



REAL ESTATE

Bulletin

EDMUND G. BROWN, *Governor*

July-August 1962

W. A. SAVAGE, *Commissioner*

Nevada Land Promotion Halted in California

Commissioner Savage issued a desist and refrain order on July 16, 1962, directing Pacific Westates Land Development Corporation, the owner of Gamble Ranch, to stop selling or offering its subdivided ranch land in California. In view of the evidence assembled, the order was consented to by the firm. The 240,000-acre Gamble Ranch property is located in eastern Nevada and was one of the largest of the many desert type subdivisions being offered for sale to California investors.

The commissioner objected to the representations made in the advertising and sales of this property on the ground that the purchasers were not fully and completely apprised of the problems facing them in any future use or development of the property they acquired. The order stopping sales was issued after consultation with the Investment Frauds Unit of the Attorney General's office.

This order followed closely disposition of the case of Edward H. Johnston, a licensed real estate broker who, in San Francisco, defied a desist and refrain order issued by the commissioner by auctioning subdivided Nevada Comstock Ranch property lacking a subdivision public report. This

land, incidentally, although being professed as suitable for potential residen-

When Is Business Opportunity License Needed?

A licensed real estate broker recently listed and advertised for sale a bar and restaurant under the mistaken supposition that she was legally justified in so doing because, as she put it, "All of us are under the impression that we can sell a business as long as the real estate is more valuable than the business opportunity." While she was obviously too inclusive in listing all licensees among the confused, a check of division files shows that a not inconsiderable number of them are baffled by this particular point of law.

Although it is true that the law (Sec. 10254, B. & P. Code) does list, among other exemptions from business opportunity license requirements, the handling "of a business, business opportunity or good will of an existing business" by an agent licensed only to negotiate real estate transactions when such business aspects are "purely incidental" to the transfer of the real property involved, this is neither the only nor necessarily the final determinant in such a case. The *1962 Edition of The Reference Book* (p. 371) deals with the problem by citing the following example and clarifying explanation: "If the seller of a property which houses a business, such as a retail store which the owner operates, offers the property for sale through a broker, regardless of the value of the real estate and the value of the going business when the purchaser buys and intends to operate the business, such a transaction would be considered the sale of a business opportunity as well as the sale of real estate, and both a real estate and busi-

ness opportunity license would be required.

ness opportunity license would be required. Brought into court, Johnston pled guilty, was fined \$525 and given a 60-day suspended sentence, concurrent with a judicial order to refund all purchase or deposit moneys upon buyers' requests. Johnston's real estate broker license was suspended on July 17.

ness opportunity license would be required.

"The only basis upon which a sale of real estate through a real estate broker may also involve the sale of a business which would be classified as "purely incidental" would be where the purchaser is buying the real property and is not himself going to operate the business in question. In such a case he would be buying the property as a real estate investment for income purposes derived from the business located on the premises but operated by others. Thus it may be seen that relative values of the real property and the business involved do not determine the question." Thus may be seen, also, the wisdom of that licensed real estate broker who qualifies himself as a business opportunity licensee preparatory to capitalizing upon those occasional business opportunity transactions which may come his way, and to do so in a professional manner and without qualms as to his legal authorization.

COMMISSIONER SEEKS READER CO-OPERATION

10,000 readers of this issue will find a post card questionnaire designed to help the *Real Estate Bulletin* more effectively meet the expressed wants and needs of practicing brokers and salesmen.

If your copy contains a card, please check and return immediately. If not, send a letter evaluating the Bulletin. Your cooperation in thus helping this agency help you will be appreciated.

W. A. SAVAGE
Commissioner

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DIVISION OF REAL ESTATE
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W. A. SAVAGE
Real Estate Commissioner
JOHN E. HEMPEL
Assistant Commissioner

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IN MEMORIAM

The commissioner and all personnel of the Division of Real Estate were saddened July 2 by the death of James M. Winter, Senior Deputy Commissioner in charge of the Sacramento District Office for the past six years. Mr. Winter was previously in charge of the San Diego District Office and, before that, served in the Los Angeles Office. We and his many friends, in and outside the real estate industry, offer heartfelt sympathy to his family and pay our respects to a life well lived.

Disciplinary Action—May, June, 1962

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 are not published.

Licenses Revoked During May, June, 1962

Name	Address	Effective date	Violation
McCormick, George Ursle Real Estate Salesman	4115 E. 7th St., Long Beach	5/ 1/62	Sec. 10177 (b)
Ferguson, B. Copeland Real Estate Salesman	Ste. A, 1309 Valencia Dr., Fullerton	5/ 2/62 (Granted right to restricted license on conditions)	Sec. 10177 (f)
Barr, Samuel Restricted Real Estate Broker Restricted Business Opportunity Broker	7825 Santa Monica Blvd., Los Angeles	5/ 8/62	Secs. 10176 (d); 10176.1; 10177 (c), (d), (f), (j); 10302 (c); 11010 & 11011
The Greater Trust Deed Corporation of California Samuel Barr, President Real Estate Corporation Restricted Real Estate Officer	7823-25 Santa Monica Blvd., Los Angeles	5/ 8/62	Secs. 10176 (d); 10176.1; 10177 (c), (d), (f), (j); 11010 & 11011
Mahan, Ellsworth W. Real Estate Salesman	111 Ave de la Grulla, San Clemente	5/ 8/62	Sec. 10177 (a), (b) & (f)
Morris, Vernon Bernhart dba Shattuck Realty Restricted Real Estate Broker	2107 Woolsey St., Berkeley	5/15/62 (Granted right to restricted R.E. Sales license on terms and conditions)	Secs. 10156.5 (a); 10176 (e), (i); 10177 (d), (f) & (k); Secs. 2830 & 2832 of R.E. Comm. Regulations
Carlson, Blanche Alese Real Estate Salesman	4027 W. 3rd St., Los Angeles	5/16/62 (Granted right to restricted license on conditions)	Sec. 10177 (b) & (f)
Coble, Roy Elvin dba Marina Realty Real Estate Broker	1700 West Coast Hwy., Newport Beach	5/16/62 (Granted right to restricted license)	Secs. 10137; 10177 (d) & (f)
Brown, Francis Meredith Real Estate Salesman	243 Cherry Lane, Rio Dell	5/17/62	Secs. 10176 (e), (i); 10177 (f) & (j); Sec. 2834 of R.E. Comm. Regulations
Cappa, Frederick Charles Real Estate Broker	1402 El Camino Real, Redwood City	5/21/62 (Granted right to restricted license on terms and conditions)	Secs. 10176 (e), (i); 10177 (d) & (f); Secs. 2830 & 2832 of R.E. Comm. Regulations
Caro, Haskell Sec-Treas Caro & Sullivan Realty Real Estate Officer	340 W. Portal Ave., San Francisco	5/22/62	Secs. 10176 (a), (g), (i) & 10177 (f)
Krumwiede, Wayne LaMoyné Real Estate Broker Real Estate Salesman	10822 Magnolia Ave., Anaheim 13602 Mulberry, Whittier	5/22/62	Secs. 10176 (i); 10177 (d) & (f); Secs. 2830, 2831 & 2832 of R.E. Comm. Regulations
Morris, Omar Richard Real Estate Salesman	6229 Whittier Blvd., Los Angeles	5/28/62 (Granted right to restricted license on terms and conditions)	Sec. 10177 (b) & (f)
Downey, Philip Cleary Real Estate Salesman	455 Forest, Palo Alto	6/ 4/62	Sec. 10177 (b) & (f)
Dube, Sonia Sofia Real Estate Salesman	1610 23rd St., San Pablo	6/11/62	Sec. 10177 (b) & (f)
Silverstein, Stanley Gordon dba North Highlands Realty Real Estate Broker Real Estate Salesman	7120 Rio Linda Blvd., Rio Linda 6551 Channing Dr., North Highlands	6/11/62	Sec. 10177 (f)
Sturcken, Winfield Albert Real Estate Broker	4094B 18th St., San Francisco	6/18/62	Secs. 10176 (e), (i); 10177 (d), (f); Sec. 2832 of R.E. Comm. Regulations
Cleary, Stephen John Real Estate Broker Real Estate Salesman	10202 Westminster Ave., Garden Grove 13420 Mystic St., Whittier	6/19/62	Sec. 10177 (b) & (f)
Chavez, Joe Cruz Real Estate Broker Real Estate Salesman	14613 Mercado Ave., La Mirada 14616 Gracebee Ave., Norwalk	6/20/62	Secs. 10176 (i); 10177 (b), (d) & (f)

