

REAL ESTATE BULLETIN

Official Publication of the California Division of Real Estate

GOODWIN J. KNIGHT, *Governor*

Sacramento, November, 1956

D. D. WATSON, *Commissioner*

Commissioner's Message

The Facts About the Examination for Renewable License

My principal objective in preparing this article at this time is to dispel the many rumors and misconceptions concerning the examination program, which rumors seem to have been circulated throughout the State. For the most part, I am writing for and to those who will be taking the additional or "final" examination sometime in the future.

At the 1955 Session of the State Legislature, the license law was amended to provide for "original" and "renewal" licenses. This plan was applied to all licenses issued by the Real Estate Commissioner—real estate, business opportunity, and mineral, oil and gas. Both brokers and salesmen in each category were included in the plan.

The new license plan became effective October 1, 1955, and has been discussed extensively in previous issues of the *Bulletin*. In brief, it provides that the holder of an "original" one-year license—one issued on or after October 1, 1955—must take and pass a "final" examination toward the end of his first license year if he wants to establish eligibility for a four-year renewable license. No attempt to review the law's provisions in detail will be made in this article. Those who held licenses prior to October 1, 1955, were not affected, and will not be affected by the new examination program as long as they keep their licenses current, either on an active or inactive basis.

Misconceptions About Program

It is understandable that those who have entered the business this past year and have done well in real estate or business opportunities are concerned and even nervous and jittery for fear they will fail to qualify for a renewable license. Unfortunately, in many instances, their uneasiness has been heightened by the false rumors to the effect that "ninety percent are failing," "have to be an attorney to pass" or "the Commissioner is trying to keep everyone out of the business." Certainly it would be a matter of

great concern to the newcomer to the business, who has done well at it and hopes to make a career of real estate, if there were any basis of fact behind these rumors. **I want to make it clear that rumors such as those cited above have absolutely no foundation in fact.**

Taking any kind of an examination raises the blood pressure of most of us, but I suggest that those actually affected stop paying attention to baseless rumors and obtain any needful information directly from my office.

In our experience with the new ex-

amination program, we have found that most holders of original one-year broker and salesman licenses need not be too fearful of the "final" examination if, during the time they have been licensed, they have been actively engaged in the business and have been studying and preparing themselves for the examination they know lies ahead of them.

Failing the "Final"

However, let us assume that the broker or salesman licensee does not prepare adequately and fails his "final" examination, and thus cannot obtain a renewable or permanent license. This does not mean he must get out of the business. The industry which sponsored the law had the foresight to provide a method whereby the licensee who failed the "final" test toward the end of his first year can remain in business for another year and gain another chance to qualify at the end of the second year.

It is my earnest belief that those licensees who gain actual experience under their one-year licenses and who are sufficiently interested to plan a real study program will almost invariably pass the additional examination. However, the man or woman who puts off study until just a few frenzied days before taking the "final" examination is likely to have trouble with it. I would like to suggest to all holders of one year licenses that, if you like the business and want to stay in it, you acquire all the practical knowledge possible from each transaction you are connected with and in addition lay out for yourself a program of serious study during the year.

There will, of course, always be some who will fall by the wayside and fail to pass the "final" examination for two years in a row. However, with the opportunity to gain knowledge through practical experience and study of fundamentals for two years,

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NOTICE TO HOLDERS OF ONE-YEAR ORIGINAL LICENSES

Applications for examination for renewable license are now being mailed to you four months prior to expiration of your original license. This much time has proved necessary to assure processing applications through the written and possible oral examinations, and avoiding any break in license status.

Salesmen with one-year original licenses are reminded that their applications are mailed to their employing brokers' business addresses instead of their home addresses.

If your application has not been received three months prior to expiration of the original one-year license, you should contact the nearest division office or write to Sacramento.

Sacramento, November, 1956

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STATE OF CALIFORNIA
GOODWIN J. KNIGHT, Governor

D. D. WATSON
Real Estate Commissioner

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1182 Market Street, San Francisco
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SUBDIVISIONS

The 1955 legislative enactments relating to the protection of purchasers' deposit moneys when buying in new subdivisions were necessarily broad in scope and contemplated a number of alternatives to provide for procedures to cover the many different ways in which new subdivisions may be placed on the market and offered to the public.

If you have special problems in a subdivision you may contemplate creating and you feel that your subdivision filing is out of the ordinary, or if you have some unusual case where you feel standard procedures or a combination thereof do not apply, some alternative procedure may be worked out.

DISCIPLINARY ACTION—AUGUST AND SEPTEMBER, 1956

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

Therefore a list of actions is not published in this *Bulletin* until the period allowed for court appeal has expired; or, if an appeal is taken, until a final determination of the court action. Names of persons to whom licenses are denied upon application or to whom a restricted license is granted after suspension or revocation are not published.

