

ETHICS, PROFESSIONAL CONDUCT, AND LEGAL ASPECTS OF REAL ESTATE

**CONTINUING EDUCATION COURSE
(BY CORRESPONDENCE)
FOR CALIFORNIA REAL ESTATE LICENSE RENEWAL**

**(3 Hours Credit)
Course Category: ETHICS**

Distributed by:
Real Estate License Services
(California Bureau of Real Estate Sponsor #1035)
5059 Newport Ave. #209
San Diego, CA 92107
Phone Toll-Free 1-800-877-5445

© Copyright 2014-1983 by Real Estate License Services, Inc. Copyright registered. All rights reserved. All contents protected by laws of copyright. No portion of this book may be reprinted, reproduced, transmitted, stored in a retrieval system, or otherwise utilized, in any form or by any means, electronic, mechanical or otherwise, including photocopying or recording, now existing or hereinafter invented, including the Internet, nor may any part of this book be used for teaching, without the prior written permission of Real Estate License Services, Inc.

Contents

ETHICS, PROFESSIONAL CONDUCT, AND LEGAL ASPECTS OF REAL ESTATE

INTRODUCTION.....	1
ENFORCEMENT OF REAL ESTATE LAW.....	1
FORMAL HEARINGS.....	2
LICENSE SUSPENSION OR REVOCATION	3
MISREPRESENTATION – SECTION 10176(A).....	3
FALSE PROMISE – SECTION 10176(B).....	3
CONTINUED MISREPRESENTATION – SECTION 10176(C)	4
DUAL AGENCY – SECTION 10176(D)	4
COMMINGLING – SECTION 10176(E)	4
DEFINITE TERMINATION DATE – SECTION 10176(F).....	4
SECRET PROFIT – SECTION 10176(G)	4
LISTING OPTION – SECTION 10176(H)	4
DISHONEST DEALING – SECTION 10176(I).....	4
SIGNATURES OF PROSPECTIVE PURCHASERS – SECTION 10176(J).....	4
OBTAINING A LICENSE BY FRAUD – SECTION 10177(A).....	5
CONVICTIONS – SECTION 10177(B).....	5
FALSE ADVERTISING – SECTION 10177(C).....	5
VIOLATIONS OF OTHER SECTIONS – SECTION 10177(D).....	5
MISUSE OF TRADE NAME – SECTION 10177(E)	5
CONDUCT WARRANTING DENIAL – SECTION 10177(F).....	5
NEGLIGENCE OR INCOMPETENCE – SECTION 10177(G)	5
SUPERVISION OF SALESPERSONS – SECTION 10177(H)	5
VIOLATING GOVERNMENT TRUST – SECTION 10177(I).....	6
OTHER DISHONEST CONDUCT – SECTION 10177(J).....	6
RESTRICTED LICENSE VIOLATION – SECTION 10177(K).....	6
INDUCEMENT OF PANIC SELLING – SECTION 10177(L).....	6
VIOLATION OF FRANCHISE INVESTMENT LAW – SECTION 10177(M)	6
VIOLATION OF CORPORATIONS CODE – SECTION 10177(N)	6
FAILURE TO DISCLOSE OWNERSHIP INTEREST – SECTION 10177(O)	6
OTHER PENALTY SECTIONS	6
EXAMPLES OF UNLAWFUL CONDUCT – SALE, LEASE, OR EXCHANGE	8
KNOWINGLY MAKING A SUBSTANTIAL MISREPRESENTATION OF LIKELY VALUE	8

REPRESENTING THAT A LICENSEE HAS OBTAINED A BONA FIDE WRITTEN OFFER	11
STATING THAT A LICENSEE IS PRECLUDED FROM CHARGING LESS THAN THE COMMISSION OR FEE QUOTED	12
MISREPRESENTATIONS REGARDING LICENSEE'S RELATIONSHIPS.....	13
UNDERESTIMATING CLOSING COSTS	13
FALSE OR MISLEADING REPRESENTATION AS TO DEPOSIT	15
FALSE OR MISLEADING REPRESENTATION ABOUT A BUYER'S ABILITY TO REPAY A LOAN	16
MAKING AN ADDITION TO OR MODIFICATION OF THE TERMS OF AN INSTRUMENT PREVIOUSLY SIGNED OR INITIALED	16
REPRESENTATION ABOUT THE MARKET VALUE OF SECURING PROPERTY.....	17
FALSE OR MISLEADING REPRESENTATION AS TO PROPERTY FEATURES	18
FALSE OR MISLEADING REPRESENTATION AS TO SIZE OR LOCATION	18
FALSE OR MISLEADING REPRESENTATION AS TO PROPERTY PURPOSE.....	18
FAILURE TO DISCLOSE MATERIAL FACTS.....	18
WILLFULLY FAILING TO PRESENT ANY WRITTEN OFFER TO PURCHASE.....	20
PRESENTING COMPETING WRITTEN OFFERS	21
FAILURE TO EXPLAIN THE SIGNIFICANCE OF A CONTINGENCY IN AN OFFER.....	22
FAILURE TO DISCLOSE THE NATURE AND EXTENT OF LICENSEE INTEREST TO SELLER.....	24
FAILURE TO DISCLOSE THE NATURE AND EXTENT OF LICENSEE INTEREST TO BUYER	24
FAILURE TO DISCLOSE THE NATURE AND EXTENT OF LICENSEE INTEREST TO PRINCIPAL	24
EXAMPLES OF UNLAWFUL CONDUCT – LOAN TRANSACTIONS	26
REGULATIONS.....	27
DISCRIMINATION.....	27
AGE DISCRIMINATION – SENIOR CITIZEN HOUSING.....	28
HOUSING DISCRIMINATION.....	29
OTHER STATE LAWS AND REGULATIONS.....	30
THE FEDERAL RULES.....	31
SUBDIVISIONS	32
CONCLUSION.....	32
WRITTEN ASSIGNMENT.....	34
WRITTEN ASSIGNMENT ANSWER KEY	35

ETHICS, PROFESSIONAL CONDUCT, AND LEGAL ASPECTS OF REAL ESTATE

INTRODUCTION

What happens when a conflict arises between one real estate licensee's personal rules of ethics and the "questionable moral values" displayed by another licensee cooperating in a joint real estate transaction?

A dilemma is created for both licensees, of course. Objectively, what can the licensee do whose personal sense of ethics has been offended, other than to engage in a meaningless "my opinion is..." exchange with the other licensee?

