 10176 (a), (b), (i); 10177 (d), (f); 11010; 11020 & Secs. 2794 & 2795 of R.E. Comm. Rules and Regulations
Moore, Ola Real Estate Salesman	8876 S. Central Ave., Los Angeles	5/25/56 ✓	Secs. 10137; 10176 (e), (i) & 10177 (f)
Packard, Inez Lillie Real Estate Broker	3838 Tampico Ave., Los Angeles	5/31/56	Sec. 10177 (b), (f)
Massey, Lloyd Ridgway Real Estate Broker	1216 Ethel St., Glendale	5/31/56	Sec. 10177 (b), (f)

**Legal Prohibitions  
Against False Advertising**

Some real estate people may not be familiar with provisions in the law outside of the real estate license law relative to false advertising.

Sections 17500, 17501, 17530 and related sections of the Business and Professions Code make it unlawful for any person, firm, corporation, or any employee, to disseminate untrue or misleading statements intended to influence directly or indirectly the disposal of real or personal property or to perform services in relation thereto.

The law provides that a violation of the sections referred to is a misdemeanor, and also provides that an injunction may be secured against a violation of those statutes.

**LICENSES SUSPENDED DURING APRIL AND MAY, 1956**

Name	Address	Effective date and term	Violation
Schrank, Elsie D. Real Estate Broker Business Opportunity Broker	1209 E. Broadway, Long Beach	4/17/56 90 days	Secs. 10176 (i); 10177 (f) & 10302 (e)
Beauchamp, Ralph Scott Real Estate Broker	166 N. Bascom Ave., San Jose	4/20/56 30 days	Secs. 10176 (a), (b), (f) & 10177 (f)
Leschine, Marie Mable Real Estate Salesman	1929 Mt. Diablo St., Concord	4/25/56 30 days	Sec. 10176 (a), (b), (f)
Banks, Roy Lawrence dba Banks Realty Co. Real Estate Broker	110 J St., Niles	4/27/56 30 days (last 25 days stayed permanently on terms and conditions)	Secs. 10176 (f) & 10177 (d)
Montero, Joseph Bernardo Real Estate Broker	3343 23d St., San Francisco	5/ 1/56 60 days	Secs. 10176 (a), (g), (i) & 10177 (f)
Lucha, Ricardo Antonio Real Estate Salesman	3343 23d St., San Francisco	5/ 1/56 60 days	Secs. 10176 (a), (g), (i) & 10177 (f)
Nicolls, Donald O. Real Estate Broker Business Opportunity Broker	12200 San Pablo Ave., Richmond	5/ 1/56 30 days	Secs. 10176 (h); 10177 (d) & 10302 (d)
Bohannon, George Searle Member of Aladdin Realty Co. Real Estate Broker	5998 Mission St., Daly City	5/22/56 30 days	Secs. 10176 (a), (b), (g), (i) & 10177 (f)
Wilson, Arthur Drew Real Estate Salesman	5253 Mission St., San Francisco	5/22/56 30 days	Sec. 10176 (i)
Smith, Donna Marie Real Estate Broker	1982 Newport Blvd., Costa Mesa	5/23/56 10 days	Secs. 10176 (a), (i) & 10177 (f)

## **"FINAL" EXAMINATIONS**

### **Study Outline for Renewable License Test; Notices Mailed**

Application forms for examinations for four-year renewable licenses are now being mailed to those persons who have original one-year licenses which bear an issuance date of October, 1955. Next month, applications will go to those first licensed in November, 1955; the following month to those whose licenses were first effective in December, 1955, and so on.

When the holder of an original one-year license receives the special application form, which is simply a strip of three cards, he may fill it in and mail it along with examination fee (\$5 for any type of license) to the Division of Real Estate at Sacramento. He will then be scheduled for written examination in Sacramento, San Francisco, Fresno, Los Angeles, or San Diego, whichever city is closest to his place of residence.

If the applicant successfully passes the examination, he is eligible to apply for a four-year renewable license of the type qualified for. The fee for broker four-year license is \$50; for salesman, \$30.

If the holder of an original one-year license does not choose to be examined for renewable license, he cannot, of course, continue to act as a licensee after the expiration of his one-year license.

#### *Examination Procedure*

Real estate broker and salesman applicants will be given the same written tests; likewise, business opportunity brokers and salesmen. However, the minimum passing grade will be set higher for broker license candidates than for salesmen.

Candidates for four-year renewable licenses must be prepared to devote most of a day to taking the examination. In the morning they will be given three hours to complete the first three sections of the examination. In the afternoon, three hours are allotted for completion of the last section. After the written examinations are graded, those examinees who narrowly miss making a passing grade will probably be given an opportunity to appear for oral examination to supplement the showing made in the written test. The oral examinations will be conducted only in Los Angeles and San Francisco.

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#### *Nature of Examination for Renewable License*

In developing the examinations for renewable license, the Commissioner requested and has had the fullest cooperation of the University of California at Berkeley, which made available its facilities and the assistance of several staff members under its Real Estate Research Program.

In developing the examinations, the keynote was and is the practical side—to test the candidate's practical knowledge of how to handle a normal real estate transaction properly, in strict compliance with legal requirements, and, in general, in a manner in the best interests of his principals and of the general public. However, it must be emphasized that practical experience alone will not guarantee passing the examination. A reasonable amount of study and/or review of the over-all subject material given below is essential.

Candidates for the examination must necessarily prepare themselves on a broad basis; one suited to a satisfactory future participation in the field of real estate and business opportunities, and not primarily in preparation for a certain list of "typed" questions.

