

A Master Plan for the Professional Development of the Real Estate Industry in California

Developed by a Special Liaison Committee of Representatives of the California Real Estate Association and the State Department of Real Estate

History

In 1966, the Real Estate Commissioner's office drafted and distributed a "Blueprint for Professionalization of the Real Estate Business in California." The Blueprint was designed to provide a frame of reference for discussion which might lead to a consensus on the part of all those interested in a general plan of procedure to raise the standards of real estate practitioners over the years immediately ahead.

In 1968, Real Estate Commissioner Burton E. Smith revised the initial Blueprint, based upon the development of educational opportunities in the interim, using as his "starting point" proposed departmental legislation to make certain real estate courses at the college level mandatory in connection with the issuance of real estate broker licenses.

As was stated initially, "Through the years, the California Real Estate Association not only supported legislation raising licensing standards, thus providing increased protection for the public dealing through licensees, but it steadily enlarged opportunities for its members to increase their knowledge and improve their skills."

Real estate licensees' funds have been utilized, with the total input now in excess of six million dollars, to help lay the groundwork to make available throughout California the courses which cover the real estate field. Today, 82 community colleges participate in the program by giving one or more real estate courses each semester. Seventy-six of these give all four of the courses which under present law will be mandatory by January 2, 1972, and 74 of these offer AA degrees.

Among the state colleges, 13 offer a B.S., M.S., or M.B.A. in real estate. The University of California and several of the private institutions of higher learning also offer courses.

As a further step toward earning the consensus originally desired, CREA Past President Melvin L. Mould asked for the establishment of a liaison

committee involving representatives of the Department of Real Estate and the California Real Estate Association to work toward a plan which might bear the imprint of both entities and make more likely the early attainment of the goals desired.

The committee drafted such a Plan, after many all-day meetings. Numerous alternative plans were advanced and debated to consider the road which has been traveled and to recommend a method which would achieve professional recognition for those engaged in the real estate business in California. On January 16, 1971, the plan was approved by both the Real Estate Department and the California Real Estate Association.

Introduction to the Plan

Studies formally undertaken by academic institutions, by the DRE and by the organized real estate industry relating to the image of the real estate business have shown that some real estate licensees are thought to be inadequately prepared for the complex field in which they operate. A "good image" is desirable for all licensees—it is essential if a full measure of competency and protection to the public is to flow from the activities of real estate licensees.

Professional recognition by the public is not likely unless all of the ingredients of the professional are present in the pre-qualification process.

In general, this includes a test in depth of competence, a substantial amount of experience, a broad academic base and an acceptance of a full measure of responsibility.

The Committee recognized that in connection with the attainment of professional recognition through a statutory licensing framework it will be necessary, as each proposal is advanced, to further the Plan and to be in a position to establish that the public interest will be better served by the additional requirements. Further, a realistic approach suggests that the industry, itself, must generate and sustain enthusiasm for the

concept if real estate industry support is to be gained and retained and the Legislature and the Administration be convinced that the statutory changes are needed.

The Plan avoids lengthy discourse on the history of the educational effort, since a portion of every licensee's fees were first set aside for the advancement of education and research in 1956. The development of educational opportunities during the intervening years, along with the growth of research and the developing body of knowledge of real estate, is recognized as a basic building block in the entire professionalization effort.

Thus, the program moves ahead in the atmosphere of a wide availability of college level courses in real estate, a growing acceptance by real estate brokers of their responsibilities, and the dedication of thousands of licensees to furthering the work which has been accomplished.

This cadre of professionals and attendants to the professionalization effort, the Committee believes, provides the necessary thrust for implementation of the Plan.

The Committee recognizes that events may cause the timetable to change—that experience and new techniques may lead to revisions of the Plan at any step along the way.

The Plan accommodates the economic needs of the industry without sacrifice of any of the basic ingredients of the recognized professions. Yet, it is a program unique to the real estate industry, as well it should be. There are no exact parallels of activity in any other arena on the business or professional scene.

The reader should recognize as he reviews each step in the Plan as outlined that the work for each step must be undertaken in advance so that all concerned will have ample notice and the legislation will provide a fair amount of lead time.