Abandoned Signs Affect the Broker Image

When a licensed real estate broker moves his base of activity from one location to another or for any reason abandons either a main or branch office, he should remove all signs and postings which identify the vacated property as a broker's office.

This would be a reasonable demonstration of the broker's respect for his own status and that of his profession and may even be a matter of law. Section 10162, Business and Professions Code, states that: "Every licensed real

estate broker shall have and maintain a definite place of business. . . ." (which) "shall be the place where his license is displayed and where personal consultations with clients are held." This description obviously cannot be applied to a vacated structure.

It is equally obvious that abandoned or vacant offices, forlornly displaying their former occupants' signs, have an unfavorable effect on the public image of the real estate brokerage business.

Disciplinary Action—Continued

Name	Address	Effective date	Violation
Fortune, Edward William Business Opportunity Broker	4721 Mission St., San Francisco	6/20/62	Secs. 10301 (e), (i); 10302 (e) & (j)
Sere, George Edmond dba Stateline Realty Real Estate Broker	Hwy. 50 & Cor. Willow St., P.O. Box 509, Stateline	6/20/62	Secs. 10176 (e), (i); 10177 (d) & (f)
Vinston, Warren Creswell dba Admiral Investment Co. Real Estate Broker	1829 W. Adams Blvd., Los Angeles	6/20/62	Secs. 10176 (e), (i); 10177 (f) & (j)
Padilla, Agustin Uzeta Real Estate Salesman	4467 1/2 Whittier Blvd., Los Angeles	6/26/62 (Granted right to restricted license)	Sec. 10177 (f)
Paysen, Arthur Walter Real Estate Broker	7795 Westminster Ave., Westminster	6/27/62	Sec. 10177 (b) & (f)

Licenses Suspended During May, June, 1962

Name	Address	Effective date and term	Violation
Keiserman, Daniel Real Estate Salesman	163 S. Fairfax Ave., Los Angeles	11/25/61 9 months	Secs. 10176 (a), (e), (i) & 10177 (f)
Dunlap, Charles H. Land & Investment Co. of California Phil A. Stephens, Vice-Pres & Treasurer Real Estate Corporation Real Estate Officer	Stc. 104, 1819 W. 6th St., Los Angeles	5/14/62 15 days	Secs. 10160; 10163; 10164; 10177 (d), (f), (h); 11020; Secs. 2771, 2790, 2790.5, 2794 & 2795 of R.E. Comm. Regulations
Dupree, Gerald Ernest Restricted Real Estate Salesman	1030 Fell St., San Francisco	5/14/62 (Indefinitely)	Sec. 10156.7
Eiselstein, Edna Earl Real Estate Salesman	Box 177, Needles	5/14/62 30 days	Secs. 10176 (a), (b), (i); 10177 (d), (f), (j); 11020; Secs. 2790, 2790.5, 2794 & 2795 of R.E. Comm. Regulations
Eiselstein, Peter Silas Real Estate Salesman	Box 177, Needles	5/14/62 60 days	Secs. 10130; 10137; 10176 (a), (b), (i); 10177 (d), (f), (j); 11020; Secs. 2790, 2790.5, 2794 & 2795 of R.E. Comm. Regulations
Stephens, Phil A. Real Estate Broker	5529 Fallbrook Ave., Woodland Hills	5/14/62 15 days	Secs. 10177 (d), (f), (h); 11020; Secs. 2790, 2790.5, 2794 & 2795 of R.E. Comm. Regulations
Chase, Boyd Restricted Real Estate Broker	4226 Mission St., San Francisco	5/17/62 (Indefinitely)	Sec. 10156.7
Montero, Joseph Bernardo dba Montero Realty Real Estate Broker	1099 S. Van Ness Ave., San Francisco	5/21/62 2 years (Last year of suspension stayed on conditions)	Secs. 10176 (e), (i) & 10177 (f); Sec. 2830 of R.E. Comm. Regulations
Calabrese, Jack Joseph Real Estate Broker	3114 24th St., San Francisco	6/ 4/62 30 days	Secs. 10177 (d) & 10242 (c)
Long, Thomas Obear Real Estate Broker	330 Coast Blvd. North, Laguna Beach	6/12/62 30 days	Secs. 10176 (e); 10177 (d), (f), (j) & Sec. 2830 of R.E. Comm. Regulations
Wexler, Jerry Real Estate Broker Business Opportunity Broker	Stc. 112, 8467 Beverly Blvd., Los Angeles	6/12/62 30 days	Secs. 10137 & 10177 (f)
Simon, Harold Maxwell dba Central Investment Company Real Estate Broker Business Opportunity Broker	309 Valencia St., San Francisco	6/16/62 45 days (Last 30 days of suspension stayed permanently)	Secs. 10177 (f); 10302 (d), (e) & 10305
Price, Charles Eugene Restricted Real Estate Salesman	4121 Eagle Rock Blvd., Los Angeles	6/20/62 45 days	Sec. 10177 (d) & (k)
Chapman, John Sperry Restricted Real Estate Salesman	15630 Crenshaw Blvd., Gardena	6/29/62 30 days	Sec. 10177 (d), (f) & (k)

Suicide Closes Complaint File

The Los Angeles newspapers recently carried stories covering the suicide of a 73-year-old real estate broker in that city.