LICENSES REVOKED DURING AUGUST AND SEPTEMBER, 1956

Name	Address	Effective date	Violation
Jaques, Frank Zurr..... Real Estate Broker Business Opportunity Broker	2084 W. Lincoln Ave., Napa....	8/21/56 (Granted right to restricted Real Estate Broker License)	Secs. 10176 (c), (i); 10177 (b), (f); 10302 (b), (c) & Secs. 2830, 2831 & 2832 of R. E. Comm. Rules and Regulations
Cesmat, Louis Ernest..... Real Estate Broker	3921 Park Blvd., San Diego.....	8/21/56	Secs. 10160; 10176 (c), (i) & 10177 (d), (f)
Cesmat, Katherine..... Real Estate Salesman	3921 Park Blvd., San Diego.....	8/21/56	Secs. 10160; 10176 (c), (i) & 10177 (d), (f)
Limerick, James Mulloy..... Real Estate Salesman Business Opportunity Salesman	2819 Theresa, Long Beach.....	8/21/56	Secs. 10177.6 & 10302.6
Gray, Fred Issaac, Jr..... Real Estate Broker	1905 Logan Ave., San Diego....	8/21/56	Secs. 10176 (a), (c), (i) & 10177 (d), (f)
Evans, James Stalker..... dba Evans Real Estate Real Estate Broker	2666 El Camino Real, Redwood City	8/23/56	Sec. 10177 (b), (f)
Evans, James Stalker..... Member Evans and Evans Real Estate Broker	2666 El Camino Real, Redwood City	8/23/56	Sec. 10177 (b), (f)
Casey, Joseph Gerard, Jr..... Real Estate Salesman	35 Alboni Pl., Long Beach.....	8/24/56	Sec. 10177 (b), (f)
Johnson, Cecilia V..... dba C. V. Johnson Co. Real Estate Broker	841 Eric St., Oakland.....	9/11/56	Secs. 10160; 10162; 10164; 10176 (c), (i); 10177 (d), (f) & Secs. 2771, 2830, 2831 & 2832 of R. E. Comm. Rules and Regulations
Zeff, Raymond..... dba Zeff Realty Real Estate Broker	8643 S. Truxton Ave., Los Angeles	9/12/56	Secs. 10176 (a), (b), (c), (i); 10177 (d), (f) & Secs. 2830, 2831 & 2832 of R. E. Comm. Rules and Regulations
Willis, Clifton Ford, Jr..... Real Estate Salesman	6527 Telegraph Ave., Oakland ..	9/18/56	Secs. 10176 (a), (b), (i) & 10177 (f)
Eilwood, Elsie Lee..... dba Eilwood Estates Real Estate Broker	14101 E. 14th St., San Leandro	9/18/56	Secs. 10176 (a), (b), (i) & 10177 (f)
Anderson, Richard Leo..... Real Estate Salesman	2811 Dolin St., Berkeley.....	9/18/56	Sec. 10177 (b), (f)
Sullivan, Walter Joseph..... Real Estate Broker Business Opportunity Broker	142 S. New Hampshire, Los Angeles	9/18/56	Secs. 10177 (b), (f) & 10302 (b), (c)
Dupuis, Frederick James..... Real Estate Salesman	12430 Kling, North Hollywood..	9/21/56	Sec. 10177 (a), (d), (f)
Andrews, Jess Douglas..... Real Estate Salesman	12214 Aneta St., Culver City...	9/21/56	Sec. 10177 (b)
Criswell, Richard Aulsbrook..... Restricted Real Estate Broker	8 Arcade Bldg., La Jolla.....	9/21/56	Sec. 10156.6
Hooper, Charles Kenneth..... Real Estate Broker	6834 Mission St., Daly City....	9/22/56	Secs. 10176 (a), (b), (c), (g), (i); 10177 (f) & Secs. 2830, 2831 & 2832 of R. E. Comm. Rules and Regulations
Hooper, Marion Lorraine..... Real Estate Salesman	6834 Mission St., Daly City....	9/22/56	Secs. 10176 (a), (b), (g), (i) & 10177 (f)
Olson, John Gordon..... Real Estate Broker	5757 Whitnall Hwy., North Hollywood	9/24/56	Secs. 10176 (a), (i) & 10177 (d), (f)
Culley, Knox Hudson..... Real Estate Salesman	1492 Emerson, Palo Alto.....	9/28/56	Sec. 10177 (b), (f)

LICENSES SUSPENDED DURING AUGUST AND SEPTEMBER, 1956

Name	Address	Effective date and term	Violation
Roquet, La Verne Bryant..... dba Roquet Realty Real Estate Broker Business Opportunity Broker	127 W. Broadway, Anaheim....	8/10/56 90 days	Secs. 10176 (a), (g), (i); 10177 (f) & 10302 (c)
Johns, Wilhelm Harry..... Restricted Real Estate Broker	345 Franklin St., San Francisco	8/16/56 Indefinitely	Sec. 10156.7
Britt, Clarence..... Real Estate Broker Business Opportunity Broker	2144 El Cajon Blvd., San Diego.	8/17/56 10 days	Secs. 10177 (d), (f) & 10302 (c)
Bruce, Fred Charles..... Real Estate Broker	1460 W. Vernon Ave., Los Angeles	8/31/56 10 days	Secs. 10176 (c), (i) & 10177 (d), (f)
Haines, Helen Aurelia..... Real Estate Broker	3333 Mt. Diablo Blvd., Lafayette	9/ 4/56 30 days	Sec. 10176 (c) & Secs. 2830, 2831 & 2832 of R. E. Comm. Rules and Regulations
Walsh, John Joseph..... Real Estate Broker	Sixth Ave. bet. Lincoln and Dolores, Box 2715, Carmel	9/ 5/56 180 days (under conditions)	Secs. 10176 (i) & 10177 (f)

(Cont. on next page)

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

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

Editor's Note: This is the third and final article in a series based on a research project requested by D. D. Watson, State Real Estate Commissioner, and directed by Sherman J. Maisel and Albert H. Schaaf as staff members of the Real Estate Research Program of the University of California at Berkeley (project financed by legislative appropriation from Division of Real Estate Funds). The first two articles in the series presented a statistical picture of the real estate industry in California. This article discusses some of the basic issues involved in an evaluation of the industry's performance and an appraisal of its chances for greater future professionalization. The series has been presented in the *Bulletin* in the belief that all licensees, having in a sense provided the money for the research, should be informed of the results.

* * * * *

It may be roughly estimated from the survey upon which this series of articles is based that approximately \$7,000,000,000 in real property changed hands in California in 1953 under the guidance of a real estate broker or salesman. It is clearly of concern to the public, to those engaged in the business, and to officials responsible for licensing that brokers and salesmen should be qualified to perform satisfactorily transactions aggregating such a magnitude.

What are the necessary qualifications of real estate brokers and salesmen? Interviews with brokers during the course of the survey revealed fun-

damental differences of opinion. Some expressed the view that industry performance was in general satisfactory and that wide-spread professionalization was neither possible nor desirable. Others contended that current performance was far from adequate and recommended action designed to make the industry conform more closely to the standards of such professions as law, medicine, and accounting. The issues involved in this basic disagreement recurred time and again during interview discussions concerning the desirability of specific actions such as increasing the difficulty of the license examinations or eliminating part-time and inactive licensees.

The principal differences of opinion centered about the following points:

1. The importance of having a large number of firms in order to provide more complete and accessible market information.
2. The importance of easy entry conditions and competition in the proper functioning of the business.
3. The possible inconsistency between the commission form of payment for services and professional performance.
4. The degree to which the knowledge and training of real estate licensees can and should conform to professional standards.

The Importance of a Large Number of Firms

Some brokers take the position that the large number of small, intensely competitive firms which dominate the

real estate business today are well suited as a group to provide buyers and sellers with complete market information. In their opinion, the highly imperfect real estate market requires services of a brokerage type to bring buyers and sellers together and the more separate sources of information there are, the better such a market will perform. Thus they contend that it would be a mistake to restrict entry and attempt to reduce the industry to a small, select group of highly-trained professionals.

Other brokers argue that this view narrowly limits the scope of the broker's functions, making him merely a source of current market information. To them the ideal broker should be a true professional equipped with a high degree of specialized knowledge concerning the economic base of the area in which he works, future city growth trends, law, financing, and modern appraisal techniques. He would then be not just an intermediary connection between buyers and sellers but an impartial, objective expert in a position to render advice and counsel on all questions relative to real property and the general functioning of the real estate market.

