



Real Estate Bulletin

Official Publication of the California Division of Real Estate

EDMUND G. BROWN, *Governor*

December 1965

MILTON G. GORDON, *Commissioner*

UNIFORM COMMERCIAL CODE IMPORTANT IN BUSINESS OPPORTUNITY TRANSACTIONS

Most real estate licensees are probably aware of the fact that on and after January 2, 1966, they can negotiate the purchase and sale of business opportunities and collect compensation for their efforts in this connection. But perhaps many licensees need to be reminded that a business opportunity transaction can be extremely complex.

The Real Estate Commissioner believes that many real estate broker and salesman licensees would welcome "refresher" information on laws and practice pertaining to business opportunity transactions—especially when the controlling law has been changed recently. Therefore, he has directed that articles containing information bearing on the business opportunity field appear from time to time in the *Bulletin*. This is the first of these articles.

Uniform Commercial Code (UCC)

Important to real estate licensees negotiating the sale of business opportunities is the Uniform Commercial Code, enacted in 1963 and operative January 1, 1965.

Division 9 of the UCC (entitled "Secured Transactions, Sale of Accounts, Contract Rights and Chattel Paper") establishes a unified and comprehensive scheme for regulation of security transactions in *personal property*, superseding the existing statutes on chattel mortgages, conditional sales, trust receipts, assignment of accounts receivable and others in this field.

It covers a transaction in any form which is intended to create such a security interest in goods, documents, installments, chattel paper, accounts or contract rights.

There are a number of transactions excepted from this coverage, and the code leaves intact public policy regulations protecting debtors and buyers.

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Season's Greetings

My entire staff joins with me in extending to all licensees of the Division of Real Estate our best wishes for a happy and prosperous 1966.

Milton G. Gordon
Real Estate Commissioner

License Laws Should Be Strengthened, Says NAREB

Maurice G. Read, president of the National Association of Real Estate Boards and former member of the California State Real Estate Commission, said a survey of members of his organization revealed an overwhelming percentage are in favor of tightening real estate license laws throughout the United States.

While all 50 states have real estate license laws, the statutes are not uniform, Mr. Read said, and examination and education requirements should be strengthened.

To quote from Mr. Read's statement:

"More thoroughgoing examinations for license applicants, and more extensive educational requirements are the most frequently proposed specifics for tightening license laws in a NAREB opinion poll."

Policy on Broker License Examinations Discussed

Confusion still exists about the provisions of Section 10153.3 of the Real Estate Law dealing with the "additional" broker license examination requirements.

Under the law the candidate for broker license must take what amounts to a 1½-day test. The applicant takes a basic examination, which is never waived, on the first day. The time allowed to complete it is 6½ hours—3¼ hours in the morning, the same time in the afternoon. The supplemental examinations on "legal aspects of real estate" and "real estate practice" are given the following day, with a maximum of 1½ hours for completion of each test.

Applicants will appear for the supplemental tests on the day following the basic examination. Failure to do so constitutes a failure in the tests.

There is this exception, however. The applicant for broker license is excused from taking the "legal aspects" test if he can show evidence of satisfactory completion at an accredited institution of higher learning of a three-unit course in "legal aspects of real estate." Likewise, he is excused from the "practice" test if he has completed, under the same conditions, a course in "real estate practice".

Should the candidate for license pass the basic examination and fail one or both of the additional tests, he has these choices: He may apply for re-examination in the test or tests he has failed, or complete satisfactorily courses in the failed subjects ("real estate practice" and/or "legal aspects").

THIS IS IMPORTANT. The candidate must either pass the test or tests on reexamination or complete

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REAL ESTATE BULLETIN

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DIVISION OF REAL ESTATE

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EDMUND G. BROWN, Governor

MILTON G. GORDON
Real Estate Commissioner

JOHN E. HEMPEL
Chief Assistant Commissioner

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DESIST AND REFRAIN ORDERS

Issued for the Period Between October 1
and November 30, 1965

Number of orders	Violations
	IN-STATE
8	Sale of real property securities without permit . . . and/or failure to comply with all applicable statutes and regulations.
2	Failure to provide for subdivision public report, promised recreation facilities, proper permit or otherwise meet requirements of subdivision law.
	OUT-OF-STATE
5	Failure to comply with California subdivision requirements.

