

# REAL ESTATE BULLETIN

CALIFORNIA DIVISION OF REAL ESTATE

NUMBER XXIV

SACRAMENTO, CALIFORNIA

DECEMBER, 1948

## D. D. WATSON NEW COMMISSIONER

### Governor Warren Announces Appointment Dec. 1, 1948

#### *Division Head Widely Experienced*

Governor Warren announced the appointment of Mr. D. D. Watson of Oakland to the post of California Real Estate Commissioner, effective December 1, 1948, succeeding Mr. Hubert B. Scudder who resigned March 1, 1948. In the interim, Mr. R. S. Davis, Assistant Commissioner, has been the chief administrative officer.

In addition to his duties as Real Estate Commissioner, Mr. Watson will serve as a member of the Governor's Council as well as a member of the State Public Works Board along with Mr. James S. Dean, Director, Department of Finance and Mr. C. H. Purcell, Director of the Department of Public Works.

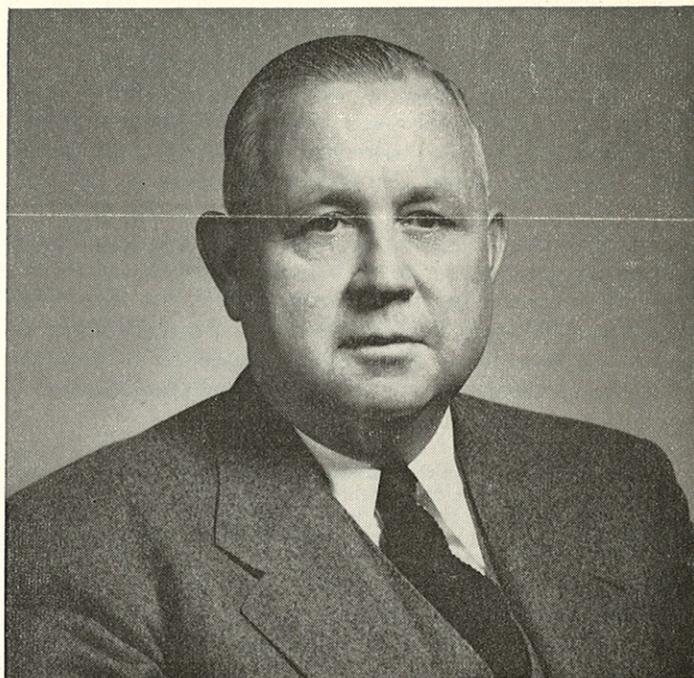
The new head of the Division of Real Estate has had extensive experience connected with real estate, having been actively engaged in the business over a period of 25 years. He also has extensive knowledge of the Real Estate Law and the policies and administrative problems of the division as he served seven years as a member of the State Real Estate Board, the division's advisory board of which he, as commissioner, is now chairman.

At the time of his appointment, Mr. Watson was head of his own firm in Oakland, where he had been located for the past year. During the preceding ten years he had his office in Stockton where he was also president and general manager as well as chairman of the board of directors and one of the three major stockholders of a large manufacturing company. During the war he headed this company with three large plants in Stockton employing at times more than 1,000 persons. During this period, he spent much of his time in the East. Since reopening his offices in Oakland a little over a year ago, he has continued as a director and one of the principal stockholders of the company in addition to handling his real estate activities.

The new Real Estate Commissioner entered the real estate business in Brentwood in Eastern Contra Costa County in the early twenties, founding his own firm. He was one of the pioneer developers of irrigated fruit and vegetable lands in this area and owned and operated several hundred acres of orchard properties. In addition to carrying on a general real estate business, he won national recognition for his activities in engineering, developing and managing agricultural and industrial properties.