The Importance of Competition

In the opinion of many brokers, a large number of firms and easy entry conditions insure the traditional benefits which accrue to the customers of highly competitive businesses striving to raise their incomes by increasing their clientele. Pointing out that the most important reason for higher incomes in the business is better service and its by-products such as good will and repeat and referral customers, they believe that competition can be relied upon to maintain adequate and responsible service.

Other brokers, however, have less confidence in the competitive market's automatic control of performance for several reasons. First, buyers and sellers in the real estate market are often quite ignorant of real estate processes and are apt to receive poor service from a broker without knowing it. Even if they become aware of such poor service, they may not make another real estate transaction for

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SUSPENSIONS—Continued

Name	Address	Effective date and term	Violation
Olson, Floyd Hjalmar..... Real Estate Salesman	10296 San Pablo Ave., El Cerrito	9/19/56 60 days	Sec. 10177.5
Manning, Joseph William Ellis..... dba Ernest N. Dever Realty Co. Real Estate Broker	3425 Geary Blvd., San Francisco.	9/27/56 30 days	Secs. 10176 (i) & 10177 (f)
Stacks, Harold Emmett..... Real Estate Salesman	3425 Geary Blvd., San Francisco.	9/27/56 90 days	Secs. 10176 (i) & 10177 (f)
Jones, E., and Sons Realty..... Paul Edwin Jones, Pres. Real Estate Broker	1593 E. 14th St., San Leandro ..	9/27/56 120 days	Secs. 10176 (a), (e), (i) & 10177 (d), (g)

Commissioner Tells About Final Exam

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it would appear that such will have only themselves to blame.

The Oral Examination

Another safety measure provided by the sponsors of the legislation gives some original licensees who fail the written "final" examination an opportunity to qualify by supplementary oral test. The oral examination is not given to those examinees whose work in the written test demonstrates very little knowledge of business practice and theory. However, the opportunity for oral examination is provided for a rather wide segment of those who fail the written test and gives a fair chance to those whom nervousness or lack of experience with examinations may have defeated in the written test.

Persons passing the "final" written examination are not given an oral examination. They are notified and entitled to apply for four-year renewable license. Otherwise the candidate is notified of failure but, if he has come within the tolerance being allowed, he is invited to make an appointment for oral examination. The examinee does this by writing or calling the oral examiner at our San Francisco or Los Angeles office. Oral examinations are given only in these two places. The examinee is then sent an appointment card to appear at a stated time and place.

To give all who fail the written test an opportunity to take the oral would be impractical and out of all reason. Therefore, as policies develop, the opportunity to take a supplementary oral examination may be limited to those who fail to pass the written examination by not more than a 10 point margin.

The oral examiners have been carefully selected and are well qualified and thoroughly experienced in the real estate business. They endeavor to determine whether the licensee actually knew the correct answers to problems and questions even though he failed to answer satisfactorily or explain correctly in the written test. I do not want anyone penalized if he

or she is qualified, but, because of nervousness, age, poor eyesight, etc., was unable to demonstrate this knowledge on paper. To avoid any possibility of favoritism and to keep them perfectly fair, oral examinations are taken down on a tape recorder.

Keeping a Salesman License—Caution

I have previously suggested that anyone applying for an original broker license keep his salesman license in a renewable status in event he does not qualify for a renewable broker license.

Perhaps a further word of caution should be given to original broker licensees. Unless they feel confident that they can pass the final examination either at the end of the first or second year, they should think twice about making a heavy investment in office facilities or entering into a long lease.

Mechanics of Examination

The preparation for this second or final examination has been by no means a small task. This new law requires that the Division of Real Estate, in addition to giving the entrance examination to about 1,800 persons each month, must eventually give final examinations to the majority of these same people who do qualify for the original one-year licenses.

First of all, the basis for the preparation and construction of the examinations had to be determined. Numerous conferences were held with representatives of the industry and with specialists from the University of California to determine the field of knowledge which should be covered and what type of examinations would be fairest and most practical for testing purposes.

It was generally agreed that this final examination should be devised to test above all else whether the candidate has the practical or "every-day work knowledge" a licensee should have. It was presumed the licensee would have gained some actual experience in the business during his first year. It was also assumed that he would be sufficiently interested to study on his own or go to school if

necessary. It was found that, to make it a practical examination and reasonably test a candidate's knowledge of transactions, it would necessarily have to be an all-day examination. It would involve the use of forms commonly used in the business, and problems which represented typical real estate transactions the licensee might be expected to encounter.

Instead of devising different examinations for brokers and salesmen, it seemed practical and fair to use the same examination with a lower passing grade for the salesmen. Also taken into consideration was the fact that the law permits the salesman to do practically anything a broker can do except it must be done in the broker's name.

We are making a continuing study of examinees' work on each individual question or problem. Those answered correctly by all or nearly all are being eliminated as serving no purpose. Those questions or problems failed by most are being analyzed to determine whether they are confusing or cover matters which are not proper for such an examination and, if so, they are also being eliminated.

Examination Rotation

Preparations had to be made not only for real estate examinations, but for business opportunity and mineral, oil and gas examinations as well. Thousands of letters were sent to representative real estate and business opportunity brokers throughout the State, asking them what, in their opinion, were proper subjects for examination coverage. While I have endeavored to write each one personally who furnished suggestions, I wish to again take this opportunity to express my thanks. It is such cooperation from those actually engaged in the business that should help us to do a better job.

Examinations will be rotated periodically. We are developing several examinations, all uniform in scope and will use a particular examination for only a short period. A library or "item bank" consisting of hundreds of questions and problems is being carefully compiled and screened through a committee to make sure the questions are presented in language that all can understand, and that they are questions a person should know the answers to if

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he or she is going to engage in the real estate business. The type of questions and problems being devised for final examinations may defeat the efforts of those attempting to memorize material or cram, but still do not know the fundamental principles involved.

Information to Be Made Available

Some complaint has been received that those faced with the final examination have been unable to obtain information as to what they should study or where information can be found. There is some justification in these complaints and I hope this message will be of some help to those preparing for the test.

In recent issues of the *Bulletin* I have endeavored to provide information as to the nature and scope of these examinations. I have been unable to go into specific details because the examinations themselves have been in a formative and development stage. We felt it might be necessary to revise the form of the tests and the material covered, and I did not want to be in a position of giving out information which might prove to be inaccurate.

The July *Bulletin* contained an outline which gave the over-all scope of the subjects which would be covered. This outline is still good; there is no cause for alarm at the wide range of subject matter. I realize this outline was very broad, and for that reason left much to be desired. That is one reason I have prepared this message to you prospective examinees, hoping it will be helpful pending publication of a supplement to our Reference Book discussed below.