#### *Areas of Knowledge Covered in Tests*

The over-all field covered in the examination for renewable real estate license contains the following general areas, each of which is assigned a proportionate weight with respect to the examination as a whole. The candidate for license is expected to demonstrate:

**(A) A workable knowledge of real estate law and necessary knowledge of its application to real estate transactions.**

(Real Estate Law)—(1) Nature of real property—constituents, how described; (2) capacity to deal with real property—minors, incompetents, corporations, partnerships,

etc.; (3) interests in real property—fee simple and life estates, leaseholds, homesteads, easements; (4) liens and encumbrances—mortgages, trust deeds, mechanic's liens, judgment liens; (5) how title may be held—tenancy in common, joint tenancy, community property; (6) special relationships of owners—priority of claims and liens, encroachments and easements, restrictions, nature of fixtures; (7) transfer of real property—deeds, contracts and agreements, brokerage, the real estate license law, contracts in general, forms used in the business, options, exchanges, adverse possession, escheat, dedications; (8) brokerage and the real estate license law—relation of agent and principal, laws governing subdivisions.

**(B) Sufficient nontechnical knowledge of appraisal methods to enable the real estate broker and salesman to serve their clients and the general public in a useful and dependable manner in carrying out their function in the real estate market.**

(Valuation)—(1) Concepts and purposes—concepts of value, types and purposes of value, forces influencing value, uses of properties; (2) appraisal techniques—definition of appraisal, methods of appraising, depreciation.

**(C) A workable knowledge of available financial sources and the procedures and practices to assist clients in obtaining and utilizing such sources in real estate transactions.**

(Finance)—(1) Mortgage lending agencies—institutional, noninstitutional, loan practices and procedures; (2) government mortgage agencies, FHA, VA, Cal-Vet.

**(D) A general understanding of the effect of federal, state, and local authority concerning property and real estate transactions.**

(Public Control of Real Estate)—(1) Zoning—nature, coverage, limitations; (2) state agencies—Housing Act, Board of Equalization, Health Department, Real Estate Commissioner; (3) taxes and assessments—lien rights, tax sales; (4) eminent domain—nature, compensation, procedure; (5) planning; (6) flood control and water resources; (7) subdivision Map Act—regulation of subdivisions by commissioner.

**(E) Some knowledge of the special fields of the industry with which the real estate broker and salesman should be sufficiently familiar to enable him to perform his duties adequately.**

(Miscellaneous Special Fields)—(1) Income taxation—sale of residence, installment sales, capital gains, corporations; (2) land development—water supply, sewage, drain-

(Cont. on Page 247, Col. 1)

# Characteristics and Performance of Real Estate Brokers and Salesmen in California — Part I

By ALBERT H. SCHAAF, Assistant Professor of Business Administration, University of California, Berkeley

**EDITOR'S NOTE:** This is the first in a series of articles based on a research project requested by D. D. Watson, State Real Estate Commissioner, in connection with the Real Estate Research Program of the University of California at Berkeley (project financed by legislative appropriation from Division of Real Estate funds). The series is being presented in the *Bulletin* in the belief that all licensees, having in a sense provided the money for the research, should be informed of the results.

**SPECIAL ATTENTION, PLEASE.** Printing this article and the Commissioner's Forum (questions and answers) naturally involves the extra expenditure incident to the additional four pages required. This additional cost must be justified if these extra pages are to be made available in future issues of the *Bulletin*. If you find this article and the Commissioner's Forum of benefit and interest to you and want them continued, it is imperative that you immediately advise the commissioner by letter or postcard that, in your opinion, the extra expenditure is justified. [Address your letter or postcard to Editor, Real Estate Bulletin, 1021 O Street, Sacramento 14.]

On May 1, 1954, at the start of the research project upon which these articles are based, 100,148 brokers and salesmen were licensed by the State of California to sell real estate. Little was known, however, concerning the actual nature of the licensees' activities. As emphasis on the industry's public role has expanded, the necessity of acquiring reliable data on its current organization and operational structure has been recognized.

This article, the first in a series, is devoted to a description of some of the structural characteristics of the real estate business in California and certain activities of brokers and firms. Several summary tables are included to aid in the presentation, but much of the data upon which the discussion is based cannot be fully reproduced here due to space limitations. The data were obtained from a scientifically designed sample survey of all California real estate brokers and salesmen as of May 1, 1954. Since the information stems from a sample, it should be regarded as providing only a general indication of the characteristics of the industry.

### Extent of Licensees' Participation

A determination of the degree to which real estate licenses are actually used by those who hold them is of considerable interest and importance. *Table 1* shows that, in 1954, more than half of those licensed did not use their right to participate in the business. Of those inactive, approximately 21,000 officially inactivated their licenses by deposit with the Real Estate Commissioner, while another 33,000 retained their licenses but did not engage in any real estate operations. An additional 18,000 were active only on a part-time basis.

The actual number of licensees who spent all of their time on real estate work was 27,740 or 28 percent of those eligible. About two-thirds of

these were brokers and one-third salesmen.

### Nonreal Estate Activities of Part-time and Inactive Licensees

Information concerning the nonreal estate occupations of the inactive and part-time licensees was developed in the study. One-quarter of the inactive brokers who had not deposited licenses with the commissioner were retired from all business. Nearly another quarter were in activities related to real estate brokerage. They maintained their licenses even though not currently using them, apparently in the belief that they might participate in an occasional transaction. This group included builders, lawyers, insurance men, and building managers, plus persons in lending agencies and similar pursuits.

Housewives were the next largest inactive broker group, totaling 11 percent. It is apparent that some in this category might, with changing personal circumstances, become more active in the future. Finally, 41 percent were engaged in occupations which had little or no relationship to real estate. These varied from bartenders and truck drivers to movie actors and morticians. Some of these people had been active in real estate but had left because they had not been sufficiently successful. Others maintained a license even though they were not sure how or if they would ever use it.

About 15 percent of those inactive with salesmen's licenses were retired, 10 percent were housewives, and 8 percent were in activities related to real estate. The final two-thirds of the inactive salesmen were spread among all other occupations.