Behind the tragedy was a record of fraudulent dealing which first came to official notice when a complaint against the broker was filed with the Division of Real Estate in 1961. From that time until his suicide, this agency worked in close co-operation and collaboration with the police in supplying data unearthed by the division's investigators.

Takes Fraudulent Advantage Of Friendship

The broker's method of operation was to tell close acquaintances or friends that he knew of a landowner in a desert area who wanted to borrow from \$2,000 to \$6,000 on a three-year note at 10 percent interest secured by a first trust deed. When he succeeded in interesting an "investor" he would prepare a suitable note and trust deed using a real legal description but a mythical name as trustor. The broker managed to get gullible notaries to notarize the forged signatures, then he recorded the document, persuading the victims to forego escrows and title policies.

He gave his own home address as that of the nonexistent trustors, and, as they came due, made monthly payments to the lenders, presumably using the proceeds from newer, larger forged notes to pay the installments on the older, smaller notes until the inevitable weight of his fraudulent activity caused the beginning of the collapse of the precarious structure he had put together.

If nothing else, the case illustrates the value of escrow procedure and of title policies as protective measures and the wisdom of basing purchase or investment decisions upon more than acquaintance or pseudo friendship.

THE OFFICE SCRIBE SAYS:
 "New laws and regulations are something like the fillings in license teeth, they only become necessary when aches and cavities exist!"

County and State Subdivision Activity Recorded

Again in fiscal 1961-62 Los Angeles led other counties of the State in acreage subdivided and lots created, according to Division of Real Estate records. In this, the most populous county in California, 5,873 acres were subdivided into 19,073 lots. Orange County had 5,160 acres partitioned into 17,644 parcels.

North of the Tehachapis, 2,743 Kern County acres were divided into

3,630 lots. But Santa Clara County had 10,085 new lots from its 2,743 subdivided acres.

A particularly interesting comparison is that between the State's total of 56,343 acres subdivided in 1961-62 and the 148,209 out-of-state acres reported to the Division of Real Estate as being offered to California land buyers during the same period.

Careless Rental Practices Cause Official Concern

Scattered reports from major population centers show the following run-down of rental agency practices which are violations of both Real Estate Law and acceptable business ethics.

- Failure to repay service fee in excess of \$10 when client does not obtain a rental.
- Refusal to refund the \$10 service charge upon submission of proof that rental information was not "current or accurate in regard to the type of rental desired."
- Failure to display real estate licenses.
- Unlicensed personnel performing acts requiring a license.
- Lack of supervision by broker.
- Contracts incomplete, improperly processed, illegal.
- Failure to keep records and documents for required three-year period.
- Client simply assessed an advance fee, given a list of addresses, and left to fend for himself without redress.



Commissioner W. A. Savage (right), and David Miller, member of the State Real Estate Commission, discuss the 1962 Edition of *The Reference Book* during a luncheon meeting attended by almost 300 real estate people, following the August 15 commission meeting at Riverside. The meeting featured a question and answer session with licensees as interrogators and the commissioner and staff as the answering panel.

Something About Condominiums

When Section 234 of Federal Housing Act of 1961 placed emphasis upon the condominium principle as an added encouragement to home ownership, a new word and a new concept—so far as this country is concerned—was introduced to the real estate industry.

Both the term and the concept it denotes immediately spread across the pages of trade publications, became the subject for feature stories in news media and magazines, and was promptly added to the vocabulary of real estate board speakers. So far, however, its actual effect in the building industry has been comparatively minor.

But proponents of the condominium plan or concept insist it can be widely used to provide housing in many price ranges, especially in the centers of our cities.

Based on Ancient Practice

Actually both the term and the concept are of ancient derivation. The Romans coined the word to mean a type of joint ownership quite similar to that which it describes today. Latin America and Puerto Rico have long known the practice, the latter giving it specific legal grounding in a "Horizontal Property Act." Hawaii has recently passed similar legislation, and is the only state thus far to do so.

The 1962 edition of the *Subdivision Manual* (Division of Real Estate) deals with the subject as follows:

"So far as this State is concerned, the use of the term to describe a community apartment project originated primarily in connection with the 'high-rise' type of apartment construction in the San Francisco Bay Area." At the present time no such word appears in the statutes of the State of California.

Differentiated From Typical Own-Your-Own Apartment

"Generally speaking, the builders of condominium apartment projects desire to convey fee title to prospective purchasers of individual units rather than the right of exclusive occupancy

as specifically covered in Section 11004 of the Business and Professions Code. In effect this practice subdivides air space. The grantee receives fee title to apartment space together with undivided interests in land and common areas or facilities.

"As a matter of record, the Division of Real Estate has no knowledge of any statutory or judicial precedent in California for the method of conveyance used in this type of community apartment subdivisions."

"However, since title companies have indicated a willingness to insure title, and lending institutions have indicated a willingness to issue loans on this type of conveyance, the commissioner has treated such projects as subdivisions, accepting filings on them. Relatively few Subdivision Public Reports reflecting this type of conveyance have thus far been issued."

Complex Problems Yet to Be Solved

There are some problems inhibiting quick and widespread adoption of the condominium concept of real estate ownership, including assessment for tax purposes of individual units and somewhat awkward insurance and financing arrangements. Thought is being given by builders, developers, and other industry and professional groups, to the drafting of legislation intended to resolve uncertainties.

Meanwhile, condominiums are being projected and, since they fall within the jurisdictional authority of the Real Estate Commissioner, this introductory article is presented. That licensee who wants to be well informed will pursue the subject much further.

THE OFFICE SCRIBE SAYS:

"He who has obtained a sponsor, passed his examination, and acquired his real estate salesman license is ready to begin learning the real estate business—a process which should continue as long as he is in it."

FIRST STEP TOWARD TROUBLOUS FUTURE

Among the complaints laid before deputies there are many stemming from acts inconsistent with the behavior expected of licensed and ethical agents, but which are technically outside the province of the license law. However, because they indicate attitudes which ultimately may result in acts bringing on disciplinary action, a recent example is given.

Salesman A secured a listing on a \$20,000 residential property and announced it at his broker's regular weekly sales meeting the next morning. Salesman B of the same office showed a young couple the house at 4 p.m. that afternoon, but was not able to consummate a transaction. His prospects said they would "think it over" and possibly see two or three additional properties before they made up their minds.

Listing Salesman Becomes Curious

At 5 p.m., A received a call from Salesman C of another firm, who said he had written up an offer on the property and would like to bring it over for presentation. The fact that the terms of this offer were identical with those previously discussed by Salesman B, coupled with the further fact that the listing had not yet been distributed to "multiple" members, caused the listing salesman to make an inquiry which revealed that: (1) the offer was tendered by the same couple to whom Salesman B had shown the house; (2) Salesman C was a personal friend of the buyers but had not visited the property with them; (3) the prospects' "we'd like to think it over," had really meant, "we'd rather have our friend sell it to us"; (4) their salesman friend had been delighted to capitalize upon this arrangement.