New Supplement to Reference Book

Much of the present examination material for the final test is based upon subjects covered in the 1956 Reference Book published by the Division of Real Estate. Answers or solutions to some of the problems, however, require some practical experience, as well as supplementary study.

At the present time, we are preparing a supplement to the Reference Book which will go into greater detail regarding the scope of the final examination. We want you to know the reasoning behind this examination and

how and why the fields to be covered were determined. We hope to explain each section and why we use certain types of questions and problems.

We will make this supplement available to you just as quickly as we possibly can. In the meantime, I give you such information as I can within the obvious limitations of the *Bulletin*.

Failure Rate Nominal

Realizing that the average original licensee has not been able to obtain much detailed information regarding the scope of the examinations, we have at the outset taken that into consideration in grading papers and in approving applicants for oral examinations. A recent check indicates that the over-all failure rate, including results where the written test has been supplemented by an oral examination, is approximately 11.2 percent.

Many Do Not Appear

A failure rate of 11.2 percent may seem rather low in view of the rather detailed system set up to conduct these second examinations. However, there is another factor which must be taken into consideration. To date, about 29 percent of all original broker and salesman licensees who have been notified to apply for the second examination have failed to do so. We do not know for certain why, but probably many of those who took out the original license have decided they do not want to engage in the business at this time and therefore have decided to drop out. It may be inferred that those applying for examination for renewable license are fairly active in the business and interested in continuing, and have bolstered their chances of passing by actual experience and study.

However, if we add the 29 percent who do not show up to the 11 percent who fail, we come up with 40 percent who will not have a license under the new law, but would have had a renewable license had not the law been changed. Of course these figures may change as time goes on.

Purpose of the Program

I am sure it was not the intent of the industry sponsoring this legislation to eliminate any worthy candi-

date for license provided he or she has the necessary qualifications. It was not just a matter of raising the standards of the business, but making sure those coming into the business were qualified to maintain the standards already recognized as reasonable. This should assure a more competent service to the public, which can rely on an informed body of licensees devoted to their vocation.

License records show that in the Fiscal Year 1955-56, the division licensed approximately 110,000 persons to engage in the real estate business in this State. This represents almost 25 percent of all the real estate licensees in the entire United States.

Referring to the University of California's research project, the results of which have been published in this and the two preceding issues of the *Bulletin*, we find that only about 28 percent of all real estate licensees devote full time to real estate activity. Of the 110,000 real estate licensees then, only about 31,000 devoted full time to real estate, and another 18 percent, or about 20,000 were active part time. The survey showed 33 percent, or about 36,000 were not active in real estate at all, while another 21 percent, or approximately 23,000 had formally inactivated their licenses.

Construction of the Examination

Now let's get down to the additional examination for renewable license—the "final" examination itself. It has four sections, with Sections I, II and III being given in the morning and Section IV in the afternoon. Three hours are being allowed for completion of the first three sections and three and a half hours for Section IV.

Section I contains multiple choice items. These consist of a statement and four possible answers or completion phrases. Sometimes close points are involved and the examinee should read these items carefully before determining his choice of answers. Here is an example:

1. Fanny May (FNMA): (a) is an agency which stabilizes a mortgage market; (b) controls the policies of federal banks; (c) determines building standards for VA construction; (d) lends funds for urban renewal projects.

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More About Final Examination

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Now here is a multiple choice question to determine whether or not the candidate knows what Fanny May is. Fanny May is a subject of common discussion in the real estate business, and it seems that anyone in the business should know that this is the nickname for the Federal National Mortgage Association, organized to invest in FHA insured mortgages in order to keep the market sound for them. Originally this was strictly a Federal Government agency, but under recent legislation it is being gradually converted to a privately financed organization. It does not control the policies of federal banks, determine any building standards, or lend funds for urban renewal projects. Therefore "(a)" is the answer.

In this second examination the questions go beyond mere technical questions concerning mortgages, trust deeds, contracts, etc. Some questions are designed to determine whether the licensee has acquired a general knowledge of the business in connection with financing, building controls, the purpose of various agencies, etc.

Short Essay Questions

Section II of the examination presently contains a series of short essay questions requiring narrative written answers. These have not been used in the past extensively because of grading difficulties, but now we have qualified personnel to grade this type of question. Here is a typical example of this kind of question:

If you sell your home which is encumbered by a first deed of trust, and accept a second deed of trust and note from the buyer as part payment, what steps can you take to make sure that you will be informed if your buyer defaults on the first deed of trust and foreclosure is started?

Answer: The law provides that you can record a "request for notice of default" in connection with the first deed of trust, and you will be notified if the trustee under the first deed of trust records a notice of default. This gives you information upon which you can act to protect your position.

The law permits you to make the payments on the first trust deed and add the amounts paid to your note, which puts you into a position to start foreclosure.

As you can see, differing language might be used in answering this question, and still give substantially the right answer. This is why we use qualified and experienced graders. This question is based on general knowledge which a person in the business should have. At present, 15 such questions are being asked.

Practical Problems

Practical problems are found in Section III covering various phases of the real estate business. They may, for example, deal with appraising, financing, property management, escrows, etc.

The following sample problem is one which deals with elementary appraising. It is intended to test your knowledge of various appraisal terms, and particularly your knowledge of depreciation. Here it is:

A home cost \$12,000 to build 15 years ago. It had an estimated economic life of 50 years. What is its depreciated value today, using the straight line method of allowing for depreciation? If the building (exclusive of lot) has suffered an additional 10 percent loss due to functional obsolescence and economic obsolescence, what is its depreciated value today if the dollar is worth 50 percent of what it was 15 years ago?

This problem is intended to test your knowledge of several things. You must know what the economic life of a building means. You must know what depreciated value means, and also the meaning of straight line depreciation. You can still answer the problem even though you do not understand "functional obsolescence" (factors within the building itself which cause loss of value), and "economic obsolescence" (outside factors which depreciate value), but the question will probably arouse your interest. You may make it a point to look up these other terms. Furthermore, it brings up the point that a dollar today is not what it used to be and that investors, who have doubled their money over a period of years, may not have actually

doubled their wealth in purchasing power.

Anyway, here's the solution: Depreciation allowance would be 2 percent per year, or 30 percent over the 15 years. Add 10 percent for obsolescence, making 40 percent. This leaves 60 percent of the original cost, or \$7,200. Multiply this by 2 to compensate for the stated depreciated buying power of the dollar, and you arrive at a present day depreciated value of \$14,400, based on the present day purchasing value of the dollar.