The nonreal estate occupations of the part-time licensees are more closely related to real estate than are those of the inactives. Forty-nine percent of the part-time brokers and 20 percent of the part-time salesmen were in closely allied fields such as insurance, building, real estate operations for their own account, and the like. However, 35 percent of such brokers and 59 percent of such salesmen were in jobs which had little or

TABLE 1

Holders of Real Estate Licenses in California, May 1, 1954; Classified by Amount of Working Time Spent in Real Estate Activity

Type of license	Total	Full-time real estate activity	Part-time real estate activity	No real estate activity	Licenses currently inactivated
Brokers.....	52,908 (100%)	16,150 (30%)	9,840 (19%)	16,910 (32%)	10,008 (19%)
Salesmen.....	44,996 (100%)	10,375 (23%)	8,175 (19%)	15,900 (35%)	10,546 (23%)
Firms*.....	2,244 (100%)	1,215 (57%)	294 (12%)	375 (16%)	360 (15%)
Total.....	100,148 (100%)	27,740 (28%)	18,309 (18%)	33,185 (33%)	20,914 (21%)

\* Partnership and corporation licenses.

(Cont. on next page, Col. 1)

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nothing to do with real estate. The remaining 16 percent of the part-time brokers and 20 percent of the part-time salesmen were housewives or in semiretirement.

### Volume of Business

Because of the different types of businesses conducted, it is difficult to estimate the total dollar volume of the real estate industry in California, but it appears from the study that the gross income of all licensees and firms was somewhat over \$400,000,000 in 1953. This is not a measure of the volume of sales or property handled, but of the fees collected by the industry. The net income of all licensees from their real estate activity was about \$200,000,000.

### Differences in Activities of Full-time Brokers

The real estate business covers a wide variety of different tasks. Some require primarily sales ability and market knowledge. Others require very specialized knowledge of specific types of operations or skills. In order to study this difference more carefully, full-time brokers were differentiated into groups according to the following functions:

1. Selling residential property.
2. Selling other types of property such as commercial and industrial.
3. Nonselling activities such as appraising, lending, leasing, and managing.

Such a differentiation was made only with brokers since salesmen licensees spend almost all of their time selling single-family houses.

The numbers falling within these various functional groups as well as some of their major differences are shown in *Table 2*. The first group refers to brokers who spend over 80 percent of their time listing and selling residential properties. **Over 10,000, or 63 percent of all full-time brokers in California, fall in this category, which is in effect the primary business of the industry.**

The second group refers to those who perform slightly more varied tasks and handle some additional

**TABLE 2**  
**Characteristics of Full-Time California Real Estate Brokers, May 1, 1954;**  
**Classified by Type of Activity**

Type of activity	Number in activity	Median income	Median years in business	Median age at entry	Percent in professional organizations*
Over 80 percent residential selling.....	10,190	\$4,100	8 years	41 years	11%
20 percent to 80 percent residential selling	2,300	\$5,800	10 years	38 years	20%
Over 80 percent nonresidential selling....	2,320	\$6,700	10 years	36 years	21%
Over 80 percent nonselling.....	1,340	\$13,400	25 years	30 years	49%

\* Excludes those who are in the California Real Estate Association only.

properties, but still spend from 20 percent to 80 percent of their time in the residential market. This group accounts for 14 percent of all full-time brokers. The third group, also accounting for 14 percent of the total, includes those who are primarily salesmen but spend less than 20 percent of their time handling residences, specializing rather in commercial or industrial properties. The final group, totaling 9 percent, is composed of those brokers who spend less than 20 percent of their time selling, concentrating instead on mortgage brokerage, land development, property management, leasing, or appraising.

The sharp differences between the groups in *Table 2* are most interesting. A very high relationship exists between the length of time a man has been in the real estate business, the amount of specialized work he performs, his membership in industry professional associations, and his earnings. Apparently the more specialized tasks require greater skill and know-how and also pay considerably more. It is also probably significant that the men who perform the more skilled tasks entered the industry at an earlier age. They have had somewhat more training, mainly on the job, but 20 to 30 percent have also taken advanced courses in their specialty.

### Size and Activities of Firms

The large number of part-time people calls attention to the ease of entry and large amount of potential competition in the real estate industry. To open a real estate business is relatively simple. All that is required is a broker's license and a definite place of business. Many firms operate initially with little else, hoping to expand by

investing time, while allocating some share of earnings for advertising and rent.

Such expansion, however, is often not realized. As a result the real estate business is predominantly made up of very small scale organizations. **Of the 22,169 firms active in May of 1954, over two-thirds consisted simply of a self-employed broker working without even secretarial assistance. Less than 1,800 firms (8 percent of the total) had over five employees.**

The predominance of small-scale organizations is further evidenced by the income distributions presented in

(Cont. on Page 246, Col. 1)

**TABLE 3**  
**Gross Income of All Active Real Estate Firms in California in 1953;**  
**Classified by Number of Employees<sup>a</sup>**  
(Percentage Distribution)

Gross income <sup>b</sup>	Active real estate firms		
	Without employees	With employees	All firms
Under \$2,000.....	40%	6%	28%
\$ 2,000-\$ 5,999.....	32	15	26
6,000- 9,999.....	10	12	11
10,000- 24,999.....	16	30	21
25,000- 99,999.....	2	24	10
100,000- 499,999.....	0	9	3
Over \$500,000.....	0	4	1
Total.....	100%	100%	100%
Number of firms in group.....	14,288	7,881	22,169
Median gross income..	\$3,300	\$19,000	\$4,600

<sup>a</sup> A firm is here defined as any independent business unit even if composed only of a self-employed broker working either part-time or full-time without employees.

<sup>b</sup> Includes gross earnings from listing and selling, property management, leasing, appraising, land development, and negotiating loans with no deductions for taxes, expenses, or commissions.

## Cal-Vet Farm & Home Purchase Plan Liberalized; Ceilings Raised on Loans to Veterans

In its 1956 Budget Session, the California Legislature enacted legislation, approved by Governor Goodwin J. Knight, which raises Cal-Vet home purchase loans to a maximum of \$15,000 (or \$13,500 to build a home on a veteran's lot) and increases farm purchase loans to a maximum of \$40,000. The legislation also abolished all limitations on the value of property which may be owned by the veteran seeking the benefits of the Farm and Home Purchase Plan.