Case Resolved But Cause Remains

The problem of who had been the procuring cause and thus entitled to the commission was subsequently settled by negotiation between the two employing brokers. But the offending salesman had demonstrated a blunted integrity which, unless rectified, promises him and those with whom he deals a future with problems.

Court Again Spells Out Agent's Duty to Principal

A responsibility often referred to in the *Bulletin*, the duty of a broker to act "*in the highest good faith toward his principal*" from the inception of their relationship until the agency is terminated was a dominant factor in adjudicating the case of *Estate of Walter DeHart* (196 A.C.A., pp. 475-480).

The administrator of an estate engaged the services of a real estate broker, who was licensed and doing business under a fictitious firm name, to obtain a buyer, agreeing to pay a commission for this service. The broker subsequently presented a \$9,600 offer to purchase from a party bearing the same surname as his own without revealing the fact that she was his mother. The sale was confirmed by the probate court, a commission was awarded to the broker, and an escrow opened to consummate the sale. Seventeen days later the buyer negotiated a contract to a third party for \$11,900, realizing thereby a profit on the transaction of \$2,300.

Evidence of Fraud Spurs Court Action

When these facts were subsequently presented, the court's previous minute order was vacated and, on appeal, the appellate court ruled that the evidence amply justified the trial court's findings: (1) that the broker, under his DBA, was employed by the administrator to seek a purchaser and acquired thereby a fiduciary relationship to the estate as principal; (2) that while so employed the broker "in truth and in fact represented not the administrator" of this estate but the purchaser; (3) that although the administrator, noting the identical names of broker and purchaser, had made inquiry as to any possible relationship, such information had been withheld; and (4) that the broker, possessed of full knowledge of the intent and subsequent profitable transaction between his mother and a third party, wrongfully and fraudulently withheld this information from both administrator and court.

PROPERTY APPRAISER POSITION

Jobs as assistant real property appraisers with the State of California will be open, offering interesting work investigating and analyzing valuation data. Starting salary is \$562, rising to \$683 per month.

To qualify for examination, one must have some real property appraisal experience. Real estate sales or transfer experience will not meet this requirement.

Applications will be accepted until September 28, 1962. For information and applications, write:

R. A. Bernheimer
State Personnel Board
801 Capitol Avenue
Sacramento, California

A Broker's Fiduciary Responsibility Pinpointed

In upholding the trial court's decision the appellate court quoted, among others, the following excerpt from a precedent case:

"The relationship between a broker and his principal is fiduciary in nature, and imposes upon the broker the duty of acting in the highest good faith toward his principal. This duty of good faith precludes the broker from assuming a position adverse to that of his principal unless the principal consents. Moreover, it places upon the broker a legal obligation to disclose to his principal all the facts within his knowledge which are material to the matter in connection with which he is employed" (9 Cal. Jur. 2d, 199).

The End Is Not Yet

An accusation has been filed against both the agent-broker in this case and his mother, also a licensed real estate broker, and a formal hearing has been scheduled.

THE OFFICE SCRIBE SAYS:

"That broker who counsels his associates, 'anything goes, but keep it legal,' is asking the impossible of them and the very probable for himself: an ultimate disciplinary action!"

PREARRANGED DISCOUNT MAY VIOLATE USURY LAW

To aid and abet a violation of the usury laws of this State by negotiating the advance sale of a purchase money trust deed to a third party at a prearranged discount which causes the borrower to pay in excess of the legally permitted 10 percent interest on the effective loan amount per year is to risk the suspension or revocation of the negotiating broker's license to practice.*

Many agents have felt that, since the trust deed note does not bear more than 10 percent interest rate on its face, they are clear of any taint of violation. As a song lyric has it, "This ain't necessarily so!"

Whether the note is usurious or not depends to some extent upon the intent of the parties involved. The sale of a trust deed note at a discount, regardless of the effective yield which may be expected therefrom, is not illegal. But to arrange for a prediscouted note, secured by a trust deed, at a combined discount rate and interest rate which exceeds the legally permissible maxi-

* See Real Estate Bulletin, July-August 1958, p. 353 for previous commentary.

mum, as a stragem for evading the usury law is proscribed, and subjects to legal penalty the principal or principals and leaves the agent involved open to disciplinary action.

Time of Sale Is Not the Issue

Such a violation is not cured by having the seller hold such a note, negotiated with a third party during the sale and escrow process, for a few days after consummating the transaction before disposing of it at the prearranged terms. The part played by the broker in such a procedure and any other factors which might tend to connect the ultimate assignee of the note to the originating transaction, would, in all probability, be considered sufficient evidence of usurious intent.

As a matter of sound business judgment, therefore, that licensee is wise who checks upon all the circumstances surrounding the creation of a trust deed note as part of the purchase price of a property, particularly when a third party commits himself to the investment prior to the completion of the transaction.

Anonymous Agent Short on Ethics, Courtesy

The license law has yet to be written which would attempt to lay grounds for complete enforcement of an accepted Code of Ethics or Golden Rule. As a matter of fact, a look at the history of license legislation will show law being enacted only when it was clearly evident that agents did not maintain ethical standards to the degree necessary to protect the public interest.

Blind Ads and Anonymous Callers

Attention is here called to two practices which, while not specifically outside the law, border closely on the danger line of misrepresentation, breach the rules of common courtesy and are ethically objectionable. First is the blind classified advertisement, bearing only an identifying telephone number, presumably placed by the broker with the hope that an interested party may think he is dealing with a principal; second is the equally objectionable practice of failing to identify one's self as

a broker or salesman, either when answering telephone inquiries from the public or the industry, or when making telephone inquiries of fellow brokers or salesmen relative to listings or properties.

The blind advertisement practice is, of course, definitely prohibited in Article 9 of the Code of Ethics of the National Association of Real Estate Boards, with which every licensee should be familiar whether or not he is a member of an affiliate organization.

Courtesy Supplies the Answer

The matter of proper telephone procedure is dealt with generally in Article 21 wherein one who subscribes to the code is proscribed from seeking "unfair advantage over" another agent and pledged to so conduct "his business as to avoid controversies with his fellows." Specifically, however, the full disclosure of one's name and business connection at the inception of a tele-

Escape Clauses Not Always Usable

An understandable problem confronting many licensees is this. They want to assuage all qualms of a potential buyer in order to speed the drafting and signing of a deposit receipt. And they also want to fulfill their agency responsibility to give sound counsel. Often they will attempt to reconcile these desires by writing "escape clauses" in the deposit receipt contract. But it should be emphasized that the inclusion in the deposit receipt of provisions that the buyer may cancel the agreement unless this or that loosely defined contingency is met may not necessarily work out as intended.