Commissioner Watson has participated in the activities of organized real estate during almost the entire time he has

*(Continued on page 3)*



D. D. WATSON—REAL ESTATE COMMISSIONER

#### COMMISSIONER'S MESSAGE TO ALL LICENSEES

*Naturally, I am pleased that Governor Warren and his advisors have indicated their confidence in me by asking me to serve as Real Estate Commissioner to fill the unexpired term of Hubert B. Scudder who was elected to Congress last November.*

*For many years I have given of my time in connection with local, state and national real estate and property owner activities. I thought I had served my time and done my part. However, if in accepting this appointment, I can contribute toward the growth and development of California, then I will feel that any personal sacrifices I might make during the next couple of years will be worthwhile.*

*I am not a politician nor do I have any ambitions along that line. My main activities for the past 25 years have been connected with industrial and agricultural developments involving considerable administrative responsibilities, and I have always been happy in that particular type of work.*

*Being new on the job it would be folly for me to make any specific statements as to policy at this time. However, you may be assured my guiding general policies shall be based on "ordinary common sense" and all licensees, whether they have a large or "one man" office, shall receive equal and fair treatment. The interests of both the licensees and the public will be protected to the fullest extent of my ability. In this effort I shall need and will welcome the cooperation of all of you.*

# LEGISLATIVE PROPOSALS OFFERED BY INTERESTED GROUPS

Proposals from various sources for amendment of the California Real Estate Law were carefully considered by members of the State Real Estate Board and the legislative committee and Board of Directors of the California Real Estate Association. After intensive screening, several proposals were approved by those groups and will probably be offered for the consideration of the next State Legislature. On the theory that all licensees should be informed of projected changes in the law under which they operate, the California Real Estate Association publicized the proposed changes with background commentary. Regrettably, lack of space does not permit reprinting that bulletin in full, but we present below a resume of proposals and comments.

1. An addition to the law which would require an applicant for an original real estate broker's license to have had experience as a licensed salesman prior to the application. This amendment would also apply to business opportunity licensing. An exception could be allowed in the case of a person with two years general real estate experience whose written petition setting forth his qualifications and experience was approved by a committee of not less than three members of the State Real Estate Board. An exception could also be made in favor of a person completing a four year college or university course which included specialization in real estate.

*“Comment:”*

“No one would claim that passing the present real estate examinations, or any examination that might be devised, fully qualifies a person for professional status. In many professions the applicant for license must have experience in addition to extensive educational qualifications before he is allowed to take an examination for license. The experience or apprenticeship requirement is a step along the road to more complete acceptance of real estate as a profession.

“This amendment has some opponents who feel that the requirement is not essential or that it might be unfair. However, we would call your attention to the exemptions allowed those having sufficient alternative experience. Then, too, the decision as to waiving the requirement of \* \* \* years experience as a licensed salesman would rest largely with the Advisory Board.

“At least 11 states now require from six months to two years experience as salesman before application for broker license is entertained.”

2. An amendment to Section 10150.5 of the Business and Professions Code which would require that an applicant for an original real estate broker license must be a citizen of the United States. Non-citizens now holding broker licenses would not be affected by this amendment.

*“Comment:”*

“This amendment is proposed since it seems inappropriate that persons who do not take the trouble to become qualified as citizens of the United States should enjoy the *fiduciary status* of broker. This would not change the present provision permitting aliens to be licensed as *salesmen*.

“There is also the practical problem of determining the status of applicants who have not established their citizenship. A person may make application for first citizenship papers, and under the present law be entitled to a license, even though he may be incapable of ever receiving his final papers. There are also cases where a person applies for first citizenship papers and then does not proceed with due diligence to become a citizen. Hearing procedure is then necessary and required for compliance with the present law in revoking such licenses.

“At least 13 states demand that their real estate broker licensees must be citizens.

“Against such an amendment is the tradition of this country that no person be barred from exercising his skills to earn a living if he is technically qualified. However, fiduciary responsibilities such as apply in the case of a real estate broker, often call for citizenship status.”

3. This proposal calls for amendment of Section 10176 (f) to read that an exclusive listing must contain a “definite,

specified date of final and complete termination set forth by day, month and year, except that the reference to the date may be followed immediately by either or both of the following provisions:

(1) A provision for earlier cancellation.