For California real estate licensees, sets of laws exist which govern ethics and professional conduct. This course summarizes those laws and presents legal cases and illustrations of those laws. Some of this course is based on the "Real Estate Law" book published by the California Bureau of Real Estate (CalBRE), as well as the "Reference Book," also published by the CalBRE.

For each of us the word "ethics" probably holds a different meaning. For those engaged in business enterprises of whatever nature, in its deepest, broadest and most idealistic sense, ethics should hopefully mean "Do unto others as you would have them do unto you." This is the ethical basis for virtually all religious and moral systems in the world. If only all people could heed that simple lesson. By exercising the Golden Rule standard in business relationships, individuals then would not need to impose their own sometimes faulty personal values or preferences on others.

There is wide public interest in how real estate practitioners conduct their brokerage businesses. If the individual ethical performances of brokers and salespersons become too deficient, more government regulations are probable. Such additional government regulation need not materialize if each real estate broker makes proper ethical decisions for his or her own business enterprise, recognizing that the best interests of the citizens in the community should be served before his or her own.

ENFORCEMENT OF REAL ESTATE LAW

A licensing and regulatory law is effective only to the extent of its enforcement. The Commissioner, as the chief officer of the Bureau, is duty bound to enforce the provisions of the Real Estate Law.

The Commissioner must upon a verified written complaint, or may, upon the

Q-1
#2-b

Final
#2
b

hand, if the testimony substantiates the charges and they appear to be sufficiently serious, the license of the respondent is suspended or revoked. After a license is revoked, the person affected may not apply for reinstatement of the license until one year has passed.

Representatives of the Commissioner also investigate persons or firms who appear to be operating improperly, or without benefit of a license, or who subdivide land without complying with the subdivision laws enforced by the Commissioner. If sufficient evidence of a violation is obtained, an Order to Desist and Refrain is issued, or a complaint is brought and the parties are prosecuted in a court of competent jurisdiction.

LICENSE SUSPENSION OR REVOCATION

Sections 10176 and 10177 of the California Business and Professions Code constitute the foundation for most license suspensions or revocations. Section 10176 is concerned with the actions of a real estate licensee performing or attempting to perform any of the licensed acts within the scope of the Real Estate Law. As a general rule, the licensee must have been acting as an agent in a real estate transaction before this section will apply.

The provisions of some parts of Section 10177, on the other hand, apply to situations where the licensee was not necessarily acting as an agent. The following contains a brief explanation or discussion of the various grounds for disciplinary action against licensees and reasons for which a real estate license may be denied.

MISREPRESENTATION – SECTION 10176(a)

Many complaints received by the Commissioner allege misrepresentation on the part of the broker or salesperson. Included also as a cause for discipline under this section is failure of a broker or salesperson to disclose to his or her principal material facts of which the principal should be made aware. If the misrepresentation was not important, and the person to whom it was made would have proceeded with the transaction anyway, the misrepresentation probably would not be material. However, an Attorney General's opinion holds that damage or injury need not be present to support an action under this section. The reason is that the California Real Estate Law concerns the conduct of licensees rather than the settling of disputes about damages or injuries between licensees and their clients.

FALSE PROMISE – SECTION 10176(b)

A false promise and a misrepresentation are not the same thing. A misrepresentation is a false statement of fact. A false promise is a false statement about what the promisor is going to do. Many times a false promise is proved by showing that the promise was impossible to perform and that the person making the promise knew it was impossible.

CONTINUED MISREPRESENTATION – SECTION 10176(c)

This section gives the Commissioner the right to discipline a licensee for "a continued and flagrant course of misrepresentation or making of false promises through real estate agents or salespersons."

Final
#3-c

DUAL AGENCY – SECTION 10176(d)

Q-1
#3-A

Failure to inform all principals that the licensee is acting as agent for more than one party in a transaction.

Final
#4-c

COMMINGLING – SECTION 10176(e)

Final
#5-d Q-1
#5-a

Commingling takes place when a broker has mixed the funds of a principal with the broker's own money. (Conversion is misappropriating and using a principal's funds. Conversion, of course, can be a more serious offense.)

Q-1
#4-B

DEFINITE TERMINATION DATE – SECTION 10176(f)

Failure to include a specified termination date on all exclusive listings relating to transactions for which a real estate license is required. The exclusive listing itself must be clear as to expiration.

SECRET PROFIT – SECTION 10176(g)

Secret profit cases usually arise when the broker, who already has a higher offer from another buyer, makes a low offer, usually through a "dummy" purchaser. The broker then sells the property to the interested buyer for the higher price. The difference is the secret profit.

LISTING OPTION – SECTION 10176(h)

A licensee who has used a form which is both an option and a listing must inform the principal of the amount of profit the licensee will make, and must obtain the written consent of the principal approving the amount of such profit, before the licensee may exercise the option. This section does not apply where a licensee is using an option only.

DISHONEST DEALING – SECTION 10176(i)

"Dishonest dealing" is a sort of catch-all section similar to Section 10177(f). The difference is that under Section 10176(i) the acts must have been those requiring a license, while there is no such need under Section 10177(f).

SIGNATURES OF PROSPECTIVE PURCHASERS – SECTION 10176(j)

Final
#6-d

Brokers must obtain a written authorization to sell from a business owner before securing the signature of a prospective purchaser to any agreement providing for compensation to the broker if the purchaser buys the business.

Q-2
#1-a

4 Before proceeding with reading, please do Mandatory Quiz Section #1

OBTAINING A LICENSE BY FRAUD – SECTION 10177(a)

Misstatements of fact in an application for a license; procurement of a license by fraud, misrepresentation, or deceit (e.g., failure to reveal a previous criminal record).

CONVICTIONS – SECTION 10177(b)

Criminal conviction for either a felony or a misdemeanor which involves moral turpitude and is substantially related to the qualifications, functions, or duties of a real estate licensee. A court has defined moral turpitude as "everything done contrary to justice, honesty, modesty, or good morals."

FALSE ADVERTISING – SECTION 10177(c)

Includes subdivision sales as well as general property sales.

VIOLATIONS OF OTHER SECTIONS – SECTION 10177(d)

This section is the Bureau's authority to proceed against the licensee for violation of any of the other sections of the Real Estate Law, the Regulations of the Commissioner, and the Subdivided Lands Law.

MISUSE OF TRADE NAME – SECTION 10177(e)

Use of any trade name or insignia of membership in any real estate organization if the licensee is not a member of that organization.