Frequently clauses are incorporated to the effect that the buyer may withdraw from his obligation under the agreement unless satisfactory financing can be secured, unless city or county requirements as to subdivision improvements meet the buyer's approval, or unless other as yet unknown conditions are found acceptable.

Verle N. Fry, writing in the May-June issue of *Journal of the State Bar of California* (p. 387), says of these so-called escape clauses:

"If such provisions enabled the buyer to rescind his purchase whenever he wanted to, regardless of the nature of the available financing, or subdivision requirements, the agreement would lack mutuality and would not be enforceable by the buyer or the seller. However, that is not the case. Such provisions have the effect of requiring that the dissatisfaction of the buyer must be reasonable, and genuine, not a subterfuge to avoid the contract. (See Rodriguez v. Barnett, 52 Cal. 2d 154.)"

phone conversation between licensees is inherent in the concept of common courtesy, not to mention professional courtesy.

These are matters with which the commissioner is not officially concerned but about which every holder of a license should be very much concerned. When proper ethical standards are observed, the restraining hand of law need never be invoked!

Foot-in-the-Mouth Disease Proves Costly Ailment

This is the sad report of the experience of a real estate broker who lost an ~~all but consummated sale~~ because the seller chose to enliven the closing with a facetious phrase.

The unfortunate agent had listed a property, secured a prospect and, after considerable negotiating, reached an agreement between buyer and seller to go to escrow at a price considerably under that set forth in the original listing. He drew up the sales agreement and arranged for the principals to meet in his office to sign the document.

When they had exchanged the usual amenities and settled down to the business at hand, the seller glanced over the paper as prepared, signed it and passed it across the table to the buyer who, after some scrutiny, started to affix his signature.

Seller Has the Wrong Last Word

At this point, the seller interjected his—possibly well intended—remark which proved to be the death blow for the transaction. "I want you to know," he said, "that you didn't buy this property from me, you stole it."

"Is that so," exclaimed the buyer, "well, I want you folks to know that I am not a thief!" With this he tore the contract into small pieces, dropped it in the wastebasket and stalked from the room, adding the parting shot, "If that's the way you feel about it, you can keep your place."

A Broker Learns Some Valuable Lessons

There was a profusion of apologies by the seller, an ardent effort on the part of the broker to put the shattered agreement together again but to no avail. The seller went home with his foot in his mouth. The buyer went home in high dudgeon. The broker went home mentally subtracting from his total assets the escrow check which he now knew would not be forthcoming. But he had learned three lessons:

(1) a contract is not a contract until it is willingly signed; (2) the job of an agent is to bring minds together, not necessarily the possessors of those minds; (3) when principals do meet by his invitation they should be

Revised Reference Book

The 708 pages of the 1962 Edition of *The Reference Book* present not only up-to-date coverage of pertinent aspects of real estate law and practice but also offer significant background material such as this historical note on the *Development of the Real Estate Business*:*

"The real estate business as we know it today is a product of the Twentieth Century. Before, as we have indicated, it was primarily direct negotiation between buyer and seller, sometimes conducted with the aid of lawyers when deals became more complicated. As specialists grew up within the field and with the increase in the mobility of people, particularly the western movement, there was a good deal of unorganized and other unscrupulous competition. The real estate people themselves began to feel the need of some controlling organization. This was first attempted by organizing within themselves a national body with local units or boards. It was not until 1917, however, that a state regulatory body and law was first promulgated. This occurred in California. Now, every state has a license law and a regulatory body. Evidence of the rapid growth of the real estate business is found in the following figures.

"In 1911, for example, there were 43 local boards with something like 3,000 members. Now, 51 years later, there are approximately 1,400 boards with over 70,000 members. Counting all persons who are employed directly in real estate activity, it is safe to estimate that there are well over a million workers in this occupation. This, however, does not include the construction business itself, which, it is estimated, employs between 2½ and 3 million site workers. In addition, there are 2½ workers behind every man on the construction line to handle the feeder and supplementary tasks."

* *The Reference Book, 1962 Ed., pp. 4-5, California Division of Real Estate.*

briefed, out of his knowledge and experience as an agent, on what to expect and how to conduct themselves. In this direction lies the successful consummation of mutually satisfying transactions.

Fraudulent Use of Mail By Interstate Promoters

H. B. Montague, Chief Inspector for the United States Post Office Department, has informed the National Association of License Law Officials that his agency "recently initiated a nationwide investigative program in an effort to combat use of the mails to defraud in the sale of land." Noting the interest of NALLO's "Rackets Committee" in submarginal subdivision operations, he asked Robert W. Semenow, executive vice president of the association, to enlist the help of license law officials in identifying questionable operations and operators.

With a growing awareness on the part of real estate trade association leaders that irresponsible land promotions cast a shadow on legitimate industry, with authorities of the several states calling attention to the problem, and with agencies of the federal government actively investigating the situation, a co-ordinated program of control may be expected, affecting the whole interstate land promotion problem.

This move by United States postal authorities is but one phase of their long continued investigation and prosecution of those using the mails illegally for the promotion of various schemes involving real property or loans thereon. In a résumé of actions taken between August 21, 1958 and December 1, 1961, Inspector Montague lists indictments or convictions of numerous persons involved in 15 distinct business property schemes, 18 loan rackets, and 2 cases involving both techniques, or at least 35 actions against swindlers whose operations cost the public an estimated 22½ million dollars.

Law Simplification Study

Now in progress in the Division of Real Estate is a study of the practicality of simplifying the structure of the Real Estate Law by eliminating duplications in definitions and combining articles and even chapters.

If justified by the study, recommendations to this effect may be forthcoming for legislative consideration.

Real Estate Research—UCLA

As licensees know, the basic support of the Real Estate Research Program comes from legislative appropriations from the State's Real Estate Education and Research Fund. It is less well known that the program is undertaking additional studies financed with grants from other sources. In the past three years, the UCLA program has obtained about 50 cents of research money from these other sources for every dollar supplied by the State fund. The State fund thus serves the invaluable purpose of providing "seed money" that begets additional money for enlarging our knowledge of real estate. Projects financed with "outside" support make it possible for the UCLA program to broaden its research activity, undertake work of nationwide scope, and attract additional scholars. Each project so financed must pay its own way and must be of such character that it promises to make a substantial contribution to better understanding of real estate and its financing, urban development, housing or other subjects within the program's competence. Also, projects of this type are accepted only if their execution does not interfere with research work done under the State budget.

