

EDMUND G. BROWN, *Governor*

October 1964

MILTON G. GORDON, *Commissioner*

## Broker to Act in Good Faith Toward Principal

**EDITOR'S NOTE:** The San Fernando Valley *Realtor* recently carried an article which admirably summed up the total broad obligation of the broker to his principal and his rights and duties in the making of a transaction. The SFVR and the author of the article, Henry L. Walleck, Attorney at Law, have graciously given their consent to publication of excerpts in the *Bulletin*.

The general topic of the right, duty and obligation of a real estate broker in the practice of his profession should be frequently discussed and considered to keep it foremost in mind. The relationship between a broker and his principal is fiduciary in character, 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 has knowledge of such position and consents thereto.

### *Good Faith*

The matter of good faith also places upon the broker a legal obligation to disclose to his principal all of the facts within his knowledge which are material in reference to the sale or purchase of property for which he is employed.

Recent decisions have repeatedly placed upon the broker a greater responsibility to be fully informed as to the existing conditions surrounding a parcel of land being offered for sale, such as the proximity of freeways, the possibility of condemnation for any public use in the near future, the development and enlargement of airports or approaches thereto, and all matters which may favorably or unfavorably affect the value or use of the subject property.

Further, in reference to the broker's duty of good faith, it would preclude him from attaining any advantage over his principal in any transaction connected with his agency by misrepresentation, deceit or concealment of essential facts. The general principle that a broker is liable to his principal for secret profits has been established by many court decisions.

If a broker is confronted with such a possibility in a real estate transaction,

it is best to make a complete disclosure in writing and to obtain the consent of the principal before entering into any transaction where such a result is possible. For example: If a broker employed to sell property violates the duty of good faith by representing the price offered by a prospective purchaser is lower than actually offered and thereby realizes a secret profit, he is liable to his principal for the full amount thereof. Similarly, where a broker buys property for his principal and fraudulently represents that the purchase price is in a sum in excess of the price paid, the principal may recover the difference between the amount paid by him to the broker and the price actually paid by the broker to the seller.

In harmony with the same principle, one who is employed to buy property and purchases it on his own account may be declared and held as a trustee for his principal.

### *General Principle*

It may be stated as a general principle that a broker can neither sell to nor purchase from his principal, unless the latter assents thereto with full knowledge of the facts. Generally speaking, the principal may require the broker to account for all profits made by the latter out of the transac-

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## Northern Regulatory Area Divided

Some major changes in the organization of the Division of Real Estate were discussed in the August *Bulletin*. Not mentioned was the fact that the Northern Regulatory Area has been divided into two zones: Coastal and Inland. The Northern Regulatory Area extends from the Oregon line south to, and including, Monterey, Kern and Inyo Counties—encompassing 50 counties.

Dividing the large area into two zones for administrative purposes is in keeping with the commissioner's policy aimed at increasing the effectiveness and efficiency of operations. Under the overall supervision of veteran administrator, Gaylord K. Nye, Assistant Commissioner, the new zonal setup makes for a better chain of supervision and control. Mr. Nye, incidentally, began his career with the Division of Real Estate in the Sacra-

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**GAYLORD K. NYE**  
Assistant Commissioner,  
Northern Regulatory Area

**REAL ESTATE BULLETIN**

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**DIVISION OF REAL ESTATE**

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**LICENSE EXAMINATION  
ADVICE**

- When you work on any problems requiring arithmetical calculations, strive for neatness.
- Keep your computations in order so that your work may be easily followed.
- Set out your final answers clearly so they may be easily located.

In following this procedure, fewer mistakes will be made, grading will be easier and your score will be improved.

**Disciplinary Action—June-July 1964**

NOTE: A list of actions is not published in this Bulletin until the 30-day period allowed for court appeal has expired; or, if an appeal is taken, until a final determination of the court action. Names of persons to whom licenses are denied upon application are not published.