A person who paid \$12,000 to build a home 15 years ago, and sold it today for \$14,400, might feel that he came out all right on his original investment, but what do you think? Also if you arrived at the "depreciated value" of the home in question, how would you arrive at a suggested "sales price." This could be the basis of another question which might well be asked by your client.

Use of Standard Forms

Section IV has to do with typical real estate transactions and the proper use of forms, such as are generally used in the real estate business. Space will not permit the actual printing of these forms here, but you will be given certain data and will be required to complete the forms as you would if you were actually negotiating a transaction.

In addition, you may be quizzed on the importance and effect of the various standard clauses used in these forms. The forms being used in current real estate examinations are the Authorization to Sell, Deposit Receipt, Exchange Agreement, Lease, and Contract of Sale.

You may be required to write buyer's or seller's instructions to the escrow or title company.

Conclusion

In conclusion, I want all to know that no license examinations will be constructed, given or graded with the aim of failing a certain percentage or with the thought of keeping anyone out of the business.

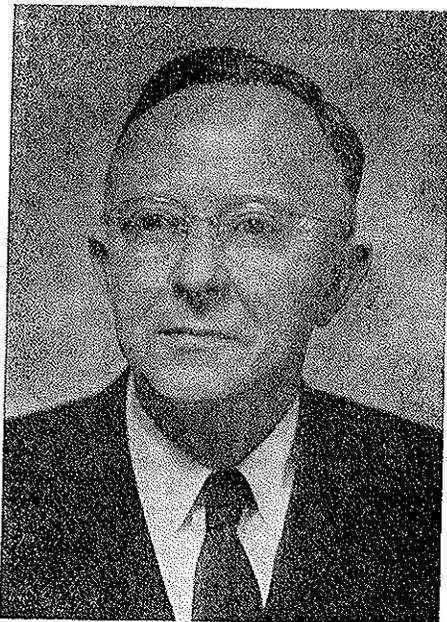
On the other hand, every effort will be made to develop our examinations to assure that candidates for license will have to demonstrate un-

(Cont. on next page, Col. 1)

Former Commissioner to Head State Association

J. Mortimer Clark of San Francisco was elected 1957 President of the California Real Estate Association by the Board of Directors at the 52d Annual Convention of the state organization held in San Francisco, September 30-October 4.

He will succeed John Cotton, San Diego, and will be formally inaugurated early in January in his home city.



J. MORTIMER CLARK
1957 President of the California Real Estate Association

Mr. Clark is president of the San Francisco Real Estate Board and was California's Real Estate Commissioner from 1934 to 1939.

Final Examinations

(Cont. from preceding page)

mistakably that they realize the responsibilities entailed in possessing such a license, and that they understand how to handle real estate transactions properly with due care for the interests of those they would represent.

I believe the new examination program is practical and fair, and most people I have talked to who have taken the final examination have agreed in this opinion. The better qualified are people who come into

Labor Commissioner Enforces Wage Payment Laws

Procedure in Broker and Salesman Disputes Over Commissions Explained

In answer to inquiries as to whether and to what extent real estate salesmen may obtain assistance from the State Labor Commissioner in the collection of unpaid commissions, State Labor Commissioner Edward P. Park has issued the following information:

The Labor Commissioner is responsible for enforcement of the wage payment laws of the State. He may accept assignments of wage claims and may bring suit if necessary when, in his judgment, a claim is valid and enforceable and the claimant does not have financial ability to employ counsel. **The definition of wages contained in the Labor Code covers commissions or any other type of remuneration for services performed personally by an employee.**

Employment Relationship

The chief problem which arises in connection with claims from real estate salesmen is the question of whether the salesman was an employee of the broker, or was an independent contractor, since the Labor Commissioner has jurisdiction only where there is an employment relationship. Whether or not an employment relationship existed will depend on the facts in each case, and generally speaking will be determined by the right of control and direction which the broker had over the salesman.

It is important to note that the significant fact is not how much control actually was or was not exercised, but how much control the broker had the right to exercise. This would include such things as the broker's right to set the salesman's office and working hours, to make assignments as to clients or as to properties to be shown, etc.

Handling of Claims

Unless it is apparent from the outset that he was operating as an independent contractor, the Labor Commissioner will accept a claim from a real estate salesman in the same manner as from any other wage earner.

real estate, the better it is for the industry and for the public with which it deals.

D. D. WATSON
Real Estate Commissioner

The broker will then be notified of the claim and directed to make payment if he concedes that the commissions are due or, if he disputes the claim, to submit a statement of facts. If the claim is disputed, the Labor Commissioner's office will hold a hearing to determine whether an employment relationship existed, whether the evidence indicates that the commissions claimed are due, and whether there has been any violation of wage payment laws.

If it is the conclusion that the Labor Commissioner has jurisdiction and that the claim is valid, he will take action to enforce its payment. If it appears doubtful that there was an employment relationship, or if there are other questions concerning the validity of the claim which cannot be resolved to the Labor Commissioner's satisfaction, the claim will be reassigned to the salesman for such independent action as he may wish to take through the civil courts.

Location of Offices

Further information relative to obtaining assistance in the matter of claims for unpaid commissions may be obtained from the State Labor Commissioner, Division of Labor Law Enforcement, Department of Industrial Relations, 965 Mission Street, San Francisco, or from the division's district offices which are located at Bakersfield, El Centro, Eureka, Fresno, Long Beach, Los Angeles, Oakland, Sacramento, San Bernardino, San Diego, San Jose, Santa Barbara, and Stockton.

(Editor's Note: The Real Estate Commissioner in the absence of unusual or special circumstances, cannot become involved in commission disputes and then only to the extent that licenses of one or both parties might be at issue. In other words, the Real Estate Division cannot enforce collection or payment of earned commissions. All division offices receive many calls on this point, and it is hoped this article will clear up misconceptions about jurisdiction in such disputes.)

Research Report on Brokers and Salesmen

(Cont. from Page 267, Col. 3)

many years and so would be unable to express their dissatisfaction by taking their business elsewhere.

Second, a general reputation for good will and satisfactory service is of primary importance to those licensees who are engaged in the business on a full-time basis. However, almost two-thirds of all holders of in-force real estate licenses in California regard real estate activity as a sideline, many of them being totally inactive. Since their licenses are in good standing, however, they are still in a position to participate in a deal. It may be argued that the chief interest of many such licensees is the immediate earning of a commission.

Finally, the relative ease with which the business may be entered means that many will procure a license, operate for a while without much success, and then drop out. Such licensees lower the general level of industry performance while they are active and entry conditions are such that at any time a substantial portion of the active industry will be composed of these short-period, rapid-turnover people.