Disciplinary Action—August—September 1965

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

Licenses Revoked During August—September 1965

Name	Address	Effective date	Violation
Lockwood, Frank Everett	1304 East Ave. Ste. 29, Redding ..	8/ 3/65	Secs. 10176 (e); 10177 (f) and (e)
Secretary-Treasurer of Associated Homefinders, Inc. Secretary-Treasurer of Lockwood 2137 Fremont, Monterey Hampton Co. Real Estate Broker	Washington at Pearl, Monterey (Granted right to restricted license on conditions)		
Jenkins, Robert Gale	P.O. Box 478, El Dorado	8/ 3/65	Sec. 10177 (k)
Restricted Real Estate Salesman			
Peterson, Brian James	100 20th Ave., San Francisco	8/ 3/65	Sec. 10177 (a), (b) and (f)
Real Estate Salesman			
Ceballos, Arthur	1895 San Vicente Dr., Concord	8/ 4/65	Sec. 10177 (b), (f) and (i)
Real Estate Broker (Granted right to restricted license on conditions)			
Clemons, Clarence Reed, Jr.	6404 Wilshire Blvd., Ste. 1201, Los Angeles	8/ 9/65	Secs. 10176 (a), (b), (i); 10177 (d), (f) and (j)
Real Estate Broker (Stayed for 3 years on terms and conditions, one condition, 45 day suspension)			
Hemmons, Lionel	6404 Wilshire Blvd., Ste. 1201, Los Angeles	8/ 9/65	Secs. 10176 (a), (b), (i); 10177 (d), (f) and (j)
Real Estate Salesman (Stayed for 3 years on terms and conditions, one condition, 30 day suspension)			
Gillitzer, Edward H.	3466 Ingraham Street, San Diego	8/10/65	Secs. 10176 (a), (b), (c), (i); 10177 (f) and 10302 (e)
dba Gillitzer Realty Real Estate Broker			
dba Hi Tide Opportunities Business Opportunity	3854 Mission Blvd. San Diego		
Gray, Lowell Arthur	4354 Lincoln Ave., Cypress	8/10/65	Sec. 10177 (b) and (f)
Real Estate Salesman (Granted right to restricted license on conditions)			
Keller, Marvin Douglas	3814 Niles Street, Bakersfield	8/10/65	Sec. 10177 (b)
Real Estate Broker (Granted right to restricted license after 180 days from effective date of decision on terms and conditions)			
Palmer, Clyde Newell	6006 Mission Blvd., Riverside	8/10/65	Sec. 10177 (b) and (f)
Real Estate Broker (Granted right to restricted license after 30 days from effective date of decision on conditions)			
Stout, William Closser	44502 Lowtree St., Lancaster	8/10/65	Sec. 10177 (b) and (f)
Real Estate Salesman			
Caille, Marjory Jeanne	4151 East Carson St., Lakewood	8/17/65	Sec. 10177 (b) and (f)
Real Estate Salesman			
Davis, Asa Wade	17980 Rosita St., Encino	8/17/65	Sec. 10177 (b) and (f)
Real Estate Broker			
O'Brien, Joseph Raymond	703 Market Street, San Francisco	8/17/65	Sec. 10177 (b) and (f)
Real Estate Salesman (Granted right to restricted license on terms and conditions)			
Tapp, James Elrie	4008 Via Gavilan, Palos Verdes Estates	8/17/65	Sec. 10177 (b) and (f)
Real Estate Salesman			
Cunneen, Stephen Henry	461 Janice St., Long Beach	8/19/65	Sec. 10177 (b) and (f)
Real Estate Salesman (Granted right to restricted license on terms and conditions)			
Sullivan, Thomas Robert	321 Magnolia Ave., Millbrae	8/19/65	Secs. 10145; 10176 (e), (i); 10177 (d) and (f)
Real Estate Broker			
Fields, Marjorie Ann	1592 S. Coast Hwy., Laguna Beach	8/24/65	Sec. 10177 (b) and (f)
Real Estate Salesman			
Pope, Lyle Robert	8550 Garden Grove Blvd., Garden Grove	8/24/65	Sec. 10177 (b) and (f)
Real Estate Broker (Granted right to restricted license on conditions)			
Brink, William Ronald	5952 El Cajon Blvd., San Diego	8/27/65	Sec. 10177 (i) and (j)
Real Estate Salesman (Granted right to restricted license after 60 days from effective date of order on conditions)			
Wier, Roger William, Sr.	983 E. Washington Ave., El Cajon	8/28/65	Secs. 10177 (i), (j) and 10302 (e)
Real Estate Broker Business Opportunity Broker			
Foster, George	2612 J St., Ste. 6, Sacramento	8/31/65	Secs. 10145; 10162; 10176 (e), (i), 10177 (d) and (f)
Real Estate Broker			
Wilson, Bruce William	3171 Royal Ave., Simi	9/ 2/65	Sec. 10177 (b) and (f)
Real Estate Broker			
Wilson, Elva Mae	3171 Royal Ave., Simi	9/ 2/65	Sec. 10177 (b) and (f)
Real Estate Broker			
Melot, Ullie Francis, Jr.	3157 San Juan Ave., Santa Clara	9/ 7/65	Secs. 10176 (i) and 10177 (f)
Real Estate Salesman			
Goodwin, Donald Ira	Rm. 211, 525 E. St., San Diego	9/ 9/65	Secs. 10176 (i); 10177 (d), (f) and (j) Secs. 2830; 2831; 2831.1 of R.E. Comm. Reg.
Real Estate Broker (Granted right to restricted license on conditions)			
Stephen, Ralph Bennett	1076 Main Street, Ramona	9/ 9/65	Secs. 10176 (e), (i) and 10177 (f)
Real Estate Broker (Granted right to restricted license on conditions)			
Miller, Jann Marie	6017 Atlantic Ave., Maywood	9/10/65	Secs. 10176 (a), (i); 10177 (f) and (j)
Real Estate Salesman			
Webb, Robert Houston	429 Vernon St., #1, Oakland	9/10/65	Secs. 10145; 10176 (e), (g), (i); 10177 (f) and (j)
Real Estate Broker			
Presho, Ralph James	751 Woolsey, San Francisco	9/14/65	Sec. 10177 (b)
Real Estate Salesman			
Waldrop, Jerry Warren	1352 Guadalupe Pkwy., San Jose	9/14/65	Sec. 10177 (b) and (f)
Real Estate Salesman			
Wells, James Borden	15 Gregory Lane, Pleasant Hill	9/14/65	Secs. 10176 (a), (i), and 10177 (f)
Real Estate Broker			
Real Estate Salesman (Granted right to restricted licenses 15 days after effective date of decision on conditions)			
Cannady, George Edward	2902 S. Western Ave., Los Angeles	9/21/65	Secs. 10176 (a), (i); 10177 (h), (j) and 10302 (e)
Dbc Cannady Realty Co. Real Estate Broker Business Opportunity Broker			
(Granted right to restricted licenses after 90 days from effective date of decision on terms and conditions)			
Cannady, Ivan Caldwell	2347 W. 21st St., Los Angeles	9/21/65	Secs. 10176 (i); 10177 (d), (f) and (j)
Right to Restricted Real Estate Salesman			