CONDUCT WARRANTING DENIAL – SECTION 10177(f)

An essential requirement for the issuance of a license is that the applicant be honest and truthful. If any of the acts of a licensee establish that the licensee is not possessed of these characteristics, Section 10177(f) will apply. This section also provides for disciplinary actions when a real estate licensee has either had a license denied or a license issued by another agency of this state, another state, or the federal government, revoked or suspended for acts which if done by a real estate licensee would be grounds for the suspension or revocation of a California real estate license.

NEGLIGENCE OR INCOMPETENCE – SECTION 10177(g)

The Bureau proceeds in those cases where the licensee is so careless or unqualified that to allow the licensee to handle a transaction would endanger the interests of clients or customers.

SUPERVISION OF SALESPERSONS – SECTION 10177(h)

Disciplinary action may result if a broker fails to exercise reasonable supervision over the activities of the broker's salespersons.

Final

#7-d

Not Strict

*Q-2
#2-b*

VIOLATING GOVERNMENT TRUST – SECTION 10177(i)

Using Government employment to violate the confidential nature of records thereby made available.

OTHER DISHONEST CONDUCT – SECTION 10177(j)

Any other conduct which constitutes fraud or dishonest dealing.

RESTRICTED LICENSE VIOLATION – SECTION 10177(k)

Violation of the terms, conditions, restrictions and limitations contained in any order granting a restricted license.

INDUCEMENT OF PANIC SELLING – SECTION 10177(l)

To solicit or induce the sale, lease, or the listing for sale or lease, of residential property on the grounds, wholly or in part, of loss of value, increase in crime, or decline in the quality of the schools due to the present or prospective entry into the neighborhood of a person or persons of another race, color, religion, ancestry, or national origin.

VIOLATION OF FRANCHISE INVESTMENT LAW – SECTION 10177(m)

Violation of any of the provisions of the Franchise Investment Law (Division 5 commencing with Section 31000 of Title 4 of the Corporations Code) or any regulations of the Corporations Commissioner pertaining thereto.

VIOLATION OF CORPORATIONS CODE – SECTION 10177(n)

Violation of any of the provisions of the Corporations Code or of the Regulations of the Commissioner of Corporations relating to securities as specified in Section 25206 of the Corporations Code.

FAILURE TO DISCLOSE OWNERSHIP INTEREST – SECTION 10177(o)

Failure to disclose to buyer the nature and extent of ownership interest a licensee has in property which is the subject of a transaction in which the licensee is an agent for the buyer. Also, failure to disclose such ownership on the part of licensee's relative or special acquaintance or entity in which licensee has ownership interest.

OTHER PENALTY SECTIONS

There are additional sections in the Business and Professions Code which provide for the revocation or suspension of licenses under Section 10177(d) of the law.

The following are brief summaries:

- **Sections 10137 and 10138** – It is unlawful to employ or compensate any unlicensed person to perform acts requiring a license.
- **Section 10140** – Anyone who engages in false advertising is guilty of a public offense and, if a real estate licensee, will be held to trial by the Commissioner for a suspension or revocation of his license.
- **Section 10140.6** – Advertising of acts which require a license must contain a designation disclosing that the licensee is performing such acts.
- **Section 10141** – A broker must cause notice of sales price to be given to both buyers and sellers within one month after the sale is completed.
- **Section 10141.5** – Within one week after the closing of a transaction, a broker must cause a deed of trust to be recorded with the county recorder or cause it to be delivered to the beneficiary with a written recommendation that it be recorded unless, of course, written instructions not to record are received from the beneficiary.
- **Section 10142** – A licensee must give a copy of any contract to the party signing at the time it is signed.
- **Section 10145** – A broker who accepts funds belonging to others must deposit those funds that are not immediately placed into a neutral escrow depository or into the hands of the broker's principal into a trust fund account maintained by the broker in a bank or recognized depository in this state.
- **Section 10148** – This section requires retention and availability for inspection and copying of all listings, deposit receipts, cancelled checks, trust records, and other similar documents for a three-year period.
- **Section 10160** – Brokers must retain and make available for inspection the licenses of salespersons in the broker's employ.
- **Section 10161.8** – A broker must notify the BRE when a salesperson is employed or terminated.
- **Section 10162** – All active brokers must maintain a definite place of business in the State of California.
- **Section 10163** – Brokers maintaining more than one place of business must first procure branch office license(s).

Q-2
#3-b

#8-c

- **Section 10167** – This section requires the licensing of individuals, other than real estate licensees, engaged in prepaid rental listing services and makes a willful violation of the law a misdemeanor.
- **Section 10176.5** – The Commissioner may suspend or revoke the license of one in violation of any of the Civil Code Sections (1102, et seq.) which deal with use of the Real Property Transfer Disclosure Statement.
- **Section 10177.1** – The Commissioner may, without a hearing, suspend the license of any person who procured the license by fraud, misrepresentation, deceit, or by the making of any material misstatement of fact in the application for license.
- **Section 10177.2** – The Commissioner may suspend or revoke the license of a licensee for violations while performing acts under Section 10131.6 (mobilehome sales).
- **Section 10177.4** – The Commissioner may suspend or revoke the license of a licensee who accepts compensation for referring customers to any escrow agent, structural pest control firm, home protection company, title insurer, controlled escrow company, or underwritten title company.
- **Section 10177.5** – When a final judgment is issued in a civil action against a licensee upon the grounds of fraud, misrepresentation, or deceit, the Commissioner may suspend or revoke the license.
- **Section 10178** – If a broker terminates a salesperson for cause and then fails to notify the Commissioner, the Commissioner may temporarily suspend or permanently revoke the real estate license of the employing broker.
- **Section 10475** – Automatic suspension of a real estate license will result if the Commissioner pays a claim against a licensee from the Recovery Account. No license may be reinstated until full reimbursement to the fund with interest is made.

EXAMPLES OF UNLAWFUL CONDUCT – SALE, LEASE, OR EXCHANGE

KNOWINGLY MAKING A SUBSTANTIAL MISREPRESENTATION OF LIKELY VALUE

Knowingly making a substantial misrepresentation of the likely value of real property to:

- a. its owner either for the purpose of securing a listing or acquiring an interest in the property for the licensee's own account; or

i) any other conduct, whether of the same or a different character than specified in this section, which constitutes fraud or dishonest dealing.”

REPRESENTING THAT A LICENSEE HAS OBTAINED A BONA FIDE WRITTEN OFFER

Representing to an owner of real property when seeking a listing that the licensee has obtained a bona fide written offer to purchase the property, unless at the time of the representation the licensee has possession of a bona fide written offer to purchase.