**Licenses Revoked During June-July 1964**

Name	Address	Effective date	Violation
Kent, Harry Eldred Real Estate Broker (Granted right to restricted real estate sales license on terms and conditions)	P.O. Box 83, Hathaway Pines	6/ 1/64	Secs. 10176 (c), (i), 10177 (d); Secs. 2830 and 2832 of R.E. Comm. Reg.
Marquez, Louis Restricted Real Estate Salesman	511 Blumont, Laguna Beach	6/ 3/64	Sec. 10177 (k)
Beaver Realty John Lawrence Kiernan, President Real Estate Corporation (Execution of said revocation stayed for 1 year on terms and conditions)	224 Brookwood Rd., Orinda	6/ 4/64	Secs. 10176 (a) and 10177 (f)
Kiernan, John Lawrence Real Estate Broker (Execution of said revocation stayed for 1 year on terms and conditions)	224 Brookwood Rd., Orinda	6/ 4/64	Secs. 10176 (a) and 10177 (f)
Sweeney, Edward Anthony Real Estate Salesman (Granted right to restricted license on conditions)	1156 N. Hudson Ave., Hollywood	6/16/64	Sec. 10177 (f) and Sec. 4238 of B. & P. Code
Dageford, Gerald Donald Real Estate Salesman (Granted right to restricted license on conditions)	1208 Artesia Blvd., Hermosa Beach	6/19/64	Sec. 10177 (b) and (f)
Barlow, Francis O. Real Estate Broker	7815 Rio Linda Blvd., Elverta	6/27/64	Sec. 10177 (b) and (f)
Cassidy Mortgage Company Ellis Edgar Lowen, President Real Estate Corporation	5050 Geary Blvd., San Francisco	6/30/64	Secs. 10176 (a), (b), (c), (i); 10177 (d), (f), (j); 10240; 10242 (b) (2), 10244; Secs. 2830; 2832 and 2842.5 of R.E. Comm. Reg.
Lowen, Ellis Edgar Real Estate Broker	5050 Geary Blvd., San Francisco	6/30/64	Secs. 10176 (a), (b), (c), (i); 10177 (d), (f), (j); 10240; 10242 (b) (2); 10244; Secs. 2830; 2832 and 2842.5 of R.E. Comm. Reg.
Finston, Jack Real Estate Salesman	2571 Roscomarc Rd., Los Angeles	7/ 2/64	Sec. 10177 (b)
Castillo, Elmer Robles Restricted Real Estate Broker Restricted Business Opportunity Broker	130 E. Main, Stockton	7/ 7/64	Secs. 10177 (b), (f); 10302 (b) and (c)
Skinner, William S. Dba Homeland Realty Real Estate Broker Business Opportunity Broker Any right to Real Estate Salesman Any right to Business Oppor- tunity Salesman	4790 Pacific, Rocklin	7/ 7/64	Secs. 10148; 10162; 10164; 10177 (d), (f), (j); 10184; 10283; 10285; 10302 (d), (e), (j); Secs. 2771 and 2831 of R.E. Comm. Reg.
Thomas, Ross Vernon Vice President Sterling Trust Deeds, Inc.	14627 Victory Blvd., Van Nuys	7/ 7/64	Secs. 10176 (i); 10177 (b), (f) and (j)
Thomas, Ross Vernon Secretary Treasurer Colonial Mortgage Company	Rm. 209, 1147 W. Holt Ave., Pomona	7/ 7/64	Secs. 10176 (i); 10177 (b), (f) and (j)
Thomas, Ross Vernon Real Estate Broker	158 N. Tustin Ave., Orange	7/ 7/64	Secs. 10176 (i); 10177 (b), (f) and (j)
Wilson, James Harold, Jr. Real Estate Salesman	98 Elm Ave., San Anselmo	7/ 7/64	Secs. 10176 (e), (i); 10177 (d), (f) and Sec. 2832 of R.E. Comm. Reg.
Nicholson, David Dennis Real Estate Salesman (Granted right to restricted license on terms and conditions)	123 W. Reeve Way, Altadena	7/19/64	Sec. 10177 (b) and (f)
Crismon, Oliver Wellington Dba Certified Properties Real Estate Broker	1000 Old Coast Hwy., Montecito	7/21/64	Sec. 10177 (d) and Sec. 2771 of R.E. Comm. Reg.
Schwartz, Joseph Joe Real Estate Broker Business Opportunity Broker (Granted right to restricted licenses on terms and conditions)	11561 Canton Dr., Studio City	7/21/64	Secs. 10176 (a), (d), (i); 10177 (d), (f), (j); 10301 (a), (i); 10302 (e); Secs. 2844 and 2834 of R.E. Comm. Reg.
Loera, Felix, Jr. Real Estate Salesman	243 N. Coronado St., Los Angeles	7/22/64	Sec. 10177 (b) and (f)
Manhart, Norman William Real Estate Salesman	45030 N. Beech St., Lancaster	7/22/64	Sec. 10177 (b) and (f)
Brewster, Nathaniel Douglas Real Estate Salesman (Granted right to restricted license on terms and conditions. Respondent shall abstain from acting as a Real Estate Salesman for 60 days from and after effective date of decision)	P.O. Box 777, Clearlake Highlands	7/24/64	Secs. 10176 (a), (d), (g), (i); 10177 (d) and (f)
Mayberry, Martin Haile Real Estate Salesman Springs (Granted right to restricted license on conditions)	16973 Palm Dr., Desert Hot	7/28/64	Sec. 10177 (b) and (f)
Miller, Charles Dean Real Estate Salesman Fullerton	3730 W. Commonwealth Ave., Fullerton	7/28/64	Sec. 10177 (b)
Ingalls, Robert Leroy Real Estate Salesman	9008 Stokas, Downey	7/29/64	Sec. 10177 (b) and (f)
Smith, Frederick Lee Dba Equity Trust Deed Com- pany Real Estate Broker (Granted right to restricted license on terms and conditions)	5015 La Sierra Ave., Arlington	7/29/64	Sec. 10177 (b) and (f)
Baird, LaJoie Orville Real Estate Salesman	5043 N. Bartlett Ave., San Gabriel	7/30/64	Sec. 10177 (b) and (f)
McLaughlin, Joseph William Real Estate Salesman	Jacumba Hotel, Jacumba	7/30/64	Sec. 10177 (b) and (f)
Miller, David Real Estate Broker	3230 Earlmor Dr., Los Angeles	7/30/64	Sec. 10177 (d), (f) and 10184
Waltreus, Eugene Ralph Real Estate Broker Business Opportunity Broker	11669 Mulhall, El Monte	7/30/64	Secs. 10177 (b) and 10302 (b)