Commission Selling and Professional Performance

Some brokers argue that financial success in the real estate business rests more upon selling ability than any other factor. It is true, of course, that knowledge is of great importance in the broker's efforts to inspire his customer's confidence and respect and present the property in a favorable light. But he is primarily a salesman and may even, in the course of doing a strong selling job, fail to reveal certain facts if not asked specifically about them.

Since his commission is paid only if the sale is completed, he cannot be regarded as an objective, disinterested market expert called in to provide factual information only—as a true professional would be.

Further difficulties may arise because the broker's primary allegiance is to the seller who employs him to act as his agent. A good example of this problem is the fact that brokers ordi-

narily stress the sales of their own listings, particularly exclusives, rather than either the exclusive of another broker or open listings. Not only do brokers retain the full commission when selling their own listings, but they also feel that they should service such listings more intensively since the owner has agreed to place the property solely in their hands. Such a result, however, inevitably means that some brokers may attempt to sell their own listing to a buyer when they know of another property which is better suited for him but which is held by a different office.

Many brokers also contend that buyers and sellers in the real estate market can utilize the services of others for impartial advice. Lawyers, mortgage lenders, construction engineers, architects, title company officers, insurance agents, fee appraisers, and the like are specialists in certain of the various fields involved in real estate deals. Since these groups are paid solely for providing information they are more apt to be disinterested and objective experts than the real estate salesman intent on earning his commission. Furthermore, real estate licensees themselves can rely upon these outside specialists for aid in technical matters.

To other brokers, however, the relegation of the real estate licensee to the position of a commission salesman acting primarily as agent for the owner would appear to be a waste of the talents and experience of many real estate men. They also point out that buyers and sellers rarely seek advice from outside groups, relying instead on the broker to handle the entire deal.

The Possibility of Professionalized Training

The possibility that real estate brokerage can conform to the educational and training standards of typical professions is at the heart of the arguments summarized above. Those who believe that current performance is inadequate do not in general deny the validity of the opposing views as they pertain to the *current* industry. Rather

they stress the view that real estate brokerage is potentially a profession and that if each licensee conformed to the requirements of a true professional, the industry would render far better service.

To be considered a profession, real estate brokerage would be expected to meet the following commonly accepted standards:

1. A profession combines intellectual operations with large individual responsibilities.

2. A profession must have a large body of formal, technical knowledge, the command of which is indispensable for responsible performance.

3. The knowledge must be capable of transmission through education. This generally means through formal education plus some type of apprenticeship or internship.

Does the real estate business meet these criteria? Certainly it meets the first. Real estate brokerage is an intellectual rather than a manual pursuit and consists entirely of individualized services. Many brokers, however, question the applicability of the others. There is a large and growing body of learning connected with the real estate market, but command of it is not now indispensable for successful performance. Furthermore, even the most advanced and specialized brokers have had little if any formal training. Rather they have acquired their knowledge after long experience and many brokers argue that a large part of real estate practice cannot be learned out of a book. They contrast this picture with such professions as medicine and law in which an intensive period of classroom education is indispensable.

On the other hand, many brokers point out that college courses, specialized seminars and industry-sponsored education offer far greater opportunities for formal learning of applied skills than existed some years ago and that if each new licensee had such training in the various aspects of the business the caliber of the industry's performance would be considerably higher. Furthermore, although they admit that such training is not now necessary for successful operations,

(Cont. on next page)

these brokers believe that it could become so if today's typical licensee was faced with increasing competition from more highly trained new entrants into the business. The fact that the more specialized and skilled brokers earn incomes far above the industry average supports this view.

Steps Toward Professionalization

No attempt is made here to resolve the various arguments discussed above. If it is concluded, however, that efforts to professionalize real estate brokerage are logical and desirable, several factors can be mentioned.

1. *The Importance of the Professional Association.* An important force in the professionalization process has been and will be the professional association. Over a period of years the efforts of local real estate boards affiliated with the National Association of Real Estate Boards and the California Real Estate Association have greatly increased the status and dignity of real estate brokers and the public's confidence in them. Also, the affiliated institutes of the national association, most of which are devoted to a single specialized aspect of the business, have made a substantial contribution toward raising the industry's standards.

It should be remembered, however, that only half of all active brokers are Realtors and that a voluntary trade association's standards are always limited because it does not want to lose members and with them its chance to influence industry performance. Thus undue reliance cannot be placed on the professional association although it can certainly make an important positive contribution to the professionalization goal.

2. *Increased Requirements for Licensing.* The legal requirements for a real estate license could be established so as to insure almost any initial level of knowledge and formal training that might be desired. Increased requirements would also have a direct effect on many specific problems such as the large number of part-time and inactive license holders, the complete absence of any formal real estate education in the case of most licensees, and the general ease of entry which is

responsible for what many believe to be an overcrowded, inefficient, and poorly qualified industry. If it were more difficult to obtain a license, only those who were serious about making real estate their principal and permanent occupation would attempt to secure one and the total number of licensees would almost certainly diminish.

A number of ways exist through which license requirements can be increased so as to restrict entry to more earnest and competent applicants and raise the education and training of new licensees to professional standards. The most direct is to make the license examination more difficult, an action which has recently been inaugurated by the California Division of Real Estate. Greater formal educational requirements are another possibility. Each licensee, for example, could be required to have a degree in business administration with a specialization in real estate from an accredited college or university. An alternative requirement might be the completion of the University of California Certificate Program in Real Estate.

A longer and more closely supervised period of apprenticeship training on the job could be combined with the higher educational requirements. Increases in license fees are a less direct method of restricting entry to more competent and earnest applicants. The recent steps to extend the license period to four years and increase fees in California will probably reduce the number of license renewals, particularly in those cases where the licensee is totally inactive.

3. *Encouraging the Development of Fee Counseling.* The members of a profession are typically regarded by the public as specifically-trained experts who render specialized services on a fee payment basis. Undoubtedly commission selling will remain for some time the dominant activity of real estate licensees but industry professionalization would be enhanced by a wider adoption of the general practice of fee counseling. If, for example, all brokers were as qualified as an experienced real estate appraiser is today, it might become standard pro-

cedure for buyers to engage a broker to advise and represent them when they begin to look for a property. Most would agree that such practice would often result in sounder purchases.

Increased counseling and less dependence on sales commissions is admittedly a long-run objective, but the recent formation of the Real Estate Counselors, a new professional group, is a possible step in this direction. Such a transition might also be aided by the establishment of an advanced license with the title of, for example, Certified Real Estate Counselor. It could be given on the basis of long experience and the passage of a strenuous examination and would enable the public to choose a highly-qualified broker for advice and guidance on all questions related to real property and the real estate market.