A companion measure was also passed, under which a proposition will be submitted to the voters of the State next November for approval of a \$500,000,000 bond issue to continue financing these loans to veterans.

### Former Limits Much Smaller

The effect of these legislative actions was to liberalize greatly the 35-year-old veterans loan program, which has functioned in California since 1921 without cost to the State's taxpayers. The former limits were \$8,500 for a home purchase and \$15,000 to finance purchase of a farm. Proponents of the new legislation called the old limits highly unrealistic in the face of today's market prices.

Along with approval of the higher loans, the State Legislature included a provision calling for a priority system in granting loans to the thousands of veterans expected to apply.

### Priority System

The California Department of Veterans Affairs announces it is now accepting "applications to purchase"

which will be processed in accordance with the established priority system. Wounded or disabled veterans are given first consideration. Beyond that, priority is determined by the size of the loan requested; the smaller the loan, the earlier its priority.

Applications to purchase are being placed on waiting lists in the order received at each branch office of the department within priority groups as follows:

Priority order	Homes Loan not to exceed	Farms
First .....	\$10,000	\$20,000
Second .....	11,000	25,000
Third .....	12,000	30,000
Fourth .....	13,000	35,000
Fifth .....	14,000	40,000
Sixth .....	15,000	

The department has started making loans to veterans in the first priority group—that is, to veterans who have requested not more than \$10,000 for home financing or \$20,000 for farm financing. Only applications in the first priority will be processed until it is determined that funds on hand and processing facilities available permit consideration in the second and succeeding priority groups.

smaller firms and are somewhat more diversified although over 50 percent are still primarily engaged in brokerage of residential property.

Extensive diversification is typical only of firms with 25 or more employees (1 per cent of all firms). Over 90 percent of the businesses in this group exhibit considerable diversification into such lines as leasing, property management, and financing and closely related nonreal estate activities such as building and insurance. Many of these companies, often with gross annual earnings of over \$500,000, are specialists in insurance,

## VA Code of Ethics for Appraisers and Inspectors

All fee appraisers and compliance inspectors participating in the GI loan program are now required to subscribe to a VA code of ethics, the Veterans Administration announced.

The action was taken because the activities of a small minority of fee appraisers and inspectors on VA's approved rosters have not met with the high standards imposed by the code.

The VA said it has no intention of interfering with the private lives of these workers. However, agency officials believe it appropriate to prohibit those serving as fee appraisers and inspectors from engaging in private pursuits conflicting with their VA appraising and inspection duties.

As a condition for retention on its rosters, the VA is prohibiting fee appraisers and inspectors from engaging in any private pursuits where these conflicts may develop—where judgment as a VA fee appraiser or inspector might be biased or where information obtained from or through a VA assignment to appraise or make compliance inspection will be used to the government's or veteran's detriment.

### SALESMAN FEE \$10

Brokers—Make sure your prospective salesman remits the correct fee—\$10—with his application. Since July 3, the amended law requires the \$10 fee.

## Broker and Salesman Survey

(Cont. from Page 245, Col. 3)

Table 3. It can be seen in Table 3 that over half of all active firms had gross earnings of less than \$5,000 in 1953 and that only 14 percent earned more than \$25,000.

Certain significant factors can be noted about firms with 10 or more employees (about 3 percent of all firms). This group of larger, more highly organized units averages 20 years of age as compared to an average of eight years for all firms. They have considerably larger income than

financing, buildings, or subdivision work and are thus not in the core of the industry which is primarily engaged in selling houses. Used house brokerage is frequently only a minor part of their total operation.

(The next article based on the analysis of the survey now being studied is scheduled to appear in the September Bulletin. It will be devoted to a more detailed description of the individual characteristics of brokers and salesmen.—Editor)

**DON'T FORGET.** The commissioner will appreciate the benefit of your opinion as to whether the extra cost involved in increasing the size of this issue of the *Bulletin* from 8 to 12 pages is justified. Send postcard or letter to Editor, Real Estate Bulletin, 1021 O Street, Sacramento 14.

## "Final" Examination Field

(Cont. from Page 243, Col. 3)

age, streets, community facilities; (3) real estate exchanges; (4) rentals—property management; (5) escrows—nature and purposes, requisites, obligations of parties; (6) mathematics—as required for computations in real estate transactions.

### Makeup of Test

For the present, at least, the examinations will consist of four sections—three to be completed in the morning session, the fourth in the afternoon. Section I consists of multiple choice questions; Section II, short essay questions; Section III, short problems; and Section IV, business practice problems.

Section III at the end of the morning session will include some problems in elementary appraising. The business practice problems involve the analysis of typical transactions from data given, the completion of necessary standard forms, such as listings, sales agreements, exchange agreements, land contracts, and instructions to the escrow.

### Business Opportunity Examinations

The examinations for renewable four-year business opportunity broker and salesman license follow much the same pattern as the real estate tests. Here, however, the emphasis is on the law, regulations and instruments pertaining to the sale, mortgaging and leasing of personal property and the operation of small businesses. Heavy stress will be placed on the candidate's ability to analyze elementary figures relating to the operation of small businesses and thus arrive at a conclusion as to the profit potential and worth of such businesses.

There is some overlapping from the real estate field in subject material. For example, the candidate will be tested on his knowledge of the general use and effect of deeds, real property mortgages, contracts of sale, liens and leases.

### Study Material

No individual textbook covers completely all the areas included in the examinations for four-year renewable licenses. The Reference Book published by the Division of Real Estate was used as a source in construct-

## Protective Clause in Listing is Upheld

Just how effective is that provision in your listing that you are entitled to a commission if the property is sold, within a certain period after expiration of the listing, to someone with whom you had "negotiated" during its term. An appellate court case, decided this past year, indicates its effectiveness.

The case, *Delbon v. Brazil* (134 C. A. 2d 461), held in effect that a sale made to the broker's customer within the protective period entitled broker to a commission.