Finally, it should be clearly stated that every member of the Committee

did not agree with every element of the Master Plan. The Committee, however, was unanimous in presenting the overall Plan as the joint product of their thinking and with the sincere belief that it affords a dynamic opportunity for the real estate industry and the general public of California to benefit from its implementation.

The Plan in Summary

The following narrative describes the elements of a new concept for the development of real estate licensure. Both the academic and experience qualifications are considered in a progressive relationship which will provide the opportunities to the individual to attain professional status.

Before detailing the steps which will be necessary during the next decade in connection with each category of license, a feeling for what is being attempted may best be obtained by the brief summary which follows. It should be noted that some of the earlier thinking on the national scene relating to the "single license concept" is *not* reflected in this Plan. On the contrary, the economic needs of the real estate community appear to compel the retention of a salesman status; further, the long road between entry at the salesman level and attainment of the professional designation has led to a provision for an intermediate or Associate step. **The committee believes the Plan will be the catalyst for similarly oriented efforts elsewhere in the United States and Canada.** The framework will accommodate other developing programs in other jurisdictions. The three-category proposal is:

Certified Real Property Broker

The category will become fully effective in 1980. At that time it will be mandatory in order to perform those acts which are today included within the definitions of acts for which a real estate broker license is required. **In 1980 all current real estate broker licensees will be "grandfathered" without the need to meet the additional requirements for this category. No new real estate broker licenses will be issued after January 1, 1980.**

The basic ingredients in order to qualify for the designation will be a

baccalaureate degree (or its equivalent), four years experience, passing the prescribed examination and acknowledgment by the broker of his full responsibility.

A *voluntary certification* for this category will become available in 1974. During the transitional period (1974-1980) substitution of additional experience in lieu of education will be allowed for those who apply for the voluntary certification.

Real Estate Salesman Licenses

Except for a gradual strengthening of the examination, no substantive changes in the requirements for a real estate salesman license are anticipated. In connection with existing reasonable supervision requirements over salesmen, after January 1980 real estate salesmen will not be allowed to supervise other salesmen or manage a branch or main office for a Certified Real Property Broker.

Associate Real Property Broker

A new category of Associate Real Property Broker will be established in January 1980. This category of licensee will be an intermediate category for salesmen moving toward the Certified Real Property Broker status. The Associate will be required to have completed a portion of the educational requirements and to have completed a middle-difficulty examination. This category of licensure will be available to either the baccalaureate degree holder with no salesman experience or the real estate salesman with a mix of academic accomplishment and experience.

Note

As seen in a review of the details of the Plan, which follows, the opportunity to acquire academic knowledge outside the rigid format of a degree program has been woven into the Plan at every juncture where additional educational requirements are involved. A sampling of existing real estate licensees shows that roughly 75 percent of those holding broker licenses in 1970 have completed at least two college level courses in real estate. 50 percent or more have completed two years of college. **Thus, it can be**

seen that the grandfathering concept in 1980 will not only meet a practical need but should be generally acceptable—since such a small group to be grandfathered might be thought of as having marginal qualifications for the Certified Real Property Broker designation. Further, the existence of the voluntary designation for six years prior to the 1980 target date will serve as an inducement for licensees to remedy any academic deficiencies.

Timetable for Implementation of Master Plan 1970

Recognizing that the ingredients of professionalization include experience, an acceptance of a higher level of responsibility than that of the non-professional, proven competency and educational attainment, a review of the situation as it existed when this Plan was formulated in 1970 follows:

1. An applicant for a broker license must pass the written examination. **This examination was revised, strengthened and up-dated in 1970.**
2. A broker candidate must show he has completed three-unit college level courses in Real Estate Law and in Real Estate Practice.
3. Except for those applying for a broker license on the basis of experience gained in general real estate or as graduates of a four year college or university course which included a specialization in real estate, broker applicants must show they have completed two years full-time experience as a California licensed real estate salesman.
4. **The broker may be disciplined if he fails to exercise reasonable supervision over his salesmen.** A regulation relating to the reviewing of documents, consistent with this statutory requirement, was enacted by the Commissioner in 1970.

1971

The Commissioner will consider further regulations to spell out criteria of what constitutes reasonable supervision. The criteria will include:

A requirement that every real estate broker shall maintain a written contract or memorandum of the

working relationship between himself and any other real estate salesmen or brokers (operating as salesmen) associated with his firm.