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Licenses Suspended During August–September 1965

Name	Address	Effective date and term	Violation
Hilliard, Wallace Clifford Real Estate Broker Business Opportunity Broker (Stayed for 7 years on terms and conditions)	County Building, Burney	8/ 3/65 60 days	Secs. 10177 (g) and 10302 (g)
Barnes, Hazel Marie dba Harlow Realty Real Estate Broker Business Opportunity Broker (Last 15 days stayed permanently)	1152 Irving St., San Francisco	8/ 4/65 30 days	Secs. 10177 (a), (f); 10302 (a) and (e)
Filippi, Wm. D Realty Incorporated William D. Filippi, President (After 30 days from effective date, remainder or any portion thereof may be stayed on conditions)	101 El Camino Real, Millbrae	8/ 4/65 to and including 1/31/67	Secs. 10160; 10162; 10164; 10177 (d), (f) and Sec. 2771 of R.E. Comm. Reg.
Mitchell, Harold A. Real Estate Broker (Last 20 days stayed permanently)	423 Stanford Ave., Santa Cruz	8/ 4/65 30 days	Secs. 10177 (d), (g) and 11013.2 (a)
Noteware, Alber Clinton Real Estate Salesman	423 Stanford Ave., Santa Cruz	8/ 4/65 30 days	Secs. 10177 (d), (f), (g) and 11013.2 (a)
Goslin, Paul Kendall Vice President of Miracle Broker, Inc. Real Estate Broker	423 S. Brookhurst Ste. K, Anaheim 7893 Cerritos, Stanton	8/ 5/65 15 days	Secs. 10085, 10176 (i); 10177 (d), (f), (j); 10305 and Secs. 2971, 2972, 2974 of R.E. Comm. Reg.
Kenworthy, Eugene A. Len Real Estate Salesman	1849 Willow Pass Rd., Rm. 403, Concord	8/19/65 5 days	Secs. 10177 (d), (f); 10240 and Sec. 2842.5 of R.E. Comm. Reg.
Johns, William Lewis, Jr. Real Estate Broker (Last 15 days permanently stayed)	1521 4th St., Santa Rosa	8/20/65 30 days	Secs. 10176 (a), (b), (i); 10177 (f) and (j)
Consiglio, Ralph Real Estate Broker (Stayed for 1 year on conditions)	2849 West Valley, Alhambra	8/24/65 30 days	Sec. 10177 (b) and (f)
Gatti, Louis Anthony Real Estate Broker (Last 25 days permanently stayed)	2798 San Bruno Ave., San Francisco	8/25/65 30 days	Sec. 10137
DiMilo, Winifred Celestine Real Estate Broker Real Estate Salesman (Stayed for 1 year on terms and conditions)	2724 Zinfandel Dr., Rancho Cordova	8/31/65 15 days	Secs. 10176 (e); 10177 (d) and Secs. 2831, 2831.1, 2832 of R.E. Comm. Reg.
Haney, William L. Real Estate Broker (Stayed for 7 years on terms and conditions)	123 Bank St., P.O. Box 52, Grass Valley	8/31/65 90 days	Secs. 10177 (d), (f); 11010; 11018.2 and Sec. 2759 of R.E. Comm. Reg.
Lima, Peggy Real Estate Salesman	15-519 Grand Ave., Elsinore	9/ 3/65 30 days	Secs. 10177 (d), (f), (j); 10250; 10251 and 10253
O'Campo, Joe Augustin dba O'Campo Realty & Investment Co. Real Estate Broker	323 South Bristol, Santa Ana	9/ 3/65 30 days	Secs. 10177 (d), (f), (j); 10250; 10251 and 10252
Culpepper, Vera Louise Real Estate Broker	9592 Garden Grove Blvd., Garden Grove	9/ 7/65 60 days	Secs. 10176 (a); 10177 (f) and (j)
Jens, William Lawrence Real Estate Salesman (Last 15 days permanently stayed)	1057 College Ave., Santa Rosa	9/ 7/65 30 days	Secs. 10176 (a), (b), (i); 10177 (f) and (j)
Johnson and Moore, Incorporated Real Estate Corporation	7058 Westminster Blvd., Westminster	9/ 7/65 5 days	Secs. 10176 (a), (i); 10177 (f) and (j)
Lee, Robert Bowen Real Estate Salesman	13504 Valley Vista Blvd., Sherman Oaks	9/ 7/65 90 days	Sec. 10177 (b) and (f)
McMichael, Paul Clifford Real Estate Broker	9432 Telegraph Rd., Downey	9/ 7/65 15 days	Secs. 10176 (a); 10177 (d), (f); 10240 and 10242.3 (c)
Moore, Stanley Eugene Vice President, Johnson and Moore, Incorporated President, Stan Moore Realty Incorporated Real Estate Broker	7058 Westminster Blvd., Westminster 8232 Garden Grove Blvd., Garden Grove	9/ 7/65 10 days	Secs. 10176 (a), (i); 10177 (f) and (j)
Pickard, Mayo Real Estate Salesman (Last 15 days permanently stayed)	1521 4th St., Santa Rosa	9/ 7/65 30 days	Secs. 10176 (a), (b), (i); 10177 (f) and (j)
Will, Wesley P. Real Estate Broker	5002 Sacramento Blvd., Sacramento	9/10/65 to and including 10/ 3/65	Secs. 10162; 10164 and 10177 (d)
Dawson, Ralph Omer Real Estate Broker (After 30 days, remainder may be stayed on conditions)	4451 N. Cogswell Rd., El Monte	9/15/65 to and including 1/21/66	Secs. 10160; 10162; 10164 and 10177 (d)
Fitschen, Enis Therese Real Estate Broker Real Estate Salesman (Last 75 days stayed for 2 years on conditions)	116 N. H St., Lompoc	9/15/65 90 days	Secs. 10140; 10177 (c), (d), (f), (g), (h); 11013.1; 11013.2; 11018.1; 11200 and Secs. 2794; 2795 of R.E. Comm. Reg.
Gindling, Albert Louis dba A. L. Gindling Co. Real Estate Broker	6303 Wilshire Blvd., Los Angeles	9/15/65 6 months	Secs. 10140; 10177 (c), (d), (f), (g), (h); 11013.1; 11013.2; 11018.1; 11200 and Secs. 2794; 2795 of R.E. Comm. Reg.
Dorst, Philip Orin Business Opportunity Broker Real Estate Broker (After 30 days from effective date, remainder or any portion thereof may be stayed on conditions)	2676 El Camino Real, Santa Clara 1066 4th Ave., Santa Cruz	9/28/65 to and including 10/27/65 9/28/65 to and including 1/23/66	Secs. 10283; 10285; 10286 and 10302 (d)
Lopez, Frank Manuel Real Estate Salesman (Last 20 days permanently stayed)	1299 4th St., San Rafael	9/28/65 30 days	Secs. 10160; 10162; 10164 and 10177 (d)
Oshind, Benjamin Rolfe dba Redwood Real Estate Broker Real Estate Salesman (Last 20 days permanently stayed)	1299 4th St., San Rafael	9/28/65 30 days	Secs. 10176 (a), (b), (i); 10177 (f) and (j)
Sabo, Edward Paul Real Estate Broker Business Opportunity Broker Real Estate Salesman (Last 20 days permanently stayed)	1299 4th St., San Rafael	9/28/65 30 days	Secs. 10176 (a), (b), (i); 10177 (f), (j); 10302 (e) and (j)