Illustration:

Dyer v. Watson, 121 Cal. App. 2d 84 (1953).

Brief Statement of Case:

A broker's license was revoked for falsely representing to those who had paid fees to her that real properties were available for rent.

Pertinent Facts:

Dyer, a real estate broker, advertised a rental service. Newspaper ads were placed by Dyer stating that for a certain fee she would give registrants listings of rental properties in various areas of town, at various price ranges. She claimed to be in possession of over 900 such listings. The Real Estate Commissioner, after a hearing, found that Dyer did not know if such listings were actually available for rent and concealed from registrants her lack of such knowledge with the purpose of inducing the registrants to enter into a principal-agency relationship with her.

Upon such findings, Dyer's license was ordered revoked. Dyer then brought an action in Superior Court to compel the Commissioner to rescind his order. After the Superior Court denied her action, Dyer appealed. The Appellate Court thereupon affirmed all findings in the discussion which follows.

Legal Principles:

The Appellate Court found that such misrepresentations by the broker to induce others to enter into a transaction subjects a broker to a license revocation and are violations of Section 10176 of the Business and Professions Code, subdivisions: (b) making any false promises of a character likely to influence, persuade or induce, (c) a continued and flagrant course of misrepresentation or making of false promises through real estate agents or salespersons, and (i) any conduct which constitutes fraud or dishonest dealing.

COMMENTARY:

Notation:

A licensee cannot induce a listing by telling a seller he has a buyer or buyers already interested in the property. Any offers the licensee may have must be actual, written, and in the licensee's possession.

Example:

A broker has a client interested in purchasing a home in a certain area of town. With this information, the broker contacts a homeowner in that area, telling him he has a client who has made a very favorable offer for the property. The broker thereby induces the homeowner to give him a listing on the property.

A similar problem often arises in the home rental situation where a broker induces fees for services without actually having bona fide listings of vacant properties.

STATING THAT A LICENSEE IS PRECLUDED FROM CHARGING LESS THAN THE COMMISSION OR FEE QUOTED

Stating or implying to an owner of real property during listing negotiations that the licensee is precluded by law, by regulation, or by the rules of any organization, other than the broker firm seeking the listing, from charging less than the commission or fee quoted to the owner by the licensee.

WHAT THE BUSINESS AND PROFESSIONS CODE, SECTION 10147.5(a) HAS TO SAY:

"Any printed or form agreement which initially establishes, or is intended to establish, or alters the terms of any agreement which previously established a right to compensation to be paid to a real estate licensee for the sale of residential real property containing not more than four residential units, or for the sale of a mobilehome, shall contain the following statement in not less than 10-point boldface type immediately preceding any provision of such agreement relating to compensation of the licensee:

Notice: The amount or rate of real estate commissions is not fixed by law. They are set by each broker individually and may be negotiable between the seller and broker."

Commentary on the Code Section:

Commissions on sales of property are negotiable even though in actual practice a certain percentage may be charged by all brokers (for

example, six percent on residential sales). It is fraudulent and dishonest for brokers to inform potential clients or to imply that a commission rate is set at a certain percentage according to law or government regulations.

Case Law:

The California courts have yet to make any decisions regarding whether a certain percentage of commission charged by all brokers is violative of anti-trust or monopoly regulations.

However, the California Supreme Court has ruled that denying non-members access to a multiple listing service violates the Cartwright Act (anti-trust law). To limit multiple listing access to persons primarily engaged in real estate business, and thereby excluding non-members, constitutes unlawful anti-competitive practice. [Marin County Board of Realtors®, Inc. v. Palsson, 16C.3d 920 (1976), also see Glendale Board of Realtors® v. Hounsell, 72 C.A.3d 210 (1977).]

MISREPRESENTATIONS REGARDING LICENSEE'S RELATIONSHIPS

Knowingly making substantial misrepresentations regarding the licensee's relationship with an individual broker, corporate broker, or franchised brokerage company or that entity's/person's responsibility for the licensee's activities.

UNDERESTIMATING CLOSING COSTS

Knowingly underestimating the probable closing costs in a communication to the prospective buyer or seller of real property in order to induce that person to make or to accept an offer to purchase the property.

Illustration:

Caro v. Savage, 201 Cal. App. 2d 538 (1962).

Brief Statement of Case:

A real estate broker had his license revoked by the Real Estate Commissioner after he had arranged for payment of a second trust deed at less than its unpaid balance and represented to a seller that the full unpaid balance had been paid, thereby pocketing the difference. His conduct was found to be a substantial misrepresentation, thereby subjecting him to a disciplinary proceeding.

Pertinent Facts:

Caro, a real estate broker, arranged a sale whereby the seller would pay off an existing second deed of trust and sell the property to Buschman's wife. Buschman was also a broker. The seller was not told

Q-2
#5-b

#10-b never

that the buyer was a broker's wife. She used her maiden name for the transaction. Caro and Buschman planned to collect the commission from the seller, then Buschman would help his wife resell the property for a profit. Caro, without the seller's knowledge, obtained the consent of the beneficiary and owner of the second deed of trust on the property to accept \$1,800 in full satisfaction of the debt which then had an unpaid balance of \$1,985.

An escrow was opened to complete the sale. From funds in escrow, \$1,800 was paid to extinguish the second deed of trust, but the seller was charged \$1,985, with the difference of \$185 going to the brokers. Caro later delivered to the seller a statement showing a payment of \$1,985 for full satisfaction of the debt. After the sale was completed, on discovering the true facts, the seller charged that Caro and Buschman concealed the true facts and costs of closing the escrow. After an administrative hearing, the Commissioner of Real Estate revoked the broker's licenses.

The brokers filed a petition in Superior Court for a writ of mandate to compel the Commissioner to rescind his order. The trial court found in favor of the brokers. On appeal by the Commissioner, the Appellate Court found Caro's license was properly revoked.

Legal Principles:

The conduct of the broker, Caro, was in violation of Business and Professions Code 10176(a), (g), and (i), i.e. making a substantial misrepresentation, taking a secret or undisclosed amount of compensation, and conduct constituting fraud or dishonest dealing. The court found that the broker had a duty to disclose to the seller all material information. Here the cost of paying off the debt secured by the second deed of trust was a misrepresented cost of closing.