## Licenses Suspended During June-July 1964

## License Law Officials To Meet in Los Angeles

The National Association of License Law Officials (NALLO) will gather in Los Angeles, November 3-6, when that body of real estate license administrators, representing the 50 states and several Canadian provinces, will hold its 36th annual conference. The conference provides an opportunity to pool experiences and plans to stimulate improved administration and enforcement of license laws.

Among the areas to be explored are real estate education programs, investigative techniques and hearing procedures, legislation in the various jurisdictions, court decisions, competency standards, subdivisions and recurring rackets in real estate operations.

Commissioner Milton G. Gordon, a director of the association, is conference committee chairman, and John E. Hempel, chief assistant, is vice chairman.

## Oroville Dam Project

According to a brochure distributed by the State Resources Agency, the Oroville Dam is expected to be completed in 1968. Because of its multiple-purpose aspects: water conservation, flood control, electric power and recreation, it will have a **decided impact on the future economy of the State.**

It will be the highest embankment dam in the world and the highest dam in the United States, containing a 3,484,000 acre-foot reservoir.

As a key unit of the State Water Project, it will serve water to Central and Southern California via the California Aqueduct, a 444-mile-long manmade waterway.

Name	Address	Effective date and term	Violation
Riddell, Robert Murray Real Estate Salesman (Stayed for 2 years on terms and conditions)	921 Cedar Ave., Long Beach	6/ 3/64 30 days	Sec. 10177 (d) and (f)
Manning, Joseph William Ellis Restricted Real Estate Broker	411 Middlefield Rd., Redwood City	6/ 4/64 (Indefinitely)	Sec. 10177 (k)
DeLiscia, Louis Capocci Dbn DeLee and Associates Real Estate Broker	6817 Mission St., Daly City 104 Dunman Way, South San Francisco	6/11/64 60 days	Secs. 10176 (a), (i) and 10177 (f)
Canon, Boyce Abernathy Real Estate Broker	158 N. Tustin Ave., Orange	6/23/64 30 days	Secs. 10176 (a), (i) and 10177 (f)
March, Janet Gertrude Real Estate Salesman (Execution of suspension stayed for 3 years on terms and conditions)	Hwy. 50 at Silver Dollar Ave., Tahoe Valley	6/23/64 180 days	Sec. 10177 (b) and (f)
Shapiro, Harold Perry Real Estate Salesman (Stayed for 2 years on terms and conditions)	1045 S. Wall St., Los Angeles	6/23/64 90 days	Secs. 10137 and 10177 (d)
Cancilla, Louis Joseph Real Estate Broker	1014 Malone Rd., San Jose	6/30/64 10 days	Secs. 10176 (e); 10177 (d), (f), (g) and Sec. 2832 of R.E. Comm. Reg.
Crossley, Joseph Benedict Right to 2nd Original Real Estate Salesman	325 Kensington Way, San Francisco	7/ 7/64 15 days	Sec. 10176 (a)
Farrar, John Jonnis, Jr. Vice President Kachler-Farrar, Inc. Real Estate Broker	1408 4th St., San Rafael	7/20/64 90 days	Secs. 10176 (a) and 10177 (f)
Kachler-Farrar, Inc. Reuben William Kachler, President	1408 4th St., San Rafael	7/20/64 90 days	Secs. 10176 (a) and 10177 (f)
Kachler, Reuben William Real Estate Broker	162 Belvedere St., San Rafael	7/20/64 90 days	Secs. 10176 (a) and 10177 (f)
Parkman, Blanche May Real Estate Broker (7/29/64 to and including 9/5/64)	6216 El Cajon Blvd., San Diego	7/29/64 60 days	Secs. 10176 (i); 10177 (f) and (j)
Christopherson, Sigurdur Thorstein Real Estate Broker (Except for the first 3 days of said 30-day suspension remainder thereof is hereby permanently stayed)	1735 Ocean Ave., San Francisco	7/30/64 30 days	Secs. 10162; 10164; 10177 (d) and Sec. 2771 of R.E. Comm. Reg.
Waldow, Carl Bert Real Estate Salesman	2068 Lincoln Ave., San Jose	7/31/64 30 days	Secs. 10176 (a), (i); 10177 (f) and (j)