BURTON E. SMITH
President CREA, 1966

Burton E. Smith Chosen as CREA President

Burton (Burt) E. Smith, elected 1966 President of the California Real Estate Association succeeding Dave Robinson, Berkeley, has owned his own real estate brokerage firm in Bellflower since 1950. He is a graduate of the University of Southern California, where he was awarded his B.A. degree in 1941. Six years later he received his real estate salesman license.

During his real estate career, he served as president of the Bellflower District Board of Realtors and was named the board's "Realtor of the Year" in 1954. In the CREA, he has held a number of posts, including the chairmanship of the education committee and membership in its executive committee.

He has been active in civic affairs in his city, having served as the first chairman of the Bellflower Planning Commission from 1958 to 1962.

Besides his work in education for CREA, he was an instructor in real estate subjects at Long Beach City College from 1959 to 1963; and has been chairman of the Real Estate Advisory Board of Cerritos Junior College in Norwalk since its inception in 1961. He has also served as a member of the Commissioner's Real Estate Education and Research Advisory Committee (the CREERAC).

Study Outlines Reasons for Interest Differences

Why are interest rates on conventional home loans higher for borrowers in one section of the country than in another? The answer usually lies in factors of distance, demand, and risk, according to Professor Albert H. Schaaf of the Center for Real Estate and Urban Economics, Berkeley. He has just completed a study of mortgage financing costs in 18 of the nation's largest metropolitan centers, including Los Angeles-Long Beach and San Francisco-Oakland.

Three Mortgage Characteristics

"In the 18 areas studied," Schaaf writes, "more than 80 percent of the interest variation was traced to three mortgage characteristics — distance from northeastern capital markets, the risk of default as measured by loan-value ratios, and the relative intensity of local demand for local savings."