The demands made on the UCLA program for the conduct of such studies have been increasing in recent years, reflecting growing recognition of the program as one of the most important national centers of urban land research. They have come from state and federal government agencies, national trade organizations and foundations. Two projects of this type are described below. In addition to opening up significant research on nationwide problems, the program has recently been called upon to initiate work at the international level. The Organization of American States asked the UCLA program to co-sponsor a Technical Meeting on Residential Capital Formation in Latin American Economies, held on the UCLA campus in the second week of May. The meeting focused on the role of housing and its financing in economic development and was attended by distinguished Latin American and United

States specialists. Ernest M. Fisher, Professor Emeritus of Urban Land Economics at Columbia University, joined the staff for a few weeks to assist in the preparation of the meeting. For another example of work at the international level, see the accompanying box.

Prelude to an Economic Study Of Los Angeles

One of the current research projects financed with "outside" funds is an exploration of the ways and means

Leo Grebler, Chairman of the Real Estate Research Program at UCLA, recently returned from a six-month study tour spent investigating urban renewal problems and policies in European countries. The tour was a sabbatical leave project supported by a Ford Foundation travel grant. A report on his findings is in preparation.

Among the highlights: Only a few West European countries have a national urban renewal program comparable to ours, but many of them have resumed their prewar slum-clearance and housing programs and are now considering legislation embodying the broader concept of urban renewal. Projects already completed or under construction are mostly undertaken in connection with traffic improvements or the expansion of downtown areas. Investment interest in central area redevelopment is exceedingly strong. The reconstruction of war-damaged cities, a special kind of urban renewal presenting legal, financial and planning problems similar to those in peacetime renewal, is nearing completion.

The study will reveal some interesting contrasts between the United States and European countries in the use of the power of eminent domain for renewal and in arrangements for relocation of displaced families and businesses. By comparing urban renewal in European countries with the same process in this country, we hope to gain a better understanding of our own renewal problems and policies.

Report of

of studying the structure and growth potentials of the regional economy of Los Angeles. That the value of urban real estate depends on the strength of a community's economy and its prospects for growth is generally recognized by every real estate broker and salesman. Many studies of the "economic base" of metropolitan areas and cities have indeed been undertaken to provide a firmer basis for projected real estate development. In recent years, however, interest in this kind of study has been manifest in other quarters as well. Highway planners, for example, have become increasingly aware of the need to gear new or improved highway systems to long-range projections of metropolitan growth and land use patterns.

Reflecting this trend, the California Division of Highways has asked the UCLA Real Estate Research Program to prepare a prospectus for an intensive study of the structure and growth of the regional economy of Los Angeles. Because such a study would be highly useful for many other purposes as well, the program has accepted a grant of the Division of Highways to draw up an outline. The prospectus, to be completed by September, will list the data relevant to a study of the Los Angeles economy, investigate the available long-range projections for the area, and analyze the various methods that may be used in a full-fledged research project. This is merely a preliminary study to lay the ground work for possible later research. It is but another example of the scholarly approach to the solution of large problems; that is, to formulate the right questions and feasible methods of investigation before attempting to provide answers.

(Continued on page 566, col. 1)

THREE PHASES OF SUCCESS

Research discovers facts,
Education teaches facts,
The agent uses facts to win success.

Researchers

HOUSING AND THE SENIOR CITIZEN

What kind of housing arrangement does the "typical" elderly person prefer? A recent report, *Housing for the Elderly in California*, by Dr. Wallace F. Smith of the University of California Real Estate Research Program, Berkeley, uncovers no "typical" elderly person, but it does unearth the fact that while housing preferences of California's senior citizens are broad, their incomes are extremely narrow.

California's elderly population—which numbers more than 1.3 million, or 8 percent of the State's population—faces a problem of exceptional intensity, according to Smith.

ACUTE POVERTY

"Not only does this group characteristically belong in the low-income category, but its poverty is oftentimes the most extreme and permanent. Younger low-income families may at least hope that improved opportunities or reduced medical or child-raising burdens will eventually bring a higher living standard. For the elderly, only a worsening of opportunities can be anticipated, except as new forms of aid are introduced," he said.

While low income characterizes this group, their situation has been changing in recent years, due chiefly to increased participation in social security programs by those reaching retirement age. Smith attempts to measure the impact on housing arrangements of this kind of aid and other income changes which may alter the economic status of California's aged.

As economic status changes, opportunities for more varied housing arrangements increase. The Smith report dramatically underscores the fact that most elderly people don't prefer living in the homes of relatives or in rooming houses, but cannot escape the situation because of low income.

Housekeeping arrangements are desired by virtually all couples, most

Real Estate Research At Berkeley

women, and a majority of men. In order to remain in separate dwellings, couples are willing to make greater sacrifices than unattached persons.

Rooming-house life is more acceptable to low-income men than to low-income women, or perhaps to their respective relatives who may feel responsibility in the matter, Smith asserted.

Forty-four percent of the elderly in California would be unable to pay more than \$25 per month for housing. More than half the people at this income level currently lack separate housekeeping facilities. Only about one-fourth of this low-income group own the homes in which they live, Smith estimated.

SUBSIDIES NEEDED

Many in this group would enter the market for standard types of housing, given the needed financing. But 80 percent of those sharing the homes of relatives would need subsidies because their incomes of under \$1,000 a year are insufficient to buy even low-cost housing.

Reviewing current programs designed to provide better housing for the elderly, Smith emphasized the importance of "determining which group each effort is most likely to aid, then comparing the scope of that effort with the size of the group."

CENTRAL CITY VALUES

In a recent editorial, "Our Healthy Downtown," the *San Francisco Examiner* analyzed the reasons why downtown San Francisco continues to grow dynamically in business and property values, despite the powerful counter forces of urban sprawl. This editorial represents one of many public comments on the research report, *The Dynamics of Central City Land Values—San Francisco and Oakland, 1950 to 1960*, by Dr. Paul F. Wendt.

Wendt's report is significant because it interprets factors that can control the growth or decline of any large American city's downtown area. In San Francisco, he points out, sales have expanded by approximately 11

percent since 1955, despite the vigorous competition of huge shopping centers in suburban areas.

Wendt declares that San Francisco attracts more people for shopping and entertainment because of its prestige and maturity. This and San Francisco's position as financial and administrative leader insulate some of its major activities from severe competition from outlying areas.

Frontage values in San Francisco's downtown continue to rise, reflecting the city's ability to draw both individuals and corporations. Since 1950 more than two million square feet of rentable office space were added to the downtown—an increase of 26 percent. But a relatively limited supply of level land suitable for office building and retail store use continues to support the strong land market, according to Wendt.

Retail store and hotel modernization are supported by a rising volume of sales and services. Improvements in freeway transportation to San Francisco have contributed to gains in

(Continued on page 567, col. 1)

Wendt Completes Research Tour

Paul F. Wendt, author of several publications in the field of housing and urban development, including *Housing Policy—the Search for Solutions* published by the University of California Press in April 1962, has just returned from a six-month sabbatical leave in Europe. During this time he was assisted by the Institute of International Studies in a financial analysis of Britain's New Towns and in further research on national housing policies in Italy and Spain. Wendt, who has been associated with the Real Estate Research Program on the Berkeley campus for several years, has conducted several studies of the San Francisco Bay Area housing and land markets over the past decade.