COMMENTARY:

Notation:

Closing costs, such as broker's and lender's commissions, reports, loan fees, escrow fees, etc., are sometimes substantial amounts that must be taken into account by the broker when advising a client of his true costs. A broker's concealment of such costs constitutes a substantial misrepresentation and can subject the broker to action by the Commissioner and civil liability.

Example:

A broker discloses to a possible buyer that closing costs, including the commission, will not exceed a certain amount. The buyer thereby makes an offer (that is accepted) on property the broker has a listing

for. Subsequently, the buyer learns that the loan origination fees and lender's commission are substantially higher than stated by the broker.

FALSE OR MISLEADING REPRESENTATION AS TO DEPOSIT

Knowingly making a false or misleading representation to the seller of real property as to the form, amount, and/or treatment of a deposit toward the purchase of the property made by an offeror.

Illustrations:

Wilson v. Lewis, 106 Cal. App. 3d 802 (1980).

Brief Statement of Case:

In an action by a purchaser and broker to recover damages and a commission for the seller's avoidance of a sale, the court found that due to the nondisclosure of a contingency that affected the closing, the purchaser could not prevail, nor could the broker collect a commission.

Pertinent Facts:

A seller wished to sell certain real property to a buyer, with the seller to pay the broker's commission. The buyer gave to the broker an offer and a post-dated check for \$500 as a deposit. Written on the check was "Pending Inspection," which meant that the money was pending inspections for appraisal and termites. The broker gave the offer to the seller who accepted and told the seller simply that there was a \$500 deposit. The broker did not disclose that the check was post-dated or that it was subject to inspection contingencies. The next day the seller called the broker to repudiate the agreement. The buyer then sued the seller for breach of agreement, and the broker sued for his commission.

The trial court found in favor of the buyer and broker, but upon appeal, the seller prevailed.

Legal Principles:

This case also illustrates a violation of this regulation whereby the broker misrepresented to the seller the form of the deposit received from the buyer. Rather than a \$500 deposit as the broker represented, the post-dated check amounted to a credit instrument whereby the seller was holding a promise of future payment.

Hypothetical Examples:

1. The broker prepares a deposit receipt which acknowledges receipt of a buyer's deposit. The buyer lacks sufficient funds in his checking account so rather than write a check, the broker

suggests that the buyer sign a promissory note payable on demand, in the amount of the deposit. The broker fails to tell the seller upon the seller's acceptance of the offer that the deposit is in note form.

2. The broker takes from a buyer a deposit check for \$1,000 payable to the broker. The broker cashes the check, using the funds to pay office rent. One week later the broker deposits \$1,000 in his checking account and writes a \$1,000 check payable to the seller for the deposit. The broker tells the seller that the offer and deposit just came from the buyer.

FALSE OR MISLEADING REPRESENTATION ABOUT A BUYER'S ABILITY TO REPAY A LOAN

Knowingly making a false or misleading representation to a seller of real property, who has agreed to finance all or part of a purchase price by carrying back a loan, about a buyer's ability to repay the loan in accordance with its terms and conditions.

MAKING AN ADDITION TO OR MODIFICATION OF THE TERMS OF AN INSTRUMENT PREVIOUSLY SIGNED OR INITIALED

Making an addition to or modification of the terms of an instrument previously signed or initialed by a party to a transaction without the knowledge and consent of the party.

Illustration:

Wahl v. Division of Real Estate, 197 Cal. Ap. 2d 98 (1961).

Brief Statement of Case:

A broker's license was revoked for altering a deposit receipt that had been previously signed, making false representations and commingling funds belonging to his client.

Pertinent Facts:

Wahl, a licensed broker asked the Superior Court for a writ of mandate to review the revocation of his license. From a judgment by that Court upholding the revocation, Wahl appealed. On the following facts, the Appellate Court found ample evidence to support the revocation.

Wahl agreed to negotiate the exchange of ranch property owned by the Schneiders for a motel. The Schneiders gave Wahl's partner a listing on the ranch. In negotiations for the exchange, Wahl made various representations regarding the motel, its income potential, and physical condition. The Schneiders thereupon gave Wahl a deposit of \$500.

A broker was denied recovery of his commission because the broker's contract for commission was not in writing, and the broker had failed to disclose facts to his client regarding the transaction.

Pertinent Facts:

A broker (Garson) agreed to sell Brown's property for \$300,000 with a five percent commission to be paid on the total. A past client of Garson offered to buy the property for \$292,500. Not believing Brown would accept less than \$300,000, Garson told the buyer, who then agreed to give Garson an exclusive listing to lease the property later on in exchange for the loss on commission Garson would take on a reduced price. Garson decided in order to make the deal and continue doing business with the buyer he would submit to Brown the \$292,500 offer and accept a reduced commission of \$7,500.

However, when Garson presented the offer to Brown, he demanded the five percent commission (\$15,000). When Brown refused to pay a five percent commission on that purchase price, Garson said he would reduce his commission to \$7,500 and did not disclose his exclusive listing for a lease with the buyer.

The transaction subsequently failed due to cancellation of the escrow by the buyer. Later, Brown sold the property for \$310,000 with \$15,000 paid to another broker as commission. Garson then sued Brown to recover the commission he claimed to have earned. The Court denied Garson's commission on the grounds that Garson did not prove an oral agreement for the commission, the sale was never completed, and Garson failed to disclose to his principal, Brown, facts that were material to the transaction.

Legal Principles:

The broker is bound to disclose to the principal any facts known to him which are material to the transaction. Any concealment from the principal of material facts known to the agent may operate to forfeit the right of the agent to compensation for his services, and it does not matter if there was no fraud mediated and no injury done. The rule is not intended to be remedial of actual wrong, but preventive of the possibility of it.

WHAT THE BUSINESS AND PROFESSIONS CODE HAS TO SAY:

Section 10176 – "The Commissioner may, upon his own motion, and shall, upon the verified complaint...of any person, investigate the actions of any...real estate licensee...and he may temporarily suspend or permanently revoke a real estate license at any time where the licensee...has been guilty of any of the following:

b) making any false promises of a character likely to influence, persuade or induce...

i) any other conduct...which constitutes fraud or dishonest dealing.”

NOTATION TO CODE SECTION:

Material facts are those which may affect the buyer's or seller's decision to enter into a transaction. Any such facts must be disclosed to a buyer or seller. Failure to do so could result in disciplinary action against a licensee by the Bureau of Real Estate and a civil action by a buyer or seller damaged as a result of a licensee's nondisclosure of material facts.