## Outdated Textbooks Contribute to Examination Failures

According to the division's examination section, a contributing cause of failure in the real estate license examinations is the use of outdated texts and study materials. As a natural result many prospective licensees, relying upon outdated and now erroneous information, answer incorrectly questions given in the examination—questions which are based on current law and practice.

California law pertaining to real estate practice and licensing is not static, but is subject to steady growth and change as the Legislature takes cognizance of new needs and develop-

ments. For example, laws relating to subdivisions, licenses, homesteads, trust accounts and many other areas covered in the examinations have changed considerably. This is also true of the Real Estate Commissioner's Regulations for the implementation and interpretation of the Real Estate Law.

**Anyone preparing for a license examination is well advised to study the latest editions of any texts he may be using. This observation applies to the Division of Real Estate Reference Book among others.**

## Broker's Responsibility

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tion, including compensation paid for the broker's services.

In the practice of any business or profession where the broker assumes a fiduciary relationship with his clients, I am certain all conscientious persons agree that the highest principles of honesty, ability and total representation should prevail.

## Northern Regulatory Area Divided

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mento office in August 1921, two years after the enactment of the Real Estate Law in 1919, "growing up with the business," so to speak.

The Coastal Zone, comprising the combined territories of the San Francisco and Oakland offices, is under the immediate supervision of Raymond M. Dabler, Chief Deputy, San Francisco, while Marvin H. Wiegman is

Supervising Deputy of the Oakland district office.

The Inland Zone includes the combined territories of the Sacramento and Fresno district offices. This zone is under the immediate supervision of Thomas J. Nolan, Chief Deputy, Sacramento district office; Supervising Deputy of the Fresno district office is Richard A. McAdoo.

# SUBDIVISION

## DEVELOPMENTS AND ITEMS OF SIGNIFICANCE

### Subdivision Definitions Brought into Uniformity

The amendments to the Subdivision Map Act in 1963 included a change in the definition of a subdivision which eliminated the qualifying words [divided] "within any one-year period." This brought the definition of subdivision in the Map Act into substantial conformity with the definition of a subdivision as it appears in the law administered by the Real Estate Commissioner.

Some differences still exist between the two definitions as can be ascertained by an examination of Sections 11000, 11004 and 11535 of the Business and Professions Code. The latter section defines a subdivision for the purposes of the Map Act.

#### Local Governing Body

The Map Act provides and defines certain regulatory powers and procedures reserved to the governing bodies of cities and counties. In practice, preliminary examination of the project is usually delegated to city and county planning commissions which inquire into maps, plans, specifications, streets, and other requirements which the subdivider must meet to secure approval of the physical details.

**Since the Map Act does not prohibit cities or counties from making further regulations, some of them have stringent ordinances governing the division of land, and before dividing any land into parcels—no matter how few in number—one should consult with the planning commission having jurisdiction. In some communities splitting a single lot into two parcels requires planning commission approval.**

#### Definitions Basically Similar

The two definitions of a subdivision (in the law administered by the commissioner and in the Map Act) now agree so far as the time element is concerned. The key words in both definitions are ". . . divides for the purpose of sale or lease whether immediate or future, into five or more lots. . . ."

For example, suppose you own a 10-acre parcel of land and sold off

three parcels within a 12-month period. After 12 months from the date of the first sale has passed, you propose to sell off an additional parcel. You must file a subdivision questionnaire with the Real Estate Commissioner and secure the Commissioner's Public Report. You must also comply with the provisions of the Map Act. Under each law, the unsold portion would constitute the fifth parcel.

Actually under the law administered by the commissioner, if it is proposed to sell five or more parcels, then sale of the first parcel constitutes a violation if the necessary filing has not been made. In the above example, the owner of the land was technically in violation of the law when he sold off the first parcel, if it was his intent to break up the 10-acre piece into five or more smaller parcels.

In this instance, had a subdivision map been prepared and recorded, the subdivider should have filed with the Real Estate Commissioner and no lots should have been sold prior to the issuance of a public report.