(2) A provision that the licensee shall be entitled to receive the agreed compensation or commission if, within an additional specified period, the object of the agreement is consummated with a person designated by name as a bona fide prospective purchaser in a written notice sent by registered mail by the licensee to the principal within \* \* \* after the termination date, as set forth in the contract.”

*“Comment:”*

“The proposed amendment is designed to eliminate certain abuses and sources of a great deal of ill-will toward licensees. There are many cases where two brokers secure listings on a given piece of property, one of which immediately follows the other. In a number of these cases clients have been subjected to claims for duplicate commissions or to claims being filed against the escrows. This happens when the property is sold by the second broker to someone originally interested by the first broker. In the interest of sound public relations, it seems advisable that the principal, upon the termination of a given contract, be in a position which allows him, without jeopardizing himself in any way, to sign a new contract.

“However, a broker is entitled to a provision for claiming commission in case the property is sold within a limited time after termination of his listing contract to someone whom he has interested during the effective term of his listing. This is provided for in the amendment. The principal would have no basis for objection or run small danger of two claims of commission upon a single sale if he is put on notice of parties interested by the broker within \* \* \* after the termination of a contract.

“In the interest of clarity and following a rather well established custom in preparing contracts, this amendment provides for the final termination date by date, month and year, thus avoiding any uncertainty or inaccuracy in calculation of a termination date due to the variation in the number of days in a calendar month.

“This amendment should result in a greater degree of standardization in listing contracts, and so obviate much confusion and misunderstanding.

“It is realized that many licensees do not allow any complications of this nature to arise in their listing contracts. However, when such conflicts do arise, they have a very detrimental effect upon the reputation of real estate as a whole. It is, therefore, considered worthwhile to present such an amendment.

“This would mean quite a major change in current forms of listing agreements and possible effects should be studied fully to avoid any dissatisfaction. But the resulting advantages from a public relations standpoint should outweigh any possible dissatisfaction.”

4. A proposal to add to the subdivided lands section of the code a provision which would extend the time when an action or proceeding involving a violation of that section could be commenced. It would allow action on violation to be started any time up to a year after the recording of any instruments affecting the title of any portion of the property so subdivided.

5. This would be an addition to the law providing for revocation or suspension of a license held by a person adjudged insane or incompetent after due procedure under the laws of this State. A parallel amendment is proposed to apply to business opportunity licenses.

6. A proposal to change Section 10177 to read, “The Commissioner may suspend or revoke the license of any real estate licensee, who, within three years immediately preceding, has done any of the following:

“(b) Been convicted of a felony, or a crime involving moral turpitude.”

(Continued on page 4)

## D. D. WATSON APPOINTED

(Continued from page 1)

been in the real estate business. He joined the Contra Costa County Real Estate Board in the early twenties, soon after he took out his license, and he later served as president of the board. At the time of his appointment as Commissioner, he was a member of the Oakland Real Estate Board, the Stockton Realty Board, and the State and National Associations. When he was general sales manager of California Lands, Inc., from 1931 to 1933, he was affiliated with the San Francisco Real Estate Board.

Mr. Watson was president of the California Real Estate Association in 1931. He has been a member of the State Association's Board of Directors for some twenty years; and at one time he served as chairman for the State Farm Lands Division. He is well-known also in national real estate circles as he has taken an active part in the National Association of Real Estate Boards. At its annual convention in New York City last November, he was elected vice president of one of its professional affiliates, the Society of Industrial Realtors. He served as a National Director from 1932 to 1937. In the latter year he was also Vice President of the Southwest Region; and in 1933 he was President of the National Farm Lands Division.

Born in San Francisco 53 years ago, he attended grammar school in Yolo County, and high school in Berkeley, and in Colusa County. He was preparing to study for the law at the University of California when World War I changed his plans and he enlisted and served 22 months in the Army Air Forces, 18 months overseas. Married in 1919, he and Mrs. Watson have two sons and one daughter, all married.