1972

Laws already operative make mandatory, effective January 2, 1972, that an additional 6 units of college level courses be completed. (For those new broker licenses issued on or after that date these are: Three units in Real Estate Appraisal and three units in Real Estate Finance.)

This totals four college courses required of all new real estate broker applicants in 1972.

It was recognized that the effective date of this second phase of the course requirement legislation completes the groundwork for the professional development plan which follows.

1974

The Plan calls for legislation to be effective on January 1, 1974, adding a mandatory college level course requirement of 3 units each in two related business subjects. For example, real estate or general economics, marketing, accounting, or advanced real estate subjects. This will bring to a total of 18 the number of units of college work which must be completed as a matriculated student or through approved extended day, evening or correspondence courses.

Legislation will be sought with an effective date of January 1, 1974, to provide for a regular inspection of the operational records of all real estate brokers, except those working as salesmen for other brokers.

As a further element of broker responsibility in the area of solvency in the face of emergencies, legislation will be sought with a similar effective date (1974) calling for every real estate broker who has other real estate brokers or salesmen associated with his firm, or employing anyone handling money or valuables, to be covered by a fidelity bond in favor of the employer-broker in an amount of \$5,000 for each loss.

Voluntary Certification

Legislation will be sought with an effective date of January 1, 1974, to allow candidates to apply, voluntarily, for a new designation of Certified

Real Property Broker. The requirements for this certification will be:

1. Pass a state administered examination designed to establish competency by the applicant at a higher level than that being required of real estate brokers; and
2. Applicant must make a showing of at least four years full-time experience as a real estate salesman or broker licensee. It is contemplated that the statute, as it does today, will provide a means by which equivalent experience may be measured. That is, experience as a licensee in another state or in large-scale activities as a principal dealing in real estate could be considered as well as full-time salesman and broker licensee experience; and
3. Applicant must possess a baccalaureate degree or make a showing that he has completed sufficient college level work to qualify for a degree as if all of the completed courses had been taken as a matriculated student in a degree program. A further educational equivalent in connection with the voluntary certification will be included and is set forth below.

Voluntary Certification Educational Equivalent: In lieu of the degree or its direct equivalent, the Commissioner shall be authorized to accept any one of the following as meeting the educational requirement for voluntary certification as a Certified Real Property Broker during the period voluntary certification would be in existence (1974 through 1979):

- a. Have completed two years experience as an active real estate broker licensee in lieu of each year of college course completion (based on 120 units of college work constituting a baccalaureate degree program). This experience would be in addition to the basic four-year experience requirement as either a salesman or broker; or
- b. Similar to the educational alternatives set forth in the Business and Professions Code in order to qualify for the designation as a Certified Public Accountant, the Certified Real Property Broker voluntary certification

program would accept: An applicant with a degree which included a specialization in real estate or a degree which included evidence of study substantially the equivalent of a real estate major, including courses in real estate or related courses in business administration.

—OR—

Satisfactory evidence of having successfully completed a two-year course of study at the college level or received an Associate in Arts degree from a community college and submits satisfactory evidence that the applicant has studied, under appropriate supervision, real estate and related business administration subjects for a period of at least four years.

—OR—

A showing satisfactory to the Commissioner that the applicant has had the equivalent of the educational qualifications required by either of the above, or shall pass a preliminary written examination approved by, and administered by an agency approved by, the California State Department of Education to determine that he has the equivalent of the educational qualifications required for the Certified Real Property Broker category.*

* By way of clarification, the committee, again, felt the pattern followed by the Board of Accountancy would be used to fit this situation. That is, the candidate would be required to successfully complete at his own cost college level examinations administered by an agency such as the Educational Testing Service of Princeton, New Jersey (the firm has a branch in Berkeley, California) in five areas: English, The Humanities, Mathematics, The Social Sciences and History.

The voluntary certification will allow the successful applicant to use this designation in his advertising and other indicia, but would confer upon him no additional functional authority beyond that exercised by brokers.

1975

The statutory maximum time during which an inactive licensee can remain inactive without being required

to take an examination to reinstate will be reduced from the existing 10 years to 5 years.

1976

Legislation to be effective in 1976 will require real estate broker applicants to have completed 60 units of college level courses. This college work would, of course, include the 18 units previously required (see 1974).