The listing agreement figuring in the case ran for 30 days and contained a clause under which the owner agreed to pay the broker "*the agreed commission upon the actual sales price if the above described property is sold or agreed to be sold to any person prior to the termination of such right, or if such property is sold or agreed to be sold within 30 days thereafter to any person with whom said broker or his agent negotiated for its sale prior to the expiration date hereof.*"

### Salesman Finds Prospect

A salesman for the broker who held the listing discussed the property at some length with a prospect during the first 30 days of the listing and offered to show the property, but the prospect chose to act alone. A diagram was drawn locating the property for the prospect. The prospect was furnished additional information within a few days, including the name and address of the owner. The original listing expired and the owner of the property listed it with another broker. The first broker's prospect went to the second broker and bought

the property within 30 days after the first listing expired.

The court held that under the original listing the broker was to be paid a commission in either of two events: (1) a sale during the 30 days of the listing, or (2) a sale within 30 days thereafter to any person with whom broker had "negotiated for a sale" during that period.

### Not Necessary to Be Procuring Cause

Under the first condition, the broker would have to be the procuring cause of the sale. However, the court stated that to carry the requirement over into the second provision for payment of commission would be to rob the latter of any meaning not already contained within the former except as to the extended period. "**To recover under the second provision, it was not necessary that respondent (broker) be the procuring cause of the sale,**" the court stated. The fact that another broker was active in effecting the sale during the protective period did not prevent the original broker from recovering a commission, the court ruled.

Further, the court stated, "The parties to a broker's contract are at liberty to make the compensation of the broker dependent upon any lawful condition they may see fit to place therein. The simple question is what does the contract provide?" The court defined "negotiation" in this particular contract as meaning that "efforts of the broker to interest a prospect must have proceeded to the point where the prospect would be considered a likely purchaser."

ing a good portion of the examinations. There is a wide selection of other texts available for studying subjects listed above. As a guide to the individual seeking study material, the University of California publishes a pamphlet called, "A Key to Readings in Real Estate." This is a bibliography of real estate publications, which are classified in major fields. It also contains short descriptions of the contents of each publication listed.

The Reference Book is available at all offices of the Division of Real Estate. Price: paper cover edition, \$2.08 (includes sales tax). Books ordered by mail are sent postpaid. Send order with check to Division of Real Estate, 1021 O Street, Sacramento 14.

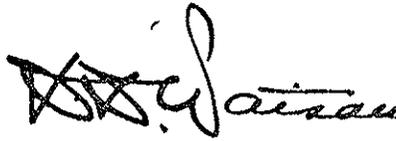
Orders for "A Key to Reading in Real Estate" should be addressed to the Bureau of Business and Economic Research, University of California, Berkeley. Price is \$1 plus sales tax.

## Commissioner's Forum

Many of you have attended at least one of the "Commissioner's Forums" conducted throughout the State during the past few months. The response to these conferences has been gratifying, but time would not permit answering all of the hundreds of questions submitted. With the thought in mind that all licensees are entitled to answers to their questions, the commissioner is continuing his state-wide forum series through the medium of the *Bulletin* and this column of questions and answers.

The success of the Commissioner's Forum in the *Bulletin* will depend on your cooperation. Send all questions to Editor, Real Estate Bulletin, 1021 O Street, Sacramento. Names will not be printed, and the commissioner reserves the right to select those questions believed to be of widest general interest and also to rephrase any questions for purposes of clarity.

New and important amendments to the license law became effective on July 3. It seems appropriate, therefore, that we devote the questions in this issue to these recent changes.



1. Q. *Is the issuance of original one-year broker and salesman licenses as provided for by the Oct. 1, 1955, legislation affected by the July 3, 1956, amendments to the law?*

A. These will be issued as previously provided, for a period of one full year from the date of issuance. However, the original salesman fee is increased from \$5 to \$10 by the law which became effective July 3, 1956.

2. Q. *I understand that all permanent renewable licenses are to be issued for a four-year period instead of a one-year period. When does this start?*

A. Four-year licenses for those who held renewal licenses prior to October 1, 1955, will not be issued until July 1, 1957 and, to start with, only a portion will be issued for the full four-year period.

3. Q. *Why will only a part of the renewable licenses be issued for four years starting on that date?*

A. Because the law permits a plan to be used which will cause the great bulk of licenses to expire at various times, so as to spread out the workload of the division.

4. Q. *I renewed my renewable license for the period July 1, 1956, through June 30, 1957. How will I know for what term it will be issued after the latter date and what fee I am to pay?*

A. You probably won't know until you get a notice in May or June of 1957. You will be told for what period your license will be issued after July 1, 1957, and what the fee will be.

5. Q. *Will I have to pay the full four-year fee even though my license is issued for a lesser period?*

A. No. The fees will be prorated.

6. Q. *What are the new four-year fees provided by law for issuance of renewable licenses?*

A. The broker license will cost \$50 for the four-year period, and the salesman license \$30. Remember, these are for a full four-year period. For example, should you be billed for a two-year license starting next July 1st under the plan for staggering renewals, the fee would be just half of these amounts.

7. Q. *Is this plan for staggering issuance of licenses a temporary matter?*

A. Yes, eventually all renewable licenses will be issued for four years, and the full four-year fee must be paid. The plan for staggering will be used only at the outset, starting July 1, 1957. This will cause the bulk of the licenses to have different expiration dates and will distribute the work of renewing licenses throughout the year. In the past, when all licenses expired yearly at midnight on June 30th, it was necessary to employ a lot of extra help temporarily to handle the mass of applications. Having licenses expire at various times over a four-year period will permit the regular staff to handle the work much more efficiently.

8. Q. *I heard about the new fees and sent in \$50 for renewal of my broker license starting July 1, 1956. What will happen?*

A. You are entitled to a refund of \$45, because you will be issued a one-year renewable license effective July

1, 1956, through June 30, 1957. In other words, you "jumped the gun." The same would be true of a salesman who sent in \$30 for license renewal for that period; he, too, would be entitled to a refund.