Schaaf maintains that, since local demand is more important in the market for existing homes, they would likely be vulnerable to higher rates, even without the factor of distance.

Market Device

In Schaaf's view there is really nothing novel about regional differences in mortgage financing costs. He points out, "They have existed and continue to persist in the United States, although their severity has diminished over the years.

"Interest rate differentials are normal market devices for channeling mortgage funds from stable, less active regions into more dynamic, rapidly growing areas."

Based on Government Data

Schaaf's research is based on the Federal Home Loan Bank Board's monthly series of average interest rates and loan fees charged on conventional loans for both new and existing houses.

Heretofore unavailable, these records include activity among the four major institutional lenders. Schaaf examined the relationship between regional rate differentials and such factors as transfer costs, mortgage risks, mortgage market structure, and measures of capital import needs.

A full report of his findings is scheduled to appear in the March 1966 issue of the *Journal of Finance*. The Berkeley Center expects to reprint the article and will announce its availability in a future issue of the *Real Estate Bulletin*.

UCLA Researchers Study Los Angeles House Loans

Home mortgages multiplied even faster than new homes in the Los Angeles area (Los Angeles-Orange Counties) between 1950 and 1960, reveals a new study published by the Real Estate Research Program, Los Angeles.

Entitled *Financing Homeownership*, and written by Professors James Gillies of UCLA and Jay S. Berger of San Fernando Valley State College, the report pegs the increase in the stock of single-family dwellings at 78 percent, compared to a 112-percent jump in the number of homes with mortgages.

In 1960, 74.5 percent of all single-family dwellings in the Los Angeles area were mortgaged, a significant increase from the 1950 figure of 62.9 percent, the authors note.

Second Mortgages

Second (junior) mortgages were also fairly common, with more than one-fifth of the mortgaged homes carrying this kind of obligation. Typically, the homes with seconds were older and less expensive.

On the other hand, properties with no mortgages at all were even older, were in less adequate condition, and were of lower value than those with mortgages.

Conventional loans in the area in 1960 were larger, maturities were longer, and interest rates were higher than the average across the nation.

Monthly Housing Costs Absorbs Smaller Proportion of Income

But even so, the monthly housing costs to the Los Angeles resident absorbed a smaller proportion of his income than was the case in the nation as a whole.

The typical conventional borrower's monthly costs of \$125 were well

EDUCATION ES
University of California — Stat

Appraisal Library Gift

Dr. McKee Fisk, Dean of the School of Business at Fresno State College and member of the Commissioner's State College Real Estate Screening and Advisory Committee, called the commissioner's attention to a rather unusual benefaction received by the college. William E. G. Watts, former member of the County Planning Commission, died recently and his family, as a memorial to the deceased, is providing a fund to be used to purchase a collection of books and periodicals on appraisal for the college library.

within the traditional rule that total housing costs should not exceed 20 percent of income.

Similarly, since the average conventional loan in the area was \$10,000 and the typical owner of this mortgaged home earned \$7,800 annually, he was in no danger of violating the rule of thumb which states that house value should not be more than 2.5 times yearly income.

Other Findings, Including FHA and VA Loans

The report also includes figures on FHA insured and VA-guaranteed home loans and highlights lending trends for the four major institutional lenders—savings and loan associations, commercial banks, mutual savings banks, and life insurance companies.

Financing Homeownership is the fourth installment in the Real Estate Research Program's 1960 U.S. census-based series, "Profile of the Los Angeles Metropolis: Its People and Its Homes."

To obtain a copy of *Financing Homeownership*, write: Real Estate Research Program, Graduate School of Business Administration, University of California, Los Angeles 90024. Price of the publication is \$2.50.

EAU PROGRAM

Senior Colleges — Junior Colleges

UNIVERSITY REMODELS BERKELEY QUARTERS

The location is still the same, but just about everything else is new at the Center for Real Estate and Urban Economics, Berkeley.

Thanks to university remodeling operations, the center's permanent quarters in Stephens Memorial Hall have been completely refurbished.

The new setup finds administrative offices in Room 260, Stephens, while the library and graduate student quarters are on the floor directly above. Formerly, all facilities were on the same level.

All correspondence should be addressed to the center at 260 Stephens Memorial Hall, University of California, Berkeley 94720.

UNIVERSITY EXTENSION SETS PROGRAM

Again this spring, University Extension, University of California, will offer a wide variety of real estate courses.

Classes will be given in Berkeley, Buena Park, Burbank, Burlingame, Chico, Downey, Fresno, Glendale, Hayward, Inglewood, Irvine, Lompoc, Los Altos, Los Angeles, Marysville, Modesto, Oxnard, Palo Alto, Pasadena, Redding, Riverside, Rosemead, Sacramento, San Bernardino, San Diego, San Francisco, San Jose, San Rafael (Kentfield), Santa Barbara, Santa Cruz, Santa Maria, Santa Rosa, Thousand Oaks, Torrance, Van Nuys, and Ventura.