Cases have been investigated where the subdivider has violated the law unknowingly. In doing so, he may subject himself to prosecution and penalty. If a licensee is involved in the violation of the subdivision provisions of the law, he may suffer the additional penalty of having his license revoked or suspended after a hearing.

Licensees confronted with a subdivision problem should clear with the proper local authorities and with the Division of Real Estate.

## RECORDKEEPING

The continuing program of reviewing brokers' trust accounts in connection with office surveys discloses that a great many are not completely aware of their obligations under the law when it comes to trust account recordkeeping. Typically, a deputy, while making the office survey, asks to see the broker's trust account records. The broker tells him that no trust account is maintained because trust funds are placed directly into escrow.

Although the placing of trust moneys directly into an escrow in part satisfies the law, the broker is nevertheless obligated by the terms of Commissioner's Regulation 2831 to keep records of all trust moneys accepted by him.

The regulation provides, "Every broker shall keep a record of all trust funds received by him, including uncashed checks held pursuant to instructions of his principal. Said record shall set forth in columnar form:

1. Date funds received;
2. From whom received;
3. Amount received;
4. With respect to funds deposited to trust bank account, date of said deposit;
5. With respect to funds previously deposited to trust bank account, check number or date of related disbursement;
6. With respect to funds not deposited in trust bank account, nature of other depository and date funds were forwarded;
7. Daily balance of trust bank account.

*"Each broker who maintains a formal trust cash receipts journal and a formal cash disbursement journal or other similar records, in accordance with sound accounting principles, shall be deemed to have complied with the above.*

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

Obviously a broker who does not maintain records of trust moneys is violating the Real Estate Law, even though collected moneys are placed directly in escrow.

## Licensees Can Help Eliminate Processing Delays

Because of the swelling demand on time occasioned by receipt of improperly completed applications and requests for license changes, the commissioner urges licensees to exercise more care in communicating with the Division of Real Estate. Please make sure that all necessary documents and fees are enclosed with any initial request, and that all applications are carefully reviewed and completed in full on up-to-date forms.

License applications and requests for license changes which are incomplete necessitate volumes of correspondence which, in turn, causes undue delay in all processing. This must be corrected if licensees and license applicants are to receive the service they have a right to expect. Deficiencies causing the most difficulty are listed below:

### Brokers

- The signature of the licensed broker is required for any changes in his license, such as change of address, addition of DBA or branch office, etc. Brokers employed as associates or as salesmen should make their own requests for any license changes. Any changes requested by a corporation should be signed by a licensed officer and not by the *sales manager*, if he is not a licensed officer.
- Normally \$4 is the correct fee for any change in individual license. However, in changes involving a corporation or a partnership, a \$4 fee is necessary for *each* licensed officer or member of a partnership. If the request is for a newly added license as an officer of a corporation the fee is \$25 (original broker) or \$50 (renewal broker) submitted together with pages 1 and 3 completed on the corporation license application.
- An incomplete or indefinite address causes delay. In giving business address, make it complete—number, street or avenue and zip code number. If your mailing address is a post office box, please describe your office location by distance from the nearest town and major highway, intersection, etc.
- An improper filing or incomplete affidavit of publication, or lack of proper fee, will hold up addition of a fictitious business name to a license. The affidavit of publication must show the four dates published, and certified copies of both the entry of

registration with the county clerk and the affidavit of publication must then be submitted to Sacramento.

- A fee is not transferable in a change from an individual license application to a corporation or partnership application, or vice versa.
- If a license is to be inactivated, it must be returned with a signed request to do so. If it is to be inactivated at an address other than the one shown on the license, a \$4 fee is required.
- Before a corporate license may be issued, proper filing must be made with the Secretary of State.
- A broker must remit \$4 for each salesman in his employ at the time of a change of business address. He should make certain to ask for cancellation of the licenses of any salesmen not remaining in his employ. All licenses to be changed or canceled should be returned to Sacramento.

### Salesmen

- The most frequent reasons for delay in a salesman license transfer are lack of fee (\$4) and absence of new employing broker's and salesman's signature on the application. The new employing broker's name on the transfer should be exactly as it appears on his broker license—not "J. E. Jones" for "John Edward Jones" or "Bill Smith" for "William Harvey Smith." Broker must return salesman's license when salesman leaves his employ. The license should not be turned over to the salesman.
- When the address appearing on a request for transfer by a salesman differs from the address shown on the broker's license, a determination has to be made as to whether the broker is in a new location. *Change in address by broker must be reported immediately.*
- A transfer is not necessary for a salesman to work in a branch office.