Conclusion

A number of arguments can be advanced in support of the suggestions discussed above and, in many instances, actions designed to increase the professional status of real estate brokerage in California have already been initiated. Yet, although a continuation in this direction may be inevitable, it is well to emphasize the need for fuller clarification of the functions of the industry and a more precise determination of the services which the public may realistically expect to receive from real estate brokers and salesmen.

Many brokers take the position that the primary job of real estate licensees is the provision of market information in order to bring buyers and sellers together. As commission salesmen, they can rely on outside specialists for technical aid. Thus their role is a modest one and their responsibilities are limited.

If this view is accepted, it means that efforts to restrict entry or eliminate part-time licensees are in many cases unnecessary and unwise since such actions reduce competition and lessen the sources of current market information. It also implies that licensees should not generally be relied upon for professional advice and that buyers and sellers should look to

Commissioner's Forum

The series of questions and answers which we ran in the last two issues seems to have aroused interest. We are receiving numerous letters from brokers and salesmen who urge continuance of the Forum on the basis that it is informative and helpful to them.

Many have sent in questions on license matters that they would like to have answered. We have selected a number which we think would be of general interest for discussion in the *Bulletin*. Others dealing with specific problems of the individual are answered by letter. Because of the diversified nature of the questions we receive, it is not possible to print them in any particular sequence.

As this Forum consumes considerable *Bulletin* space, it is important to know whether you feel it to be of sufficient value. Address the Editor, Real Estate Bulletin, 1021 O Street, Sacramento (14). If you have some license question that is bothering you and has not been answered, let us have it.

Q. What can be done to compel brokers to maintain and operate offices in a business zone?

A. Enforcement of zoning laws is a local problem. You might convince your city or county planning commission that real estate offices should be in a particular zone. The Commissioner cannot undertake to impose zoning requirements.

Q. Can a licensed real estate broker handle at least one fishing boat deal a year?

A. Yacht brokers are not licensed by the Real Estate Commissioner and he does not have jurisdiction in such transactions. You should contact the Yacht and Ship Brokers Commission for this information.

Q. Should the license of a real estate salesman leaving a broker's employ be surrendered to the salesman or should it be sent to Sacramento by the broker.

A. The salesman's license is in the custody of his employing broker. Therefore, the broker should mail it to the commissioner when the salesman leaves his employ.

Q. Will two full years' experience as an active real estate salesman qualify a person to apply for a real estate broker license even though he was unable to pass the final examination to qualify for permanent salesman license?

A. He probably could meet the salesman experience requirements by acting under two original salesman licenses for two full years, and having his broker certify to the experience. However, if he was unable to pass the final salesman examination, is it likely that he would pass the entrance broker examination? He may be entitled to try it.

Q. A group of men organized a corporation. One of the men holds an individual broker license. The law states all officer members to act for the corporation must hold broker status. Must the other officers of the corporation qualify by examination and secure broker status?

A. Yes, if they are to be active as brokers. The question is not complete, as you do not state whether this corporation is organized to engage in the real estate brokerage business, or merely to buy and sell its own properties. If it is organized to conduct a brokerage business, all officers transacting business on behalf of the corporation must hold real estate broker license status. If the corporation is organized to deal with its own property, that is another matter.

Q. I hold a real estate broker license, but not a business opportunity broker license. Can I legally have a business opportunity broker working out of my office?

A. Yes. However, he can divide commissions only with other business opportunity brokers, and therefore you could not participate in his commissions. He could rent office space from you and work independently.

Q. I have been licensed as a real estate salesman for six years. What happens to this salesman license if I secure an original broker license and then fail the final examination to qualify for renewable license?

A. Your salesman license would be automatically canceled when the original broker license is issued to you. You can keep it on an inactive basis by paying the regular fee at renewal time and again canceling it. It is a good idea to do this for a while to make sure that you will have it if you

fail to secure a renewable broker license.

Q. After an "original" broker qualifies for "renewal" broker license by passing the additional examination, is there any advantage to continuing an inactive salesman license?

A. No, there really isn't. If he has a renewable broker license he can always secure a salesman license without further examination.

Q. When a broker has a number of branch offices, are the salesmen's licenses supposed to be displayed at the main office or at the branch office where the salesman works most of the time?

A. All salesman licenses must be displayed at the main office. Only the branch office license of the broker is displayed at the branch office.

Q. Is there any time limit for maintaining an inactive broker or salesman license?

A. No. At the present time these may be kept inactive indefinitely. Some have maintained inactive licenses for many years.

Q. If a salesman wishes to have his license placed on the inactive list, who makes the request? The broker or the salesman?

A. The salesman does this. Both real estate and business opportunity licenses may be maintained on an inactive basis.

Q. One of my salesmen is taking a trip which will last for several months. He will be gone when the time arrives to renew his license. As his employing broker, can I send in his fee for renewal and a letter stating he will forward the signed renewal application immediately upon his return? Will this avoid paying the penalty fee?

A. The salesman, knowing he will be away at renewal time, could leave with his broker a signed statement similar to the following: "Renew my salesman license for the period July 1, 1957, to June 30, 1961, in the employ of broker Bill Smith." We could honor this if submitted by the broker with application signed by him, and the renewal fee.

Q. In view of the new system of issuing an original license so that a salesman will gain experience before taking the final examination, will the present two years' experience requirement to qualify for broker license be continued?

A. It will be continued unless the Legislature changes the law.

(Cont. on Next Page)

Q. My son is 18 years old and is enrolling in the university in the Business Administration School. He will take courses in real estate and insurance. Is he eligible to apply for a real estate salesman license and work for me selling real estate part time?

A. If he can qualify, he is not prohibited from securing a real estate salesman license, as he is 18 years of age. He must pass the entrance examination. There is no requirement that he devote any particular amount of time to the business. However, as you probably know, some brokers and groups of brokers will not employ part-time salesmen, contending that giving proper service and advice in real estate matters demands full time on the job.

Q. Beginning July 1, 1957, will a business opportunity broker be on a four-year basis the same as a real estate broker, with a fee of \$50?

A. Yes. The law pertaining to both is substantially the same. Business opportunity salesmen will pay a fee of \$30, the same as real estate salesmen. As previously explained, however, some will not pay the full four-year fee next July 1, as to start with the licenses will be issued for various lengths of time.

Q. When a salesman applies for broker license, is it possible to combine salesman experience with credit for college courses in order to meet the qualification requirements?

A. Yes. The Committee of the Real Estate Commission which considers the claim will give weight to both activities. As a matter of fact, if the applicant has some other equivalent experience gained through employment, weight will be given to that also.

Q. If a salesman works part time for a broker and hopes to gain two full years' experience in order to apply for a broker license, should he keep a "log" of the actual hours he works?