Although his business life has been spent in Alameda, Contra Costa, San Francisco and San Joaquin Counties, he is well known throughout the entire state and nation. His various activities have given him a wide acquaintance particularly in real estate circles.

## SALESMEN LICENSES

When a salesman's license is to be canceled, the request must be signed personally by the broker or by a designated representative. The cancellation request *accompanied by the salesman's license and pocketcard* should be sent in without delay.

A great many salesman licenses are forwarded without notation of any kind; or attached to letters that are unsigned, or with typewritten signatures, or perhaps the signature of some unauthorized employee in the broker's office. To protect the salesman's rights in these cases, we must ask for proper verification of the cancellation resulting in time-consuming correspondence between the broker and this office.

Some brokers fail to realize the extent of their responsibility for the actions of the salesmen licensed under them. Several cases of salesmen attempting to transfer their employment without proper authority have come to our attention recently. Such a project can have serious consequences for not only the salesman but for his employer-broker and for the broker for whom he intends to work.

A salesman's license is in the employing broker's care until it is canceled or the salesman transfers his employment to another broker. In the event of a contemplated change of employment, a salesman must use the transfer application

## CHECK YOUR OFFICE

The Division of Real Estate has been making field surveys calling upon licensees at their offices. The commissioner's deputies check particularly for certain violations of the Real Estate Law.

WHY NOT CHECK YOURSELF NOW? Listed below are the points especially emphasized in the survey:

- YES  NO Section 10160—Are the real estate licenses of both broker and salesman prominently displayed in your office?
- YES  NO Section 10164—How about signs? The broker shall erect and maintain a sign, indicating that he is a "licensed real estate broker." The sign shall be readily apparent to anyone entering the premises.
- YES  NO Section 10141—In all your sales or exchanges, are the seller and purchaser notified in writing of the selling price or given details of the exchange within one month of the closing of the transaction by yourself or the escrow holder?
- YES  NO Section 10143—Do you always furnish a true copy of the listing agreement to the principal? Do the forms which you use lend themselves to the practice?
- YES  NO Section 10176 (e)—Are your clients' funds or other property handled in such fashion as to eliminate any possibility of commingling with your own?
- YES  NO Section 10176 (f)—Do you see that extreme care is exercised by yourself and your salesman to insert a definite specified date of final and complete termination in your exclusive listing contracts? Do the forms which you use make this practice almost imperative?
- YES  NO Section 10176 (h)—Do you ever use listings which allow you the option to purchase? If you do, and exercise the option, are you careful to reveal to the principal at the proper time the amount of profit you will make? In these cases do you have on file your employing principal's written approval of the transaction on that basis?

We hope that you have been able to award yourself a 100 percent affirmative score.

## DAVIS HONORED

For his satisfactory services as Acting Real Estate Commissioner during the period when no regularly appointed commissioner held office, the State Real Estate Board has passed a resolution commending R. S. Davis, Assistant Commissioner, for his efforts. Mr. Davis was authorized by Governor Earl Warren to carry on the duties of the office, following the resignation of Commissioner Scudder. He was administrative head of the division for a period of nine months, until Commissioner D. D. Watson was appointed effective December 1, 1948. The board was unanimous in agreeing that Mr. Davis carried out the duties of his post in a highly efficient and satisfactory manner. Mr. Davis announced his sincere appreciation of this unusual recognition.

provided by the division. It has spaces for the signature of the salesman, the certification of the last employing broker and the signature of the new employing broker verifying the new employment.

The use of these transfer applications will greatly expedite a change of employment by the salesman. Applications can be picked up at any branch office or provided by mail upon request.

\* \* \* \* \*

Occasionally we receive applications for license or transfer on obsolete forms. If you have any of these antiquated specimens around your office, please see that they are destroyed and we will be glad to furnish current forms upon request.