WILLFULLY FAILING TO PRESENT ANY WRITTEN OFFER TO PURCHASE

Willfully failing, when acting as a listing agent, to present or cause to be presented to the owner of the property any written offer to purchase received prior to the closing of a sale, unless expressly instructed by the owner not to present such an offer, or unless the offer is patently frivolous.

Illustration:

Bell v. Scudder, 78 C.A. 2d 448 (1947).

Brief Statement of Case:

A broker's license was suspended for 60 days prior to its renewal for failing to advise his clients of an offer to purchase the client's property at a higher price than what the broker agreed to pay his client to buy the property according to an option agreement between the client and broker.

Pertinent Facts:

Prinz, a salesperson employed by a broker, Bell, solicited from sellers, Mr. and Mrs. King, a listing to sell the Kings' ranch property for \$10,500 with a five percent commission. Later, pursuant to Bell's request, the Kings reduced the price to \$8,500 net to seller. Subsequently, a buyer met with Rapley, another salesperson of Bell's, to discuss purchase of the ranch property. Rapley told the buyer about the Kings' property and that it was once listed at \$12,000 to \$12,500 but was reduced to \$10,500. The buyer offered \$10,000 for the Kings' property. Prinz then told Mrs. King that there was an offer for \$8,000 and another \$500 could possibly be obtained if the Kings would send Bell a telegram stating \$8,500 as a firm price.

In response, Bell sent word to the buyer that the Kings had accepted the \$8,000 offer. Bell then told the Kings that the property was sold to a

Q-3
#2-a
Final
#12-d

After taking title, the broker's wife conveyed the property to a corporation wholly owned by the broker and his wife. The Commissioner thereupon revoked the broker's license. The broker petitioned the court to compel the Commissioner to desist in the revocation action. Finding the Commissioner acted properly, the court affirmed the revocation.

Legal Principles:

Failure to disclose that a broker himself is interested in purchasing property is ground for suspension or revocation of the license.

NOTATION:

A broker's duty to disclose his interest in the purchase of property extends to purchases by his relatives, friends, employees, and to entities in which he has an interest. For example, a sale arranged to a corporation or partnership in which the broker has an ownership interest must be prefaced by a full disclosure to the seller that the broker has an interest in the sale beyond his commission. Without a disclosure to the seller, the broker is dealing for himself as a buyer and attempting to earn a commission as well.

Final
#13-a

WHAT THE BUSINESS AND PROFESSIONS CODE SECTION 10176(d), SAYS DIRECTLY ABOUT THIS ISSUE:

The Commissioner may, under this code section, suspend or revoke a license at any time when a licensee acts for more than one party in a transaction, i.e., his principal, without the knowledge or consent of all parties involved.

EXAMPLE:

A broker would be in violation of this guideline and the Business and Professions Code in the following situation:

A broker formed a corporation, then worked for a seller to sell property to the corporation. The broker at no time revealed to the seller his interest in the corporation.

Q-3
#3-A

FIDUCIARY RESPONSIBILITIES OF REAL ESTATE LICENSEES:

1. Cases have also held that a broker holds the principal's funds as a trustee. He is thereby responsible for the utmost care in disposing of the funds according to the principal's direction (see *Holloyay v. Theile*, 116 Cal. App. 2d 68 (1953)).
2. For any breach of his fiduciary duty a broker may be subject to several areas of liability:

- a. civil liability to his principal based on a breach of fiduciary duty;
- b. civil liability to his principal based on a breach of contract; and
- c. disciplinary action by the Real Estate Commissioner under Business and Professions Code Sections 10175 – 10185.

EXAMPLES OF UNLAWFUL CONDUCT – LOAN TRANSACTIONS

Conduct such as the following when soliciting, negotiating, or arranging a loan secured by real property or the sale of a promissory note secured by real property may result in license discipline:

1. Knowingly misrepresenting to a prospective borrower of a loan to be secured by real property or to an assignor/endorser of a promissory note secured by real property that there is an existing lender willing to make the loan or that there is a purchaser for the note, for the purpose of inducing the borrower or assignor/endorser to utilize the services of the licensee.
2. Knowingly making a false or misleading representation to a prospective lender or purchaser of a loan secured directly or collaterally by real property about a borrower's ability to repay the loan in accordance with its terms and conditions.
3. Failing to disclose to a prospective lender or note purchaser information about the prospective borrower's identity, occupation, employment, income, and credit data as represented to the broker by the prospective borrower.
4. Failing to disclose information known to the broker relative to the ability of the borrower to meet his or her potential or existing contractual obligations under the note or contract, including information known about the borrower's payment history on an existing note, whether the note is in default, or the borrower in bankruptcy.
5. Knowingly underestimating the probable closing costs in a communication to a prospective borrower or lender of a loan to be secured by a lien on real property for the purpose of inducing the borrower or lender to enter into the loan transaction.
6. When soliciting a prospective lender to make a loan to be secured by real property, falsely representing or representing without a reasonable basis to believe its truth, the priority of the security, as a lien against the real property securing the loan, for example, a first, second, or third deed of trust.
7. Knowingly misrepresenting in any transaction that a specific service is free when the licensee knows or has a reasonable basis to know that it is covered by a fee to be charged as part of the transaction.

documents, as these are defined in Section 1351, or qualified as a senior community under the federal Fair Housing Amendments Act of 1988, as amended. Typically, this refers to the number of dwelling units in a standard metropolitan statistical area based on current census figures or the number of dwelling units in any other area.

The law provides standards for the restrictions used for senior citizen housing developments. The restrictions cannot limit occupancy more strictly than to senior citizen residents and "a qualified permanent resident." A qualified permanent resident is a person who meets both of the following requirements:

1. was residing with the qualifying resident or senior citizen prior to the death, hospitalization, or other prolonged absence of, or the dissolution of marriage with, the qualifying resident or senior citizen; and
2. was 45 years of age or older, or was a spouse, cohabitant, or person providing primary physical or economic support to the qualifying resident or senior citizen.

The qualified permanent resident can remain in residency after the death of the senior citizen or upon dissolution of a marriage with a senior citizen, although restrictions apply.

Housing developments which were constructed prior to February 8, 1982, can still discriminate by age for senior citizens as an exception to Section 51, if they meet the requirements for senior citizen housing, except the criteria that the housing be specifically designed for physical and social needs for senior citizens.

The Unruh Act does not apply to mobilehome developments.

Under the Unruh Act, as well as under case law, restrictions or prohibitions by covenant or condition in written instruments, such as CC&R's on use, occupancy or transfer of title to real property limiting acquisition, and occupation of real property because any of the prohibited classifications are void. (Civil Code Section 51.3).