For further information concerning courses get in touch with:

Northern California

University of California
University Extension
2223 Fulton Street
Berkeley 94704
Phone: 845-6000

Southern California *

University of California
University Extension
1100 South Grand Avenue, Room 315
Los Angeles 90015
Phone: 747-4321, Ex. 33

* All courses for the present basic real estate certificate must be completed by September 1, 1966.

Effects of Credit Change Weighed in Reprint

Mortgage credit policies may have a substantial impact on short-term fluctuations in residential starts, but their effect on basic demand is less than popularly held opinion indicates. This view is expressed by Sherman J. Maisel in *The Relationship of Residential Financing and Expenditures on Residential Construction*, an article now available in reprint form from the Center for Real Estate and Urban Economics, Berkeley.

Maisel challenges the widely held notion that credit changes are decisive in altering basic housing demand, thus causing what are often drastic short-run gyrations in the residential construction cycle.

Demand Factors

"Many people," he writes, "seem to have assumed that movements in credit have caused starts to fluctuate by changing the underlying demand for dwellings. I disagree with this analysis."

Maisel contends that instead of being tied to credit policies, "demand for additional houses must come either through more household formations or through more rapid replacement of existing units."

Moreover, he finds neither theory nor current statistics on starts to support the claim that credit has had a basic effect—even short run—on underlying demand for housing.

Short-term Fluctuations

On the other hand, credit does play an important role, but from another direction, in short-term fluctuations in housing starts, Maisel discovers.

He cites two sides to this credit influence: the actual change in the cost of money to the borrower; and the availability of money to the prospective builder or developer.

The first case is a matter of just how much interest the borrower will have to pay for construction credit. Because of discounts and fees, the amount can rise rather rapidly from a real annual interest rate of eight percent to one of 20-25 percent.

"Credit Rationing"

Equally important, in Maisel's view, is the severity of "credit rationing," a term used to indicate the general availability of credit.

The amount of building undertaken may well depend on whether there is enough money in the lending institution for the builder to get all he wants,

Sherman J. Maisel, former chairman of the Berkeley Center, is the author of a new book on real estate. The Maisel book, *Financing Real Estate*, describes analytic tools in use by professional developers and investors and emphasizes practical aspects of mortgage lending transactions.

or whether he has to "scrounge up" a little money in front of the mortgage.

Since a general theory seems to prevail among developers that nobody should build investment property with his own money, "enough" may turn out to be no less than 100 percent financing.

Reprint Free

The Maisel article first appeared in the *Proceedings of the U.S. Savings and Loan League's Conference on Savings and Residential Finance*.

One copy of the reprint (No. 38) will be furnished free upon request. Write: Center for Real Estate and Urban Economics, 260 Stephens Memorial Hall, University of California, Berkeley 94720.

MANAGEMENT AND SALESMANSHIP

In his recently published book on real estate brokerage, Dr. Fred E. Case, chairman of the Real Estate Research Program, UCLA, says:

"Successful real estate brokerage operations involve much more than competent, technical sales abilities. A real estate office achieves above-average levels of profit and continuity of operations primarily because of the business of 'know-how' and managerial ability of its chief executive and because it provides necessary, unique services to the local community."

Thus salesmanship is not stressed as the basis of a successful real estate business, but rather knowledge of the complexities of real estate operations and principles of management coupled with the professional services the firm is capable of rendering to the community.

BUSINESS OPPORTUNITY TRANSACTIONS AND THEIR RELATION TO UCC

(Continued from Col. 1, Page 733)

Also, a transaction, although subject to Division 9, might also be subject to one or more other acts and codes. Division 9 is not generally applicable to "consumer goods" if they are used or bought for use primarily for personal, family or household purposes. Nor is it applicable to real property security transactions.

Filing System

The code provides for a simplified filing system by means of a "financing statement" to perfect security interest provided for under the code. Local filing in county recorder's office is permitted only for specific types of transactions. In all other cases financing statements are to be filed with the Secretary of State (Form UCC-1).

The code also provides for a financing statement change (Form UCC-2), transition continuation statement (Form UCC-T) and request for information or copies (Form UCC-3). In many business opportunity transactions it is of extreme importance that the buyer obtains information or copies of financing statements affecting the seller.

The office of the Secretary of State publishes a booklet entitled *Procedure and Forms for Filing Under Divisions 9 and 10 of the Uniform Commercial Code*. Copies of this booklet, as well as the standard forms, may be obtained from the office of the Secretary of State, Sacramento 95814. Brokers engaged in business opportunity transactions should be familiar with the contents of this booklet. However, it should be noted that the preface to the publication has this caution:

"This booklet contains general statements concerning the requirement of filing under the code which are intended to serve only as general guides and not as substitutes for statutory analysis when dealing with specific problems. Reference to the matter contained in this booklet should not be a substitute for consultation with legal counsel on legal matters or with financial counsel on banking or financing problems."

Bulk Transfers of Goods

Of special importance to licensees who would negotiate the sale of a business are the requirements of Division 6 of the Uniform Commercial Code pertaining to *bulk transfers* of goods. The broker who handles the sale of a business should see that the seller and buyer observe these statutory provisions designed to warn the transferor's creditors of the impending transfer so they may obtain payment of their claims or protect their rights, before assets are disposed of or encumbered. Recordation and publication achieve this purpose.