Continuation of Real Estate Research—UCLA

(Continued from page 564, col. 3)

Improving the Resale Market For Mortgages

Another study conducted with "outside" funds has recently come off the press—*The Secondary Mortgage Market: Its Purpose, Performance and Potentials*. This project was financed by the Life Insurance Association of America, the United States Savings and Loan League, and the National Association of Mutual Savings Banks. Authored by Oliver Jones and Leo Grebler, the book concludes that the resale market for urban residential mortgages is negligible in size and deficient in performance. To overcome its weaknesses, the authors urge that barriers to efficient operations be removed in both the primary and secondary mortgage market, and they make the following recommendations:

The interest rate charged on FHA and VA mortgages should be market determined.

Competition among mortgage lenders should be promoted by standardizing statutory restrictions on terms that may be offered on conventional mortgages.

Competition among mortgage lenders should also be promoted by removing restrictions on the geographic area of their lending operations.

A uniform mortgage code should be adopted by all states.

Specifically, statutes and regulations that circumscribe mortgage lending by commercial banks should be reviewed with the objective of removing anachronistic restrictions on the flow of mortgage funds.

Market makers and mortgage companies should be allowed to obtain federal charters, which would place them under federal supervision.

Statutes that require portfolio lenders to duplicate site inspections should be revised.

A workable classification system for conventional mortgages should be devised.

The legal and administrative procedures that surround the transfer of a mortgage should be radically simplified. This change should also take into account the complex and often changed regulations of the Federal Housing Administration and the Veterans Administration.

In addition, the study recommends the creation of a federal central mortgage corporation to encourage the development of a private secondary market. The new agency could take over some of the present FNMA operations but would be clearly divorced from FNMA's function to support special housing programs.

Publications and Research in Process

In addition to the book on the secondary mortgage market, two major

publications have been issued recently. One is entitled *The Cal-Vet Program: A Study of State-Financed Housing in California* and authored by Edward L. Rada. The other, by James Gillies and Frank Mittelbach, is an analysis of *Management in the Light Construction Industry*. These, as well as other available research materials, are listed and priced in the box below.

A study comparing trends in market and assessed values of a group of single-family houses in Los Angeles County has just been completed and has been published as a journal article. Some of its results are shown on page 567, column 2. Other projects nearing completion deal with the determination of retail trade areas in cities and

with local effects of credit conditions on residential construction.

To conduct the growing volume of research, the UCLA program has augmented its staff by the addition of Leland S. Burns, Assistant Professor of Real Estate and Urban Land Economics at the Graduate School of Business Administration. Professor Burns did his undergraduate and graduate work at UCLA and, incidentally, is the son of a Beverly Hills realtor. Also, Professor Leo Klaassen of Rotterdam, Director of the Netherlands Economic Institute, joined the program for the spring semester of 1962. Mr. Frank Mittelbach of the program staff is on temporary leave of absence to serve as director of research of the Governor's Advisory Commission on Housing Problems.

PUBLICATIONS OF THE LOS ANGELES PROGRAM CURRENTLY AVAILABLE

Research Report No. 1, *Mergers of Savings and Loan Associations in California*, by James Gillies and Frank Mittelbach, 1959.

Research Report No. 2, *Junior Mortgage Financing in Los Angeles County 1958-1959*, by Leo Grebler and James Gillies, 1960.

Reprint No. 5, "The Structure of Local Mortgage Markets and Government Housing Finance Programs," by James Gillies and Clayton Curtis, 1955.

Reprint No. 6, "Managerial Problems and Practices of the Real Estate Brokerage Business," by Fred E. Case and Frank Mittelbach, 1959.

Reprint No. 7, "The Role of the University in Real Estate Research," by Leo Grebler, 1959.

Reprint No. 8, "The Role of Residential Capital Formation in Postwar Business Cycles," by Leo Grebler, 1959.

Reprint No. 9, "Industry's Role in Metropolitan Growth: A Public Management Problem," by James Gillies, 1960.

Reprint No. 10, "Criteria for Appraising Governmental Housing Programs," by Leo Grebler, 1960.

Reprint No. 11, "Comparative Real Estate Investment Experiences," by Fred E. Case, 1960.

Reprint No. 12, "Population Explosion—Its Implication for Business," by James Gillies, 1961.

BOOKS:

Institutional Residential Mortgage Lending in Los Angeles County 1946-1951, by James Gillies and Clayton Curtis, 1956. \$3.50.

Cash Outlays and the Economic Costs of Home Ownership, by Fred E. Case, 1957. \$1.50.

Ventura Boulevard—A String-Type Shopping Street, by Howard J. Nelson and Gerard J. Foster, 1958. \$1.50.

Industrial Location Bibliography, Staff of the Real Estate Research Program, 1959. \$1.50.

Los Angeles Real Estate: A Study of Investment Experience, by Fred E. Case, 1960. \$3.50.

The Secondary Mortgage Market, Its Purpose, Performance and Potential, by Oliver Jones and Leo Grebler, 1961. \$6.50.

The Cal-Vet Program, A Study of State-Financed Housing in California, by Edward L. Rada, 1962. \$4.50.

Management in the Light Construction Industry in Southern California, by James Gillies and Frank G. Mittelbach, 1962. \$2.50.

(California residents add 4 percent sales tax.)

Research At Berkeley

(Continued from page 565, col. 3)

daytime population in the city's downtown, which currently holds a concentration of more than 700,000 people.

As a companion piece to the Central City Land Values study, *Forecasting Metropolitan Growth*, a reprint by Dr. Wendt, explores means for forecasting industrial booms and spotting high rent residential areas in the making.

The Smith study, and the Wendt study of Central City Land Values in San Francisco and Oakland may be purchased by writing the Real Estate Research Program, University of California, Room 208, Stephens Memorial Hall, Berkeley 4, California. These, as well as other reports and reprints currently available, are listed below.