HOUSING DISCRIMINATION

The Fair Employment and Housing Act (Government Code Section 12900, et seq.) applies to owners of specified types of property, to real estate brokers and salespersons, to other agents and to financial institutions. Sections 12955 and 12980 – 12988 specifically cover housing discrimination. The law prohibits discrimination in supplying housing accommodations because of race, color, religion, sex, marital status, national origin, ancestry, age, familial status, or disability.

The phrase "housing accommodations" is defined as improved or unimproved real property used or intended to be used as a residence by the owner and which consists of not more than four dwelling units. The definition also includes four or fewer owner-occupied housing units that secure a home improvement loan.

The law forbids such discrimination in the sale, rental, lease, or financing of

practically all types of housing and establishes methods of investigating, preventing, and remedying violations. However, the provisions of Sections 51.2 and 51.3 of the Civil Code, as described above, which establish permissible age criteria for a senior citizen retirement community as an exception to the basic prohibition against age discrimination in housing, also apply to this Act.

Housing discrimination under the Fair Employment and Housing Act is handled by administrative procedures. Complaints are directed to the Department of Fair Employment and Housing and are investigated by its staff. If the Bureau decides that the law has been violated, and if the person accused of violating the law cannot be persuaded to correct the violation, the Bureau may file an accusation with the Fair Employment and Housing Commission or bring an action in the Superior Court for an injunction.

If the Fair Employment and Housing Commission, after hearing, finds a violation of the law, it may order the sale or rental of the accommodation or like accommodations, if available. It may order financial assistance terms, conditions or privileges previously denied. In addition, it may order payment of punitive damages, adjusted annually in accordance with the consumer price index, and the payment of actual damages. Substantial civil penalties can also be imposed by the Commission. The Bureau is required to perform a compliance review to determine whether its order is being carried out.

The Fair Employment and Housing Act applies to all housing accommodations but does not apply to renting or leasing to a roomer or boarder in a single-family house, provided that no more than one roomer or boarder is to live within the household.

The term "discrimination" includes refusal to sell, rent, or lease housing accommodations, including inferior terms, misrepresentation as to availability, cancellations, etc. For sale or rent advertisements containing discriminatory information are prohibited. Also, discrimination includes failure to design or build a multi-family dwelling of four or more units in a manner that allows disabled persons access and use.

OTHER STATE LAWS AND REGULATIONS

The Housing Financial Discrimination Act of 1977, also known as the Holden Act (Part 6 of Division 24 of the Health and Safety Code, Section 35800 et seq.), prohibits discriminatory loan practices on the part of financial institutions (banks, savings and loan associations, or other financial institutions, including mortgage loan brokers, mortgage bankers and public agencies which regularly make, arrange, or purchase loans for the purchase, construction, rehabilitation, improvement, or refinancing of housing accommodations).

No financial institution may discriminate in its financial assistance wholly or partly on the basis of consideration of conditions, characteristics, or trends in a neighborhood or geographic area unless the financial institution can demonstrate that such consideration in a particular case is necessary to avoid an unsafe and unsound

business practice.

The Secretary of the Business, Transportation and Housing Agency has issued rules, regulations, and guidelines for enforcement of this law and is empowered to investigate complaints regarding lending patterns and practices. Investigation of complaints has been delegated to the state agency which regulates the particular financial institution involved. If a violation is found, the Secretary can order that the loan be made on nondiscriminatory terms or impose a fine on the offending lender.

The Secretary reports annually to the Legislature on the activities of the regulatory agencies in complying with this law. The report includes a description of any actions taken by the Secretary or the Secretary's designee to remedy patterns or practices the Secretary determines are in violation of the law.

Financial institutions are required to notify loan applicants of the existence of this law.

Business and Professions Code Section 125.6 contains disciplinary provisions for discriminatory acts by any person licensed under the provisions of the Business and Professions Code.

Commissioner's Regulations 2725(f), 2780, and 2781 deal with discriminatory conduct and proper supervision of real estate licensees in that regard.

Business and Professions Code Section 10177(l) includes the practice of "blockbusting" as grounds for discipline of a real estate licensee.

THE FEDERAL RULES

Final #15-d
Q-3 #5-a
The federal Fair Housing Act, Title VIII of the Civil Rights Act of 1968, provides an all encompassing set of rules prohibiting discrimination on the part of owners of real property and their agents. This law applies to all sales or rentals of residences through the facilities of real estate licensees and to publication, posting, mailing, or advertising in violation of this law. Direct refusal of an owner to sell a home because of race is, of course, a violation. This law applies to most rental of dwelling units, except it does not apply to the rental of rooms or units in dwellings of four or fewer living quarters if the owner actually occupies one of the living units as his residence.

Real estate licensees are in violation of this law if they commit any of the prohibited actions, even if there was no intent to discriminate, if the result is proscribed discrimination. The law applies to "blockbusting" and steering of home buyers to different areas on the basis of prohibited classifications.

Wherever federal law is applicable, it is paramount. Title VIII declares that its purpose is to provide "within constitutional limitations...for fair housing throughout the United States." In short, this law applies as thoroughly and as widely as is permissible under the broadest applicable provision of the Constitution and applies even to the most local transactions. This law is enforced by the Secretary of Housing and Urban Development or by civil actions by aggrieved parties or by an attorney

Before proceeding with reading, please do Mandatory Quiz Section #3 31

NOTICE: Keep these questions, but mark your answers on the accompanying quiz answer form and return to:
REAL ESTATE LICENSE SERVICES, 5059 NEWPORT AVENUE #209, San Diego, California 92107..

15 Hours Combined Quizzes

On, April 1, 2011 the Bureau of Real Estate began enforcement of new regulations regarding how real estate licensees must do their continuing education courses to renew their licenses. In accordance with those new regulations, the student must do mandatory quizzes prior to taking the final exam(s). Please note that your score on the mandatory quizzes will not determine in any way if you pass or fail your course. Only the final will determine if you pass or fail the course.

After you answer your quizzes, please mail your answers to us. After we receive them, you may take your final exam. If you want the answers to the quizzes, you must send a self-addressed stamped envelope. The quiz answers will not be sent to you unless you send a self-addressed stamped envelope with one ounce First-Class postage attached.

To expedite the completion of your final exams and courses, you may complete your quizzes online by logging in with your email address and password to www.RELSTONEexams.com

Ethics

Review for Section #1

For the course Ethics, Quiz Section #1 is to be taken after reading pages 1-4.