## LEGISLATIVE PROPOSALS

(Continued from page 2)

*“Comment:*

“A somewhat complex legal situation makes this amendment desirable. A person may be convicted on *felony* charges of a nature seriously reflecting upon his worthiness to retain a license. The judge may find him guilty but only give him a misdemeanor sentence. The law provides that the offense then is classed as a misdemeanor. Consequently, although the person is *convicted* of a felony, there is no basis for a disciplinary proceeding under the present statute.

“There are also certain crimes involving moral turpitude which reflect seriously upon the honesty or integrity of the individual but which result in only a misdemeanor conviction. It seems advisable to allow a proceeding against the license of anyone who, from his acts and resultant public notoriety, would seem unfit to continue in the responsible fiduciary relationship required in real estate.”

7. This proposal would clarify Sections 10158 and 10211 of the Business and Professions Code. It would allow any one officer of a corporation instead of the president only, to act in behalf of the corporation as a broker without payment of a fee beyond that charged the corporation. Also, the amendment would clearly authorize the continuance of the present charges for each active officer of a newly formed corporation. This charge is \$5.00 each where the officers are already brokers, otherwise the charge is \$20.00 each.

8. This proposal would allow the holder of a real estate license to relinquish his license to assume public office, and have it reinstated upon the termination of his service in office upon application and the payment of the appropriate renewal fee. Similar provisions would be made for holders of other types of licenses issued by the Division of Real Estate.

“When a licensee takes governmental office, it is often advisable or it may be required that he relinquish his license. It seems only fair and reasonable that when his governmental service ends, he should be restored his license without the penalty of payment of an original fee and the passing of an examination. Also the provision might have a tendency to encourage the relinquishment of licenses by government officials during terms in office.”

In addition to the above proposed amendments and changes, the Legislature will be asked to correct a few obvious typographical errors in the Real Estate Law.

From July 1 through November 30, 1948, 68,176 real estate licenses of all classes were issued—an increase occurring in the face of a much higher percentage of examination failures. In the past five months 49 percent of those taking the real estate broker's examination and 27 percent taking the regular salesman's examination failed to pass.

## DECLINE FORECAST IN NEW HOME BUILDING FOR 1949

The Federal Commerce and Labor Departments have predicted that new homes started in 1949 will drop off in number for the first time since 1944. They expect 875,000 housing starts in 1949 as compared with their estimate of 925,000 in 1948, while dollar volume of new home expenditures will drop from 7 billions to 6½ billions.

On the other hand they believe that in 1949 a new high in dollar volume of over-all building activity will be reached—almost 19 billion dollars. This will not mean a record in physical volume, according to their estimates, because they expect costs to be up some 5 percent over 1948. The chief gain registered in dollar volume is expected to be public expenditures by federal, state and local governments. None of these estimates takes into account any possible change in financing or any construction which might result from a changed housing program.

### REAL ESTATE BULLETIN

NUMBER XXIV SACRAMENTO, CALIF. DECEMBER, 1948

*Published Quarterly by the Division of*

#### REAL ESTATE

STATE OF CALIFORNIA

EARL WARREN, GOVERNOR

D. D. WATSON

*Real Estate Commissioner*

R. S. DAVIS

*Asst. Commissioner*

#### STATE REAL ESTATE BOARD

Leland P. Reeder

Beverly Hills

Maurice G. Read

Berkeley

Frank Whitelock

San Bernardino

Charles B. Shattuck

Los Angeles

Chester Mac Phee

San Francisco

Curtis M. Robbins

Stockton

#### OFFICES

Sacramento, Principal Office-----1020 N Street  
Fresno-----1842 McKinley Avenue  
Long Beach-----537 American Avenue  
Los Angeles-----Room 1101, Ninth and Hill Bldg.  
Ray D. Westcott, Supervising Deputy  
Oakland-----505 California Building  
San Diego-----517 Bank of America Building  
San Francisco-----Room 302, 417 Montgomery Street  
Gaylord K. Nye, Supervising Deputy

SACRAMENTO, CALIF.

Permit No. 157

**PAID**

U. S. POSTAGE  
Sec. 562, P. L. & R.