## Complaints to FEPC Few

Laws which have been enacted by the State Legislature prohibiting discrimination in employment, housing, schools and places of business, are administered by the Fair Employment Practice Commission. This agency recently reported in its publication, *Fair Practices News*, that 159 housing discrimination complaints were filed throughout the State since the effective date of the Rumford Act, September 20, 1963, through July 31, 1964.

**During this period, 60 percent of the cases investigated necessitated corrective action, but only one required formal public hearing and a commission order. The others were settled through conference and conciliation, as provided in the statute.**

Of the total number of complaints filed, 75 were in Northern California and 84 in Southern California. There were 30 cases involving real estate brokers, who were mostly acting in their capacity as rental agents. Approximately 8.8 percent of the total complaints registered had to do with alleged discrimination in the sale of single-family homes. On the other hand, discrimination was charged in 123 cases relating to apartment rentals, and 11 complaints were filed as the result of trying to buy homes in tract developments.

### ATTENTION BROKERS

If you sponsor an applicant for real estate salesman license, will you please advise him that duplicate sets of fingerprints are required of all applicants. However, if he has filed prints with the division during the immediately preceding five-year period in connection with an application and the license was issued, then he need not file prints again. Inasmuch as checking of fingerprints by the State Bureau of Criminal Identification and the FBI is time consuming; and since no license may be issued until this process is completed it is important that prints be submitted with the application. They will be taken when the application is delivered in person to any Division of Real Estate office.

**EDUCATION - RESEARCH PROGRAM**  
 University of California — State Colleges — Junior Colleges

**UCLA Research Program Looks at Metropolitan Area And Investment Climate**

**Investment Climate**

Although the economy seems healthy enough now, a recent article by Dr. James Gillies, Chairman of the UCLA Real Estate Research Program, urges extra care on the part of California real estate investors.

Gillies' article, "The Exploding Metropolis," published as part of the California Real Estate Association book, *Real Estate Investment Property*, discusses long-range investment prospects for California real estate.

"There will always be waves of change," Gillies writes, "and perhaps one of the periods of absorption, rather than expansion, is approaching now. At any rate, it is a time for caution on the part of the real estate investor."

**KEY TRENDS TO WATCH**

*Urbanization*—the continued expansion and development of our urban areas—is likely to be one of the most important influences on real estate investment in the next 10 years, Gillies feels.

A few things are fairly certain in this area. Already scarce urban real estate will get even scarcer—and more expensive. Migration from central city to the suburbs should continue, although some core cities may bounce back and promise attractive investment opportunities.

*Inflation* will continue over the long run, Gillies predicts, "but this does not mean there could not be, and will not be, periods of stable—perhaps even declining—price levels."

*Automation* and the number of people in the working force will rise sharply during the next five years, Gillies says. The result may be increasing unemployment side by side with increased prosperity and incomes, or the influx of jobseekers may bring about alterations in the working patterns of the nation. Either development could have significant effect on the demand for goods and services,

**Variety and Contrast  
 Feature Los Angeles**

Any way you look at it, being different is the natural way of things for the municipalities making up the Greater Los Angeles metropolitan area (Los Angeles-Orange Counties).

A recent study by Professor Leland S. Burns, Real Estate Research Program, Los Angeles, compares 11 Los Angeles communities in terms of population, housing, employment, and income flow, and his findings lay to rest the charge—usually made by easterners—that Los Angeles is a monotonous collection of undifferentiated communities.

In *Intra-Metropolitan Contrasts: The Island Communities*, Burns finds variety to be the rule, not the exception. His sample cities vary so markedly that none of them fits the general metropolitan pattern well enough to be labeled "the All-Los Angeles Town."

Alhambra, Altadena, Baldwin Park, Beverly Hills, Fullerton, Gardena, Lakewood, City of Los Angeles, Pomona, Newport Beach, and Santa Monica comprise the sample.

Population changes between 1950 and 1960 provide a striking example of contrasts. Beverly Hills hardly changed, while Lakewood—open farmland in 1950—quadrupled in size. Fullerton grew 300 percent, a growth rate 12 times that for the City of Los Angeles and more than 45 times the Altadena figure.

The Burns study may be obtained by writing the Real Estate Research Program, Graduate School of Business, University of California, Los Angeles 90024. Price is \$1.50.

which in turn will influence real property investment.

Currently, there are no serious problems in California, but Dr. Gillies notes the appearance of some definite warning signs.

**Census Chart Book**

Aspects of the Los Angeles residential mortgage market are depicted graphically in the new "Residential Finance Census Chart Book," written by Jay S. Berger of the Los Angeles program.

Based on 1960 U.S. Census figures, this handbook to the series, *Profile of the Los Angeles Metropolis*, focuses on the mortgage market for greater Los Angeles' one-unit homeowner properties, and compares that market to others in the nation.