When a retail or wholesale merchant, a baker, or the owner of a cafe or restaurant, garage or of a cleaning service desires to transfer in bulk and not in the ordinary course of the transferor's business of a substantial part of, or all of his, material, supplies, merchandise or other inventory, the law requires the transferee to give public notice to the transferor's creditors, by:

- (a) Recordation of a notice in the office of the county recorder of the county or counties in which the property is to be transferred is located at least 10 days before the bulk transfer is to be consummated, or the sale, if by auction, is to commence; and,
- (b) Publication of the notice at least once in a newspaper of general circulation published in the judicial district in which the property is located or, if there is none, then in a newspaper of general circulation in the county in which the business is located. Notice must be published at least five days before the bulk transfer is to be consummated.

The notice must contain the following information:

- (a) That a bulk transfer is to be made;

NEW LAW AVAILABLE

The license law and commissioner's regulations are brought up to date in a new edition of the *California Real Estate Law* now available at any office of the DRE for \$1.04, including mailing.

(b) Names and business addresses of transferor, and all other business names and addresses used by the transferor within the past three years as far as known to the transferee;

(c) Location and general description of the property to be transferred; and,

(d) Place and date on (or after) which the bulk transfer is to be consummated.

If the intended sale is to be made at public auction, in addition to information required for ordinary bulk transfer, the notice must state that the sale is to be by auction, the name of the auctioneer, and the time and place of the auction.

Effect of Noncompliance

When compliance is required but the statutory filing and publication requirements are not met, the result is to render the transfer fraudulent and void with respect to those creditors of the transferor who hold claims based on transactions or events occurring before the bulk transfer.

In an auction sale, the responsibility for giving the statutory notice is the auctioneer's. An auction sale which does not comply with the statutory requirements does not render the transfer fraudulent and void, but the auctioneer becomes personally liable to the transferor's creditors for the sums owed to them by the debtor, not exceeding the reasonable value of the assets sold.

The provisions of Division 6 of the Uniform Commercial Code do not apply to certain transactions and among them are: assignments for the benefit of all the transferor's creditors; sale by executors, administrators, receivers, trustees in bankruptcy or any public officer under judicial process; or transfer of property exempt from execution.

Compliance with Division 6 does not exclude compliance with other applicable statutes, such as the transfer of liquor licenses under the Alcoholic Beverage Control Act.

SUBDIVISION

DEVELOPMENTS AND ITEMS OF SIGNIFICANCE

ADDING UNITS TO EXISTING SUBDIVISIONS

Although development of urban land areas by increments or stages has been a common practice in California for many years, recent trends indicate this type of real estate enterprise is increasing. The development of larger sites, which often include varied common areas and facilities, poses problems which though not necessarily unique, can become extremely complicated merely because of the size of the projects and the planning involved.

It is difficult, if not impossible, to foresee all problems which may arise in the future. The many variables, including progress of sales, cost trends, recreational requirements of potential purchasers, and many other factors will determine the course, extent and direction of many of these larger real estate developments.

For these and other reasons it sometimes becomes a practical or economic impossibility to submit with the filing of the first application for a subdivision public report, a complete and detailed development plan which will accurately reflect the community facilities to be constructed and other aspects of the entire tract.

Operational Costs

Future annexations of additional subdivision units to the prior ones, usually under a plan making new purchasers members of the existing lot owners associations, prorating maintenance and operation assessments, etc., can cause hardship to the initial purchasers.

If common facilities become more extensive as increments are added, maintenance and operational costs to first purchasers can rise. For example, if the first units contained comparatively minor community facilities, the addition of a golf course or clubhouse might cause rising assessments to prior purchasers, which they did not contemplate when purchasing.

The above is only one example; many others can reasonably be anticipated.

The problems inherent in these incremental developments are not

solely academic, they are with us. The Real Estate Commissioner has established broad guidelines by the recent adoption of Regulation Subsection 2792.10(3). It is impossible to draft regulations covering all possible issues which could rise and it is essential that necessary regulations be flexible enough not to inhibit orderly development.

Purpose of New Regulation

Suppose it is contemplated that other units will be annexed, which would contain common areas and facilities or bring to bear other factors which would probably cause an increase in assessments to first purchasers at some later date. Or suppose newly annexed units bring in residents who will overburden previously installed facilities. In either case, a plan of the proposed development must be submitted in sufficient detail to allow a determination as to the amount of the probable increase in costs or excessive use of common facilities.

Perhaps no such detailed plan can be submitted, and this is often the case as many developers cannot predict with a reasonable degree of accuracy the future course of their proposed developments. In this event, if the addition of other units will in fact cause an increase in assessments for common facilities, the annexation will require a substantial majority approval of prior lot buyers, excluding any vote of the developer. In these cases, provision must be made, usually in the covenants, conditions and restrictions, for this contingency.

The commissioner appreciates the cooperation received from the real

NEW MAILING ADDRESS

In July, the Division of Real Estate Sacramento headquarters and district office moved to 111 Capitol Mall. To expedite the handling of incoming mail the DRE has taken a post office box. Please address all correspondence to:

Division of Real Estate
P.O. Box 2407
Sacramento, California 95811

Broker Not to Impose Racial Listing Restrictions

Under the Unruh Act of 1959, the real estate broker, as an operator of a business, is prohibited from withholding services or discriminating in any way on account of race, color, religion or national origin. Most brokers and salesmen are probably familiar with their position under this act.