PUBLICATIONS OF THE BERKELEY PROGRAM CURRENTLY AVAILABLE

- Research Report No. 10, *The Suburbanization of Administrative Offices in the San Francisco Bay Area*, by Donald L. Foley, 1957. \$1.50.
 Research Report No. 12, *New Housing for Negroes: Recent Experience*, by William Goldner, 1958. \$1.00.
 Research Report No. 13, *California Real Estate Bookshelf*, by Marybeth Branaman and George B. McGimsey, 1959. \$0.50—reduced price.
 Research Report No. 14, *Economic Aspects of Urban Renewal: Theory, Policy, and Area Analysis*, by A. H. Schaaf, 1960. \$1.50.
 Research Report No. 15, *Housing for the Elderly in California*, by Wallace F. Smith, 1961. \$1.50.
 Research Report No. 16, *A Study of Shopping Centers*, by Richard Grant Thompson, 1961. \$1.50.
 Research Report No. 17, *Private Investment in Urban Redevelopment*, by Richard U. Ratcliff, 1961. \$1.25.
 Research Report No. 18, *The Dynamics of Central City Land Values—San Francisco and Oakland, 1950 to 1960*, by Paul F. Wendt, 1961. \$1.50.
 Research Report No. 19, *The Supply of Residential Mortgage Funds in the San Francisco Bay Area, 1950-1960*, by A. H. Schaaf, 1962. \$1.50.
 Reprint No. 14, "Varying Public Construction and Housing to Promote Economic Stability," by Sherman J. Maisel, 1957.
 Reprint No. 16, "Exclusive Agricultural Zoning: An Appraisal," by Jack Lessinger, 1958.
 Reprint No. 17, "Federal Mortgage Interest Rate Policy and the Supply of FHA-VA Credit," by Albert H. Schaaf, 1958.
 Reprint No. 24, "Metropolitan Finance Problems: Territories, Functions, and Growth," by Julius Margolis, 1961.
 Reprint No. 25, "Family Housing Expenditures: Elusive Laws and Intrusive Variances," by Sherman J. Maisel and Louis Winnick, 1961.
 Reprint No. 27, "Forecasting Metropolitan Growth," by Paul F. Wendt, 1961.
 Report No. 28, "Depreciation and Real Estate Appraisals," by Charles F. Louie, 1962.
 Reprint No. 29, "The Journey-to-Work as a Determinant of Residential Location," by John F. Kain, 1962.

VALUE TREND STUDY

UCLA's study of market values and assessed values for a selected group of single-family houses in Los Angeles County (see *Bulletin*, November-December 1961) has produced the following first results:

MEDIAN RATIO OF ASSESSED VALUES TO ESTIMATED MARKET VALUES

1940.....	34%
1950.....	22%
1961.....	20%

MEDIAN RATIO OF ASSESSED LAND VALUES TO TOTAL ASSESSED VALUES

1940.....	27%
1950.....	33%
1961.....	46%

Thus, assessed values have failed to keep pace with estimated market values, especially during the 1940-50 period. The proportion of land assessments to total assessed values increased in the past 20 years for homes already in existence in 1940 and therefore located in older, built-up neighborhoods.

Digests in Pamphlet Form

To bring the results of its research to a larger audience, the Real Estate Research Program at UCLA is starting a new series of pamphlets. These pamphlets will present short, popular versions of some of the program's more lengthy reports.

The first pamphlet being issued is a condensation of Edward L. Rada's study, *The Cal-Vet Program — A Study of State-Financed Housing in California*.

You may obtain a copy by writing or calling:

Real Estate Research Program
 Graduate School of Business
 Administration
 Division of Research
 University of California, Los
 Angeles

Attorney General's Ruling On Securities Dealers Law

In response to a request by Commissioner Savage, Attorney General Mosk issued an informal opinion dated June 19, 1962, on the application of certain sections of the Real Property Securities Dealers Act added to the Real Estate Law in 1961.

The opinion prepared by Deputy Attorney General Robert E. Murphy concluded that first trust deeds created in connection with subdivision parcels are "real property securities" under the law except when they are executed as part of the financing for the first purchase of the improved parcels. A series of first trust deeds issued on unimproved property or on improved but unsold property are "real property securities" and subject to the controls provided by law.

Further, the opinion stated that trust deeds of any kind which have been seasoned for three years or more do not fall within the classification of real property securities.

In conclusion, the Attorney General said that the definition of subdivision as contained in Sections 11000 and 11000.5 of the Business and Professions Code is controlling and applicable when the term "subdivision" is used in the real property securities sections of the law.

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Educational Requirements— Quotation and Question

Commenting on the desirability of higher standards in the real estate industry, Russel S. Wilkinson, chairman of the NAREB Committee on Education, concludes that "the so-called learned professions have a certain dignity and prestige which we, as realtors, have not achieved, probably because realtors do not have the rigid educational requirements which must be met by members of the other professions. Realtors, except in rather isolated cases, have no educational requirements other than the passage of a state license commission examination, which in many cases is more or less perfunctory." *

California license examinations are far from perfunctory, but any licensee with vision who surveys the current scene will probably agree with Mr. Wilkinson's analysis of the existing situation. His thoughts applied to organized real estate are just as validly applicable to the whole body of licensed real estate brokers and salesmen.

From this position Mr. Wilkinson moves to advocate mandatory professional real estate educational requirements for admission to NAREB and real estate board membership. **In some jurisdictions, notably Florida, Pennsylvania and British Columbia, the same premise proved sound groundwork for the establishment of mandatory educational requirements for licensing.**

* Realtor's Headlines, July 1962, p. 2

LICENSEES INVITED TO EDUCATION SYMPOSIUM

Representatives of all colleges and universities offering real estate courses or conducting real estate research projects in the State are being invited to an Education and Research Conference in San Francisco on **October 6**. The conference, sponsored by the California Real Estate Association and the California Division of Real Estate, will precede the opening of the annual state real estate convention in San Francisco.

The program will include a review of past and present activities, a progress check, and discussion of proposals for future plans and programming. **Eighty to ninety representatives of California colleges and universities are expected to be in attendance. All licensees who are interested in the progress of real estate education and research in California are invited to the conference which will be held at the Fairmont Hotel. With luncheon, registration fee is \$5. Reservations to be made through CREA, 117 W. 9th Street, Los Angeles 15.**

FALL EDUCATIONAL OPPORTUNITY

Again this fall University Extension, University of California, will offer a wide variety of courses in its Real Estate Certificate Program in many communities throughout the State.

Some of the course titles are *Trends and Factors Influencing Real Estate, Real Estate Practice, Legal Aspects of Real Estate, The Essentials of Income Property Transactions, Commercial and Investment Properties, Property Management, Tax Planning for Real Estate Transactions, Principles of Real Estate Appraisal, Advanced Real Estate Appraisal, Case Studies in Real Estate Appraisal and Estimating for Residential Construction*. Not all these courses are available at any one time in a community, but any course will be offered in any area if sufficient interest is expressed.

University Extension is constantly making course revisions and constructing new courses in response to expressed specialized needs of the real estate industry. Much of this phase of its program is underwritten by appropriations from the Real Estate Education and Research Fund.

The real estate certificate is awarded upon satisfactory completion of eight courses in the program. Usually in major centers of population courses are scheduled so as to allow completion of the certificate work in two years. Further information on the Real Estate Certificate Program may be obtained by writing to the Field Co-ordinator, Real Estate Certificate Program, University of California, University Extension, 2223 Fulton Street, Berkeley 4, for the northern area of the State above Delano; and Field Co-ordinator, Real Estate Certificate Program, University of California, University Extension, 813 South Hill Street, Los Angeles, for the southern area.