Berger depicts percentages for type of lender, type of loan, housing costs, interest rates, taxes, and other facets of Los Angeles mortgage lending operations.

Copies are free on request. Write: The Real Estate Research Program, Graduate School of Business Administration, University of California, Los Angeles 90024.

**Co-operative Sales Through  
 Multiple Listing Systems  
 in Los Angeles County**

Nearly 45 percent of all listings of single-family residential property in seven major multiple listing systems in Los Angeles County resulted in co-operative sales by system members in the period 1953-60. The percentage of co-operative sales varied greatly among individual systems. The Southwest Los Angeles organization showed the highest proportion of co-operative sales (51.7 percent), and the Pasadena organization the lowest (35.4 percent). These findings are from the study by the UCLA Real Estate Research Program of *Real Estate Market Behavior in Los Angeles—A Study of Multiple Listing System Data*, authored by Fred E. Case.

## Berkeley Center Explores Low-Rise Developments

### Low-rise Developments

In California, as elsewhere across the nation, the low-rise apartment building has become the most popular form of multiple-unit housing.

Professor Wallace F. Smith, of the Berkeley Center, has been keeping his eye on low-rise activity in the Bay area communities of Oakland and Walnut Creek. Scheduled for release late in October is his study, *The Low-rise Speculative Apartment*, a survey of developer and investor behavior in the low-rise apartment markets of those two cities.

Preliminary study data show that the "typical" developer risks relatively little of his own capital in the low-rise development process. So well leveraged is his financing that he seldom commits his own money for anything but land, and even that investment is often covered by the construction loan.

The investor, on the other hand, typically uses more of his own capital in purchasing the completed property. In Smith's sample of investors, the usual purchase involved a 30 to 40 percent cash equity.

### DEVELOPER-INVESTOR BACKGROUNDS

Developers represented many occupational groups with "contractors" and real estate agents the most frequently mentioned. In the former group were found plumbers, plasterers, carpenters, and others engaged in the building trades, as well as licensed general contractors.

Among investors, the most frequently mentioned employment background was retail or wholesale trade, although real estate practitioners, doctors, lawyers, engineers, researchers, and other groups were represented in the sample. Most of the investors cited tax shelter or equity buildup as their primary motive for investing in real estate. Cash flow was not an important element in their thinking.

Formal market analysis before commencing projects was infrequent. Some developers surveyed a neighborhood, judging the level of competition by the number of "Apartment for Rent" signs.

### Changes in Urban Neighborhoods Surveyed

As more and more people crowd into our cities, the problem of providing adequate housing takes on new urgency. Competition for available urban sites grows keener, and housing often finds itself second best to commercial and industrial needs when land-use decisions are being made.

In most cases, existing housing has been called upon to meet the needs of newcomers to our urban centers. This has produced some profound alterations in housing patterns, and many neighborhoods have experienced lasting changes.

In his new study, *Filtering and Neighborhood Change*, Professor Wallace F. Smith, Berkeley Center for Real Estate and Urban Economics, focuses upon 76 Oakland neighborhoods, analyzing population and property value changes in them over the 24-year period, 1936-1960.

### PRINCIPLES OF CHANGE

During those years, Oakland's population changed substantially. Many white residents gravitated to the suburbs, abandoning the older neighborhoods nearer the downtown core of the city. Their houses filtered down to newer arrivals—often nonwhite—and neighborhoods assumed new characteristics.

This aspect of the Oakland neighborhood analysis leads Smith to pinpoint three fundamental principles of neighborhood change:

"Neighborhoods tend to make gradual transitions, not abrupt changes."

"Neighborhoods tend to retain certain of their characteristics even though housing demand in the community as a whole may change significantly."

"Since the several neighborhoods within a community account for the housing stock of the entire community, some neighborhoods must change their characteristics to accommodate a change in the composition of the community's housing demand."

## Pest Control Act Changes

Several changes in the Structural Pest Control Act of the Business and Professions Code, which are of some concern to licensees, became operative September 1, 1964.

Prior to that date, when a pest control inspection was requested by any party to a real property transaction, the law required the broker, if no escrow was involved, or the escrow agent, if an escrow was involved, to secure for such party, certified copies of all written inspection reports filed during the preceding two-year period.

Under the law as changed, the broker and escrow holder are relieved of this responsibility. The relevant section of the law (Sec. 8614, B. & P. Code) reads: "Any person, whether or not a party to a real property transaction, has a right to request and, upon payment of the required fee, to obtain directly from the board [Structural Pest Control Board] a certified copy of all inspection reports and completion notices prepared and filed by any structural pest control operator during the preceding two years."