9. Q. *What about the broker or salesman who qualifies and applies for a renewable license for the first time after July 3, 1956?*

A. He will be issued a license effective four years from date of issuance and must pay the full four-year fee. He will *not* pay a fee for the balance of a license year ending June 30, 1957. This would apply to brokers and salesmen who secured an original license after October 1, 1955.

10. Q. *I note the new schedule of fees increases the proportionate annual fee or charge for license. Why is this?*

A. For one thing, the law provides that 25 percent of these fees go into a special fund to finance real estate education and research. However, the main reason is rising costs. This is the first increase in license fees since the Real Estate Law was enacted in 1919.

11. Q. *Who determines how this education and research money will be spent?*

A. The law provides that it may be appropriated by the Legislature for the use of certain public educational institutions, including the state universities, state colleges and junior colleges.

12. Q. *Have these schools shown interest in the promotion of real estate education recently?*

A. Very definitely. The University of California has expanded its educational work in real estate tremendously in the past few years, both on the campuses at Berkeley and Westwood, and also through its state-wide Extension Division. Correspondence courses are now under consideration for those in remote areas of the State. The same is true of many of our state colleges and junior colleges, some of which have developed real estate curricula on an extensive scale.

13. Q. *Is there any change in the general plan for issuing one-year original licenses, with an examination at the end of the original year to qualify for a renewable license?*

A. No. This plan is not changed. The information previously given in the *Bulletin* regarding this license arrangement and the double examination is substantially correct.

14. Q. *I understand there is some change in the fee for an original broker or salesman license. What is this change?*

(Cont. next Page)

## Commissioner's Forum

(Cont. from preceding Page)

A. The fee for original salesman license is now \$10 instead of the \$5 previously charged. The original broker applicant's fee remains the same at \$20.

15. Q. *You say that at the end of my original one-year license year I must take another examination to qualify for a renewable license. Is there a charge for this?*

A. Yes, a new law amendment provides for a \$5 fee for this final examination, for both brokers and salesmen.

16. Q. *What changes, if any, were made by the Legislature with respect to the limited real estate salesman license?*

A. In general, the nature of this license is unchanged and it carries the same limitations. However, now the term of the limited license will be a full 120 days from date of issuance, regardless of the time of year it is issued. Formerly, all limited licenses expired at midnight June 30th, regardless of when issued. That cut down the effective time for those issued in March, April, May, and June. Those issued in June had less than 30 days to run.

17. Q. *I have a real estate broker license which I have kept on an inactive basis now for about five years. How do these new fees affect me if I continue to keep the license inactive?*

A. The fees for inactive licenses, both broker and salesman, are the same as for active licenses.

18. Q. *Will any examination be necessary to renew this inactive broker license I have had for five years?*

A. No, as the law now stands any renewable license will be renewed upon receipt of a complete application and the proper fee, without examination.

19. Q. *I have held a real estate broker license continuously for several years. A couple years ago I was late in getting in my renewal application and renewal fee, and I had to pay \$10 instead of \$5. When this four-year license is in full effect, will I have to pay \$100 instead of \$50 if I am late in renewing?*

A. No. The law provides that if you are late in renewing your license, you must pay 1¼ times the regular renewal fee as a penalty. In that case, your four-year broker renewal would be \$62.50 instead of \$50. Similarly a salesman would have to pay \$37.50 instead of \$30 for the four-year renewal.

20. Q. *I hold an original salesman license and don't know how to go about taking the*

## TAXES AND COSTS

### VA Warns on Misrepresentation of Payments

The Veterans Administration, the Division of Real Estate and probably other interested agencies have received a number of complaints concerning: (1) questionable advertising by some tract builders; and (2) inaccuracy of information regarding the size of tax payments which will eventually confront purchasers.

In a move to eliminate these conditions, the Veterans Administration recently issued two information bulletins, the first having to do with unacceptable advertising practices. In it, the VA cautions builders against the use of "no down" type of advertising (implying no down payment for the qualified veteran) without clearly specifying the requirement of cash for loan closing and impound costs in all cases, or 2 percent down and loan closing and impound costs in cases subject to that requirement. Builders found in violation of the notice will be suspended from further participation in the VA loan guaranty program.

In the second bulletin, the VA emphasizes that lenders and builders are responsible for obtaining accurate tax information and making sure such information is conveyed fully to prospective veteran purchaser-borrowers, so that the size of future payments can be anticipated and the veteran's ability to pay judged more realistically.

#### Payments May Rise

In some areas, veterans found monthly payments rising substantially six months to a year after occupying their newly built homes. This is to take care of impounds for taxes. The first tax assessment on a newly built home may be a great deal less than the first full *normal* year and ensuing years when the tax is based on the property *complete with improvements*. Also the demand for increased facilities, such as schools, in a newly developed area usually make increases in tax rates or assessed valuations inevitable.

The Veterans Administration takes the position that builders and lenders are obligated to give the veteran prospective buyer fullest possible information on his future tax position should he make the contemplated purchase.

#### REMEMBER

The fee for original real estate salesman license has been \$10 since July 3, even though the applications you may have on hand show it at \$5. To avoid delay, make sure the remittance is correct.

*final examination to qualify for a renewal license. Please advise me.*

A. You will be sent a notice in the mail in the nature of an application to apply for this final examination. You should receive this notice through the mail after you have had your original salesman license for about nine months. Fill it out completely, and send it in with the \$5 fee for the final examination. You will then be notified when and where to appear for the final exam. The same procedure applies to brokers.

If you should not receive this notice by the end of the tenth month after your license was issued, write to our Sacramento office because your notice may have gone astray.

21. Q. *If I "funkt" this final examination, do I get another chance in 30 days?*

A. No. You don't get another chance for a year. However, you can make application for a second original license which will tide you over until you can take another second examination.

22. Q. *If I fail the second time at the end of the second year, then what happens?*

A. You can't apply for the same license again until a year has expired, so you had better do some studying if you wish to stay in business.