A. This is not a bad idea. However, the commissioner expects an accurate certified statement by the employing broker as to what time the salesman actually spends in working at the business. The broker's certification is the important thing.

Q. Why must a salesman pay a four-year license fee when only two years' experience is required to qualify for broker license?

A. It is not contemplated that a salesman works only to put in enough time to qualify for a broker license. A large number continue as salesman employees indefinitely, preferring this to running their own offices. Often they are much better off. It is true that if a salesman who has paid a four-year fee secures a broker license during this period, he loses part of the fee paid. Any overage is not refundable.

Q. After a salesman has applied for and received his real estate broker license, what does he have to do to qualify for a business opportunity broker license if he has not had experience as a business opportunity salesman?

A. The law provides that any licensed real estate broker qualifies from an experience standpoint for a business opportunity broker license. The applicant, however, must pass the business opportunity broker examination. He would have to go through the process of getting an original business opportunity broker license and qualifying for a renewable business opportunity broker license at the end of the first year.

Q. Must a broker use his full name exactly as it appears on his license in all forms of advertising in connection with his business, or may he use just initials, nickname, or his last name followed by the word "Realty"?

A. License applications require the full name. Some applicants have as many as four or five. Naturally the commissioner does not expect the broker to use a complete name of this type that is not ordinarily used by the person. The name "Percival Augustus Brown" might be condensed to P. A. Brown or whatever is customary use by the person. Use of the wording "Brown Realty" is a fictitious name as it does not sufficiently reveal the identity of the licensee. A "dba" on the license should be secured in this event. If William Brown used the name Bill Brown in his advertising, there would be no objection. If he used a nickname foreign to his regular given name, then a "dba" should be secured.

Q. Please discuss the "four parcels in one year rule" in the commissioner's rules and regulations affecting subdivisions.

A. The commissioner has no "four parcel rule" and you are apparently

confusing the subdivision laws administered by the commissioner with those administered under the Map Act and local ordinances by counties and cities. Sections 11000-11020 of the Business and Professions Code administered by the commissioner make no reference to the sale of "four parcels within any one year." The sale or offering for sale or lease of five or more parcels from any plot of ground in any length of time requires a filing with the commissioner. It is possible that if you do not sell more than four parcels from a plot of land within any one year, you may not have to file a map, but you should check with your city or county planning commission on this as the commissioner does not enter into it.

Q. Please explain the "20-acre provision" in the law applying to subdivisions.

A. You no doubt refer to the exemption recently granted by the Legislature to those who sell parcels of 20 acres or more for commercial agricultural purposes. If the land is in truth and in fact commercial agricultural land and your parcels are 20 acres or more, you are exempt from filing with the commissioner. The problem is that some landowners wish to take advantage of this exemption in the sale of 20 acre parcels which are borderline as far as being suitable for commercial agriculture. The commissioner cannot undertake to make this determination, and it is up to the landowner to make the decision. However, if he decides wrong, he may be in violation of the law. So to play safe, it is best for him to file at least a Notice of Intention with the commissioner. However you should check with your local Planning Commission, as there is no such exemption in the Map Act.

Q. Are the final examinations for renewable license now being held regularly?

A. Yes. They are being scheduled at the Sacramento, San Francisco, Fresno, Los Angeles, and San Diego offices. As of October 18, 3,118 such examinations had been given. Supplementary oral examinations, when necessary, are by individual appointment and are given only in San Francisco and Los Angeles.

Licenses Lost Through Using "Down Payments" Raised on Purchases

Several individuals have lost their real estate licenses or had them suspended because of engaging in practices similar to the following examples.

Mrs. Mary Jones owns her home free and clear of all encumbrances and she lists it for sale with a broker for \$10,000 cash to her. The real estate broker calls on her, tells her he has a buyer who will pay \$6,000 cash and asks if she will take back a second of \$4,000. He urges the advantage of carrying the \$4,000 because it will give her a monthly income. After the transaction is closed, she finds out that the \$6,000 cash the buyer was supposed to put up was raised by placing a first deed of trust on her own property, and that the purchaser actually put no money of his own into the transaction. She would not have entered into such an agreement had it been explained to her, because she could have raised that sum in cash herself.

Another illustration is the case where the property is encumbered with a \$6,000 first deed of trust. The property is sold for \$15,000 and the purchaser raises a down payment of \$2,000 by refinancing the first to \$8,000 and the seller takes back a \$7,000 second. Again this method of raising the money is not explained to the seller.

A licensee hazards his license if he does not make the details of such a transaction crystal clear to the seller

Licensee Survey

(Cont. from Page 273, Col. 3)

other professions for guidance in technical matters. Finally, it suggests that current licensing procedures, the recruiting and training of new licensees, and the level of industry performance are generally adequate.

On the other hand, if it is felt that this narrow concept of the industry is wrong, that the failure to use the real estate man's knowledge along broader lines is wasteful, then aggressive actions are justified. Entry should be made much more difficult through harder license examinations and higher educational requirements. Part-time and inactive license-holders should be eliminated. Plans for further certification and for better recruitment and training of new licensees should be considered. The gap between a more professionalized industry and the current level of performance as described in the first two articles in this series leaves tremendous room for progress.

whom he represents. In the first example above, it is not enough to simply show in the escrow instructions or in the deposit agreement that there is to be a first deed of trust of \$6,000 and a second of \$4,000 because, without further explanation, the seller is not likely to understand the true significance of the transaction.

It is not a question of whether the transaction is a good one for all parties concerned. **The point which all licensees should understand is that, during the time a licensee is acting as an agent, he must disclose all information to his principal.**

"Misleading Advertising"

"Owner Must Sell"—"Owner Leaving Town"—"Service Family Transferred." Hundreds of ads with heads like these give no address or name, only a telephone number, inferring the ad has been placed by owners. When an interested party phones relative to the ad, he assumes he is talking to the owner.

Later the prospect finds out that he wasn't talking to the owner but to a real estate licensee and naturally, in many instances, he feels he has been deceived and misled. If deception can be proved, the licensee subjects his license to disciplinary action. In many cases, brokers and salesmen will give home telephone numbers and not business numbers, because the ads are run to reach weekend readers of the paper.

Advertising of the type described above, if not watched, could easily be considered as "flypaper"—enticing prospects—and may ultimately lead to widespread complaints from the industry itself. Under no circumstances does the commissioner attempt to tell you how to run your business, but he does point out that, where the law is being violated, it is mandatory that he shall do something about it.

The questions of whether such advertising is "good advertising" or is lowering the "standards of the business" or is "undignified" are an industry matter, but all licensees should be careful that any methods used are well within the law.

Many examples of possibly misleading advertising are being submitted to the commissioner by the industry.