The fee is \$2 and it covers all reports and notices filed during the preceding two years. For the convenience of firms who order reports frequently, the board will issue stamps in \$2 denominations, which may be purchased in sheets of 20.

When any party to a real estate transaction makes a request for a "wood-destroying organism inspection of the property," Section 8616, Business and Professions Code, provides that the broker must give written notice to each party of his rights under Section 8614. In this case he must receive a written acknowledgment from each person that the notice has been received.

In conjunction with the enactment of the above statutes, Section 10177(l) was added to the disciplinary section of the Real Estate Law. It provides that the commissioner may suspend or revoke the license of any real estate licensee, who has violated Section 8616.

NOTE: The Structural Pest Control Board maintains its principal office and files at 1020 N Street, Sacramento.

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## LICENSE TOTALS REACH ANOTHER NEW HIGH

License totals reached another new all-time high on June 30, 1964, the end of the '63-'64 fiscal year, when licenses of all types issued by the Real Estate Commissioner—including real estate, business opportunity, and mineral, oil and gas—numbered 153,676. At the end of the previous year the total was 144,246. Of the licenses outstanding on June 30 of this year, 30,996, or 20.1 percent, were inactive.

The increase in total licenses was almost entirely accounted for by the increase in original real estate licenses. The figure for renewal licenses, as well as those for business opportunity and mineral, oil and gas licenses, were very close to last year's.

Interesting is the fact that the license total increased by 6.1 percent in one year's time, almost double the 3.2 percentage increase in California's population.

Below is a breakdown of license figures and a year-by-year comparison of totals:

REAL ESTATE, BUSINESS OPPORTUNITY, AND MINERAL, OIL AND GAS LICENSES Issued and in Effect June 30, 1964, Compared With Previous Years' Totals											
Type of license	Corporations		Partnerships		Salesmen		Brokers		Branches	Total	
	Inactive	Active	Inactive	Active	Inactive	Active	Inactive	Active		Inactive	Active
Real estate originals	1	148		86	2,011	26,086	101	3,616	328	2,113	29,945
Real estate renewals	88	3,852	66	1,713	19,651	36,392	7,824	42,806	10,326	27,629	86,763
Business opportunity originals		19		8	34	333	2	207	20	36	567
Business opportunity renewals	7	263	2	141	484	646	501	4,503	638	994	5,553
Mineral, oil and gas originals								2			2
Mineral, oil and gas renewals	1	1		1			23	48	1	24	50
<b>Total</b>	<b>97</b>	<b>4,283</b>	<b>68</b>	<b>1,948</b>	<b>22,180</b>	<b>65,467</b>	<b>8,451</b>	<b>51,182</b>	<b>11,214</b>	<b>30,996</b>	<b>122,880</b>
<b>GRAND TOTAL (1963-1964)</b>	<b>4,380</b>		<b>2,016</b>		<b>87,647</b>		<b>59,633</b>		<b>11,214</b>	<b>153,676</b>	
<b>GRAND TOTAL (1962-1963)</b>	<b>4,039</b>		<b>1,986</b>		<b>80,745</b>		<b>56,950</b>		<b>10,999</b>	<b>144,246</b>	
<b>GRAND TOTAL (1961-1962)</b>	<b>3,733</b>		<b>1,813</b>		<b>78,046</b>		<b>57,281</b>		<b>10,225</b>	<b>141,443</b>	
<b>GRAND TOTAL (1960-1961)</b>	<b>3,464</b>		<b>1,941</b>		<b>79,946</b>		<b>58,362</b>		<b>10,117</b>	<b>144,183</b>	
<b>GRAND TOTAL (1959-1960)</b>	<b>3,166</b>		<b>1,934</b>		<b>73,486</b>		<b>56,342</b>		<b>9,485</b>	<b>135,641</b>	

## Cheater in License Exam Suffers Penalty

The Real Estate Commissioner recently denied an application for renewal real estate salesman license and the applicant's original license was revoked because the examinee ". . . left the examination room prior to having turned in the complete examination papers to the proctor; and . . . cheated in taking the examination," to quote from the hearing officer's findings. The basis for the action was violation of Sections 10177 (d), (f) and (j) of the Real Estate Law and Section 2763 of the Commissioner's Regulations.

### Facts Cited

While taking an examination for renewal real estate salesman license, the examinee asked permission to leave the room. He proceeded directly to his car which was parked nearby. A deputy commissioner observed his actions from the moment he left the examination room and confronted him while he was referring to some notes. After the hearing the examinee was held to have violated the above-cited sections which deal, respectively, with willful disregard or violation of any provisions of the Real Estate Law, actions or conduct which would warrant denial of an application for real estate license, conduct constituting fraud and dishonest dealing and rules for examinations.