23. Q. *I am coming up for my final examination, and I don't seem to be able to get any information on the scope of the final examination. Where can I get this information?*

A. You will find a general description of the material covered in the examination in this *Bulletin*.

## **Multiple Listing Contract**

### **COURT DENIES COMMISSION TO SELLING BROKER**

A member of a multiple listing service who sells a cooperative listing filed by another member may not be able to sue for a commission. Such was the ruling in a recent court case in Los Angeles.

The listing was put in the multiple by Realty Company A and sold by Realty Company B, another member. Company B was forced to sue for commission and was awarded judgment by the superior court. On appeal, the appellate division reversed the decision. The case is *Superior Court No. Civ. A 8828, Trial Court No. 151868*.

#### **Type of Contract**

The ruling affects the type of multiple listing in use by members of the San Pedro Realty Board. This appears to be the usual type of multiple listing contract. The listing is an irrevocable right-to-sell contract for a period of 60 days, the seller agreeing to pay "said agent" a commission of 5 percent in event of sale or exchange of the property by said agent or by any other, or by the owner, during the term of the contract.

The agreement also contained this wording, "It is understood that said agent is a member of the San Pedro Realty Board, and it is further agreed that said agent shall refer this listing to said board to be by it referred to such of its members as it may deem advisable and that such board or its members may act as subagents in procuring or attempting to procure a purchaser in accordance with this agreement, etc., etc."

The question presented was whether Company B, as a subagent, could maintain a suit against the seller or whether the suit must be brought by the agent named in the listing, Realty Company A. Considerable intricate law is involved in the decision reached by the appellate division.

#### **Considered Subagent**

However, briefly in layman's language, Company B, under the terms of the listing, was found to be the subagent of Realty Company A, the listing office, rather than the subagent of the seller. Furthermore, the court pointed out that if judgment were given to the subagent, the terms of the listing giving exclusive right to sell to Realty Company A might enable the

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listing office to also bring suit and recover a commission.

The court stated, "Here we have clear and unmistakable language that, without regard to whether a sale is effected by the agent named or by another to whom the listing may be referred, the commission is payable to the agent. By this provision the defendant unconditionally obligated himself to pay the commission, if earned, to the agent and no one else. In such circumstance, if defendant herein had paid the commission to the plaintiff, such payment would not operate to discharge his liability to the agent for the entire commission. To permit plaintiff to recover herein, therefore, would be to leave defendant subject to a like liability at the suit of the agent named in the agreement."

In the light of this decision, multiple listing services will no doubt review the contracts they employ, with view to clarifying the position of the cooperating broker.

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### **Real Estate Employees Find Ideas Pay Off**

At the last regular meeting of the State Merit Award Board, Gerald E. Harrington, Deputy-in-Charge, Sacramento District Office, Grade II, and Claude W. Cotter, Senior Cashier Clerk, Sacramento, received cash awards for their suggested improvements in operations.

The Real Estate Commissioner has strongly endorsed Governor Knight's merit award policies and, in proportion to number of employees, the division heads the list in money-saving ideas proposed and accepted for award.

## **FHA Trade-In House Plan Now Available to Brokers**

The Federal Housing Administration recently broadened its program in the trade-in house market, opening the way for real estate brokers to participate.

Norman P. Mason, FHA Commissioner, says the new program will make it easier for home owners to trade their present homes for more suitable ones because interim financing will be more readily available, thus enabling the home owner to apply the equity acquired in his old house as a down payment for a home that better suits his present needs.

According to NAREB's "Headlines," the expanded trade-in program has three major elements: (1) Real estate brokers and land developers, in addition to builders, are now eligible for firm commitments of FHA loan insurance on the house to be traded in. Until recently, only builders were eligible for such firm commitments. Brokers may now take title to the former home with interim financing arranged under the FHA program.

(2) The previous FHA requirement that such firm commitments would be issued only when the trade-in property required repairs of a major nature is removed. To qualify for FHA loan insurance now, the trade-in property need only be "placed in a sound, livable condition in reasonable conformity with the objectives of the (FHA) minimum property requirements."

(3) Firm loan insurance commitments may be issued to the three parties named in point one subject to the conditions named in point two, on trade-in properties intended for sale which contain not more than two-family units, provided the maximum mortgage is not above \$17,000 or 85 percent of the loan insurance which an owner-occupant would be entitled to, whichever is the lesser.

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\* \* \* 137 colleges or universities now offer one or more real estate courses, and 61 provide for the study of real estate as a major subject. A total of 36 colleges offer graduate work in real estate.

## License Law Changes

(Cont. from Page 241, Col. 1)

or "final" examination pays a \$5 fee for that examination.

6. The limited real estate salesman license will run for 120 days no matter when it is issued. The fee is still \$5.

7. The Real Estate Education and Research Fund is established to further education and research in real estate at the University of California and at state and junior colleges. One-fourth of the amount of license fees goes to the credit of the Real Estate Education and Research Fund:

### First Raise in Fees

This is the first time license fees provided for in the California Real Estate Law have ever been raised, but some raise was inevitable to take care of the demand for improved service to public and licensees and to cope with the mounting costs which affect all budgets—public and private alike. Even with the new rates in effect, the license fee schedule in California will still be one of the lowest in the Nation.

Supporters of the four-year license emphasized the eventual saving which will accrue in the operation of the division when permanent or renewable licenses are all issued on a four-year basis. With all licenses issued, as they have been, for a one-year period and all renewable at the same time, the processing of renewals has been a seasonal rush task, requiring recruiting and training of additional personnel during the once-a-year renewal period. This peak rush period will be eliminated once the four-year license plan is in full operation.