- 1-6 1. The Real Estate Commissioner is charged with enforcing the provisions of the Real Estate Law.
a. True b. False
- 2-6 2. When a California real estate licensee's license is revoked, he must wait two years before applying for reinstatement.
a. True b. False
- 4-2 3. A licensee's failure to inform all principals that he is acting as agent for more than one party in a transaction is grounds for license suspension or revocation.
a. True b. False
- 4-3 4. When an agent or broker mixes the funds of a principal with his own money, conversion has occurred.
a. True b. False
- 4-3 5. The prohibited practice of misappropriating the funds of a principal is known conversion.
a. True b. False

Review for Section #2

For the course Ethics, Quiz Section #2 is to be taken after reading pages 5-13.

- 4-8 1. A broker must obtain a written authorization to sell from a business owner before securing the signature of a prospective purchaser to any agreement.
a. True b. False
- 5-8 2. In California, brokers must exercise a very strict level of supervision over the activities of their salespeople.
a. True b. False

- 11-6 3. A California real estate licensee may give a copy of a contract to the person signing it at any time before the transaction is complete.
a. True b. False

- 12-4 4. Telling a seller that a real estate licensee is prohibited from charging less than a commission amount previously quoted is prohibited in California.
a. True b. False

- 13-4 5. Knowingly underestimating closing costs to a buyer or seller in order to bring about a sale is permitted in California in certain circumstances.
a. True b. False

Review for Section #3

For the course Ethics, Quiz Section #3 is to be taken after reading pages 14-31.

- 16-2 1. California real estate licensees may modify the terms of an instrument previously signed or initialed whenever it serves the client.
a. True b. False
- 17-0 2. Information which may affect a buyer's or seller's decision to enter into a transaction is termed a material fact.
a. True b. False
- 18-0 3. A broker is subject to license suspension or revocation if his corporation buys a property and the broker does not reveal to the seller his interest in the corporation.
a. True b. False
- 21-0 4. California's Unruh Civil Rights Act applies to all types of housing.
a. True b. False
- 21-7 5. If a seller quietly asks a licensee not to show her property to "people of color," the licensee should refuse the listing.
a. True b. False

NOTICE: These questions must be returned with your answer sheet.
REAL ESTATE LICENSE SERVICES, 5059 NEWPORT AVENUE #209, San Diego, California 92107

15 Hours Combined Exams

FINAL EXAM ANSWER FORM INSTRUCTIONS

The Final Exam Answer Form is the blue answer card marked "SCANTRON FORM 90311-RELS." Before beginning your final exam, fill in your name and student file number on the line marked "NAME" on both sides of the form. Write the date on the "DATE" line and beginning time as the "HOUR".

The Final Exam Answer Form has room for 50 questions on each side. Answer 1 thru 15 multiple-choice questions. As you answer the questions on the final exam, make sure that you mark your answers in the appropriate row for each question number.

USE A NO. 2 PENCIL ONLY. Using a pencil other than a No. 2 may cause the computer to incorrectly score your final exam. For each answer, choose the best answer and fill in the appropriate box (A-D) on the Answer Form. Fill in the box completely and dark. For example, if your answer on question 11 was "B" you would do the following:

11. [A] [C] [D]

(Final)

THIS IS AN "OPEN BOOK" EXAMINATION. THE TEXTBOOK MAY BE USED DURING THE EXAM.

Ethics

1. Which of the following is bound to enforce the provisions of the Real Estate Law?
a. the Real Estate Commissioner
b. the Governor
c. Office of the Attorney General
d. Department of Consumer Affairs
2. In California, when a real estate licensee's license is revoked, how long must he wait before applying for reinstatement?
a. six months b. one year c. two years d. three years
3. A licensee's failure to inform all principals that he is acting as agent for more than one party in a transaction is termed:
a. commingling c. dual agency
b. a twofold transaction d. a doubled transaction
4. When an agent or broker mixes the funds of a principal with his own money, which of the following has occurred?
a. conversion b. interchanging c. commingling d. subrogating
5. The prohibited practice of misappropriating the funds of a principal is known as
a. pilfering b. commingling c. embezzling d. conversion
6. A broker has a prospective purchaser for a business. In order to receive compensation, when must the broker obtain from the business owner a written authorization to sell?
a. any time before closing
b. before advising the seller of the prospective offer
c. It is not necessary to obtain a written authorization
d. before securing the signature of the purchaser on the contract
7. In California, what is the level of supervision brokers must exercise over the activities of their salespeople?
a. strict b. sound c. practical d. reasonable
8. When must a California real estate licensee give a copy of any contract to the person signing it?
a. within three business days
b. before the end of the business day on which the contract is signed
c. at the time the contract is signed
d. within a reasonable amount of time

9. When may a California real estate licensee state that she is prohibited from charging less than a commission amount previously quoted?
a. when she makes it clear that accepting a lower commission is prohibited by law.
b. when she is prohibited by her broker from negotiating a lower commission.
c. when she is certain the seller can easily afford to pay the previously quoted commission.
d. when she explains that it is unethical to negotiate the commission amount.

10. In California, when may a real estate licensee knowingly underestimate closing costs to a buyer or seller?
a. to induce a buyer to make an offer which will ultimately benefit him
b. never
c. when the purchase of the property will benefit all parties
d. to induce a seller to accept an offer which will ultimately benefit him

11. When may a California real estate licensee modify the terms of an instrument previously signed or initialed?
a. with the knowledge and consent of the party involved.
b. when time is of the essence.
c. never
d. when no misrepresentation is involved.

12. Information which may affect a buyer's or seller's decision to enter into a transaction is termed:
a. noteworthy b. unbiased
c. objective information d. a material fact

13. A broker forms a corporation, then works for a seller to sell the property to the corporation. The broker at no time reveals to the seller his interest in the corporation. Is the broker subject to having his license revoked?
a. yes because this is a violation of the Business & Professions Code
b. not if the seller receives a fair price for the property
c. only if the seller finds out about the broker's activity
d. no because it is the corporation, not the broker, involved in the transaction

14. California's Unruh Civil Rights Act applies to all of the following EXCEPT:
a. the sale of real property c. mobile home developments
b. discrimination based on gender d. business establishments

15. While taking a listing from a seller, the seller quietly asks you not to show her property to "people of color." Which of the following is your best course of action?
a. accept the listing but do not follow the seller's instructions
b. refer the seller to another agent in your firm
c. follow the seller's instructions
d. refuse the listing