Perhaps not so well known are related obligations under the real estate license law. Here is a situation which might be considered as an example. Suppose a broker accepts a listing with no reservations on the part of the owner in regard to the sale of a house to a family of a minority race. Suppose further that the broker represents to a prospective purchaser that the seller will not sell to a member of a minority group.

This course of action would be considered by the Real Estate Commissioner as a breach of fiduciary obligation by the agent, constituting a basis for disciplinary action against his license.

WRITE A LETTER BUT NOT ON CHECK

A check was never meant to be a letter of instruction. The Division of Real Estate often receives checks for license changes with instructions written thereon. Write a check in the proper amount, but please send with it a note detailing the purpose of the check.

estate and allied industries in putting into effect all of the recent regulations made necessary by the passage of AB 2000, the Condominium Bill.

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LICENSE TOTALS OUTSTRIP LAST YEAR'S HIGH

Despite steady strengthening of license qualification and examination standards under the law, total licenses issued by the Real Estate Commissioner stood at a new high of 164,755 at the end of the 1964-65 fiscal year. This represented a 7.2 percent increase over the 153,676 outstanding at the end of fiscal 1963-64—which was then an all-time peak.

Although there was a slight decrease in the percentage of inactive licensees—36,659 or 19.8 percent, as compared to 20 percent in 1964—during the past eight years the mean average of inactive licenses has been 23.9 percent.

REAL ESTATE, BUSINESS OPPORTUNITY, AND MINERAL, OIL AND GAS LICENSES
Issued and in Effect June 30, 1965, Compared With Previous Years' Totals

Type of license	Corporations		Partnerships		Brokers		Salesmen		Branches	Total	
	Inactive	Active	Inactive	Active	Inactive	Active	Inactive	Active		Inactive	Active
Real estate originals.	1	109	3	18	66	2,201	3,550	31,700	198	3,620	34,028
Real estate renewals.	104	4,198	71	1,625	7,397	45,756	20,450	40,245	10,313	28,027	91,824
Business opportunity originals.		8		2	2	169	61	379	26	63	558
Business opportunity renewals.	5	273	2	124	467	4,566	468	675	508	932	5,638
Mineral, oil and gas originals.											
Mineral, oil and gas renewals.	1			2	21	46			3	22	48
Total	111	4,588	76	1,771	7,952	52,738	24,519	72,999	11,048	32,659	132,096
GRAND TOTAL (1964-65)	4,699		1,847		60,691		97,518		11,048	164,755	
GRAND TOTAL (1963-64)	4,380		2,016		59,633		87,647		11,214	153,676	
GRAND TOTAL (1962-63)	4,039		1,986		56,950		80,745		10,999	144,246*	
GRAND TOTAL (1961-62)	3,733		1,913		57,281		78,046		10,225	141,443*	
GRAND TOTAL (1960-61)	3,464		1,941		58,362		79,946		10,117	144,183*	
GRAND TOTAL (1959-60)	3,166		1,934		56,342		73,486		9,485	135,641*	

* Includes Limited Licenses

Licenses Revoked During August-September 1965—Continued
(Continued from Col. 2, Page 734)

Name	Address	Effective date	Violation
Hundley, James Harrison Real Estate Salesman	1755 S. Highland Ave., Los Angeles	9/21/65	Secs. 10176 (a), (g), (i); 10177 (f) and (j)
Wheeler, Willa Opal Real Estate Salesman	3019 W. Slauson Ave., Los Angeles	9/21/65	Secs. 10176 (b), (i); 10177 (d), (f) and (g)
Zepeda, Rene Dominguez Real Estate Salesman	737 South Fetterly Ave., Los Angeles	9/21/65	Secs. 10176 (a), (i) and 10177 (f)
Loven, Thomas Pease Real Estate Salesman (Granted right to restricted license on conditions)	1410 S. Walnut, San Gabriel	9/28/65	Sec. 10177 (b) and (f)

WHEN LENDERS DO NOT NEED LICENSES

Considerable misunderstanding as to the effects of AB 756 which amended Section 10133.1 of the Real Estate Law has been evidenced by articles appearing in various news media. The intent of the amendment was to clarify the position of certain employees and correspondents of lending agencies in regard to any real estate license requirements.

The law now makes it clear that employees engaged in lending activities in banks, saving and loan associations, industrial loan companies, credit unions, insurance companies and so on, are exempt from the real estate license requirement.

The law as amended definitely states that persons acting as agents or loan correspondents for such regulated financial institutions must be licensed as real estate brokers. But they need not comply with the loan cost and expense limitations and the other provisions of the Real Estate Law pertaining to loans on real property.

Broker License Examination Requirements Are Discussed

(Continued from Col. 3, Page 733)

the course or courses within one year after having filed his formal application. After one year the candidate must file another formal application along with the \$25 fee, write the basic examination over, as well as both supplemental tests, unless one or both are waived by reason of appropriate college credit transcripts submitted by the applicant.