Another desirable feature of the legislation is the establishment of the Real Estate Education and Research Fund which should provide a powerful stimulus for the general advancement of real estate education throughout the State. Considering the size and importance of the real estate industry in California, many interested say that too little attention has been given research and education in the field. While much progress has been made during the past decade, the over-all educational and research program has

## "To Earn the Commission" Story Arouses Interest

### Many Comment on Bulletin Article; Unethical Practices Are Cited

That the question of who properly shares in a commission often can be vexing and troublesome is proved by the interest licensees have displayed in the *Bulletin* item, "To Earn the Commission, You Have to Make the Sale." The article touched on the legal rights of brokers and salesmen working on open listings, and not necessarily affiliated with a voluntary trade group or local board.

Letters and local board publications have dwelt on the existence of ethical obligations which are to be honored over and above purely legal rights in certain circumstances. It has been pointed out that local boards and "multiple listing" groups usually have their own detailed regulations applying to their memberships, which are intended to settle fairly most cases of disputed commissions.

However, some practices which lead to serious misunderstanding and bitterness were also aired. One writer discussing the *Bulletin* article said: "It is surprising how many times this subject is brought for arbitration. The Real Estate Commissioner makes it very clear from his viewpoint, which is indeed well taken. However, there is another facet to the situation which might bear expanding to a degree.

"That is the practice of one broker giving a prospect a list of properties to see on his own, most of which are 'open houses.' The prospect drives around, stops by with no card of introduction or telephone call from the broker, takes up the time of the listing broker who conscientiously makes his best sales approach and is in turn encouraged by the interest shown by the prospect.

"Many times he gets the prospect's name and number and begins to treat him as his own legitimate client. However, a few days or week or so goes by and, 'lo and behold,' the broker shows up with a deposit receipt offer.

probably suffered because of lack of funds.

Now, one-fourth of the license fees goes into the Real Estate Education and Research Fund, to be made available for appropriation by the Legislature for the furtherance of real estate education and research in the designated state institutions of higher learning.

Now, as the commissioner points out, there is really nothing the listing broker can do about it, but it does seem to make for some feeling in the matter.

### Customers Given Lists

"Another little angle, while we are on this general subject, is that reported as being used by some brokers in the treatment of clients, particularly those from out of state and unfamiliar with our customs. It seems the broker gives the client a large list of properties and explains quite strongly that, whenever he finds a property he wishes to purchase, it must be bought through the broker's office.

"There have even been cases reported that the client was informed that legally he is obligated for a commission if he fails to purchase through the office giving him the list. \* \* \* It's just fine to establish close confidence and work diligently for buyer loyalty, but it boils down to how this is done and what methods are used! Doesn't this all get back to the same old, but continually right axiom, 'Don't do anything to your fellow (broker) you wouldn't want him to do to you?' Professional and ethical methods make for increased professional stature. We believe they will pay off!"

### GIs Pay Off Loans

The Veterans Administration reports that more than 200,000 of its guaranteed home loans were paid off in full during 1955. This brought the total number of loans repaid since the beginning of the program to 790,000, or 18 percent of all GI loans.

GI loans made in 1955 totaled 650,000, up 58 percent from 1954. Average purchase prices were also up—about \$435 for new homes and about \$310 for existing homes.

## "Advance Fee" Plan Hit in New York State

The Director of Licenses for the State of New York, continuing his drive to rid the State of "advance fee" listing operations, has found Joseph Wechter, of New York, "*guilty of fraudulent practices in the operation of his business under the trade name and style of Atlantic Sales Company and has demonstrated his unworthiness to act as a real estate salesman.*"

Director A. S. Wechsler denied Wechter's application for a real estate salesman license in the employ of Rendlog Sales Company. The director found that Wechter had collected an advance fee of \$220 from the owners of a retail bakery shop, had represented that he would obtain a buyer within six months and had appraised the property greatly in excess of its true worth. He further found that Wechter had expended approximately 1 percent of the sum paid as an advance fee for "*negligible and inconspicuous advertising.*"

This operation sounds typical of those which have been carried on in California and neighboring states, and which resulted in additional legislation for protection of the public at the last California legislative session.

## Five Percent Commission Rate

A survey made by the University of California shows that a 5 percent charge is almost universal in this State for the sale of residential property.

## No Secondary Financing For FHA Insured Loans

It is not news that the Federal Housing Administration will not allow secondary financing where FHA insured loans are involved, but the Federal agency has asked the Real Estate Commissioner to stress that point again in the *Bulletin*.

"There is a stringent FHA prohibition against secondary financing in an insured home mortgage transaction and it is of the utmost importance that all parties to such transactions observe the rules in this respect," says the agency.

The FHA Commissioner has stated: "It is a condition precedent to mortgage insurance that the borrower certify that the mortgaged property is free and clear of all liens other than the lien of the (FHA) insured mortgage and that there is not outstanding any other obligation contracted in connection with the mortgage transaction or the purchase of the mortgaged property, except obligations which are secured by property or collateral owned by the borrower independently of the mortgaged property.

"While it is the borrower's responsibility for certifying that secondary financing does not exist, the lender would question any borrower's statements where information or circumstances would indicate there may be secondary financing. The lender's statement on the commitment for insurance provides in part that to its best knowledge and belief none of the

## LICENSE LAW IN PRINT AND AVAILABLE

The California Real Estate Law, as amended and in effect July 3, 1956, has been printed in pamphlet form and is available at all offices of the Division of Real Estate.

Brokers will want to have the revised law handy because of the extensive changes made by the 1956 Legislature. The pamphlet also contains the rules and regulations of the Real Estate Commissioner and the full text of the Real Property Loan Brokerage Law.

Order the "California Real Estate Law" by mail from the Division of Real Estate, 1021 O Street, Sacramento, California. The price is 26 cents which includes sales tax, and the pamphlet is sent postpaid.

## Wisconsin "Aesthetic" Ordinance Upheld

The U. S. Supreme Court has refused to review a far-reaching decision of the Wisconsin Supreme Court upholding the validity of a restrictive "aesthetic" ordinance. This prohibits houses so at variance with the exterior architectural appeal and functional plan of other structures in the immediate vicinity "as to cause a substantial depreciation in property values in the neighborhood."

statements made in the borrower's acknowledgment on the commitment is untrue or incorrect."