Broker applicants who had not completed two years of college level work could apply on the basis of the **equivalents set forth under the voluntary certification, paragraph "b" above**, either under the supervised four-year study program or by passing the college level examination. Thus, as with each entry in the plan dealing with educational requirements, an applicant would be allowed to submit educational accomplishment *equivalent* to the basic requirement.

1978

Broker applicants will be required to make a showing that they have completed at least 4 years full-time experience as a salesman licensee.

It is contemplated that the legislation *requiring* four years' experience will not be effective until the *end* of 1978.

The existing statute providing for an automatic waiver of the two-year experience requirement for broker applicants who have completed a four-year college or university course which includes a specialization in real estate will be phased out since the basic experience requirement is raised to four years in 1978.

1980

The Certified Real Property Broker designation will become mandatory for all applicants who desire to perform the acts for which a real estate broker license is required prior to the effective date of the mandatory certification—January 1, 1980.

Voluntary certifications will no longer be issued, and the mandatory requirements will include all of those set forth for voluntary certification (see 1974) *except* that experience as a real estate salesman or broker could no longer be used as an equivalent for the educational requirement. The three basic educational equivalents to a degree in real estate (see 1974—voluntary certification educational equiv-

alent category in paragraph "b" above would continue to apply. To restate briefly, a means is provided by which a related four-year college course may be deemed equivalent to a degree in real estate; or two years of college plus verification of four years' supervised study in business fields (equivalent in content to upper division college work); or completion of a battery of tests to be administered by an independent testing agency to show requisite knowledge equivalent to that which would be gained through a four-year college degree program.

Real estate broker licenses will not be issued after this date. All real estate brokers on or after January 1, 1980, will be "grandfathered."

The Committee took cognizance of the fact that in all movements of this type some sort of grandfather clause is a practical necessity. A view of the 10-year plan and contemplation of the expected attrition rate, plus a recognition by the committee that all real estate brokers licensed from 1972 on will have completed at least 12 units of college work—plus the progressively higher standards, thereafter—all suggest that the majority of licensees to be grandfathered to the Certified Real Property Broker class will substantially meet the requirements then applicable.

Further, the committee projected a compact with the legal profession leading to a broadened definition of the acts for which a Certified Real Property Broker designation is required to include certain contract preparation duties presently restricted to those licensed as an attorney-at-law. Certified Real Property Brokers will be the only licensee class after January 1, 1980, which will be allowed to employ other real estate licensees.

New Class of License—Associate Real Property Broker

This new category of license will be available as a step upward for real estate salesman licensees with two years of college (or the previously described equivalents thereto) plus two years of experience and who pass the prescribed examination—which will be designed to be equivalent to the real estate broker license examinations given prior to 1980.

The requirements for Associate

Real Property Broker will also be met if one has a baccalaureate real estate degree, but lacks the required four years' experience in order to qualify as a Certified Real Property Broker. This will make it possible for purely academically trained people to enter the real estate business as a career at an intermediate level.

Again, the three basic *educational* equivalents to a baccalaureate degree in real estate (see 1974) will continue to apply in connection with the educational requirements for Associate Real Property Broker.

Associate Real Property Brokers will be required to be under contract with Certified Real Property Brokers, and will be allowed to carry on office management functions in either a branch or the main office.

Adequate lead time will be provided to permit qualified salesmen to secure Associate Real Property Broker status on January 1, 1980. In this manner, no qualified salesman working as an office manager need be displaced.

Real Estate Salesman Licenses

As previously stated, it is anticipated that other than a gradual strengthening in the examination requirements, real estate salesman licenses will undergo little or no change until January 1, 1980. As of that date real estate salesman licensees will be prohibited from managing branch or main offices or exercising supervision over other real estate licensees.

In addition to the educational requirements established by law for attainment of the licenses, organized real estate should continue to offer in-service education in the many specialized fields of the real estate business. Both the practitioner and the public benefit from these educational programs.

In the concluding remarks on the plan when it was drafted, the Committee stated that although events move inexorably forward, and more and more real estate broker licensees are being accepted as professionals as the years go by, the greater protection to which the public is entitled demands that an organized plan be adopted. Further, they believed the plan will give meaning and direction to the efforts of the thousands already engaged in attempting to raise their standards.