



NORTH CAROLINA
REAL ESTATE LICENSING BOARD

Real Estate Bulletin

VOLUME 8

SUMMER QUARTER 1977

NUMBER 2

Renewal Report 1977-78

Brokers and salesmen licensed as of June 30, 1977	28,928
Corporations licensed as of June 30, 1977	1,594
TOTAL LICENSEES AS OF JUNE 30, 1977	30,522
Brokers and salesmen renewed for 1977-78 (as of 6/30/77)	26,380
Corporations renewed for 1977-78 (as of 6/30/77)	1,432
TOTAL LICENSEES RENEWED FOR 1977-78 (as of 6/30/77)..	27,812
Percentage brokers and salesmen renewed as of June 30, 1977	91%
Percentage corporations renewed as of June 30, 1977	90%

The Licensing Board and staff wish to thank the many licensees who operated by following instructions and filing their applications early.

Bulletin Quiz

If you read this Bulletin carefully, you will be able to answer the following questions:

1. A recent bill passed by the North Carolina General Assembly requires landlords to:

- (A) permit pets in the leased premises.
- (B) keep leased premises in a habitable condition.
- (C) furnish tenants a copy of his deed.
- (D) place rental payments in an interest-bearing account.

2. Contract "kiting"

- (A) is encouraged by most lending institutions.
- (B) is permissible under the Licensing Law.
- (C) must be made known to both the buyer and the seller.
- (D) is a highly illegal practice.

3. Regarding offers to purchase real estate, a broker

- (A) must present all offers, no matter how undesirable.
- (B) may decide which offers to present to his seller.
- (C) should prepare all offers in duplicate.
- (D) cannot submit two offers to the seller at the same time.

(answers on page 4)

POOLE ELECTED CHAIRMAN

At the July meeting of the Licensing Board, Board Member J. Edward Poole of Spring Lake was elected to serve as Chairman for the year beginning August 1, 1977. Mr. Poole, owner of Poole Realty and Insurance Company of Fayetteville, Inc., became a member of the Licensing Board on December 15, 1975 by appointment of Governor James E. Holshouser, Jr.

Edwin W. Tenney, Jr. of Chapel Hill was elected Vice-Chairman of the Board. Mr. Tenney has engaged in the real estate brokerage, construction and insurance business since 1962.

ON THE ROAD TO PROFESSIONALISM — CONTINUING EDUCATION (The Staff Meeting)

Historically, persons desiring to enter a licensed occupation or profession such as real estate brokerage have first been required to demonstrate a working knowledge of basic subject matter in their chosen field. This knowledge is generally acquired through a combination of both on-the-job training and formal education, but all too often the education ends with the hanging of the shingle. The licensee gradually tends to lose his grasp of those fundamental principles and basic skills which originally set him apart from the unlicensed public, and he lapses into a state of complacency and carelessness which can prove dangerous both to himself and to those who seek his services.

In an effort to counteract and reverse this "de-educational" process, real estate licensing authorities

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REAL ESTATE BULLETIN

Published quarterly as a service to real estate licensees to promote a better understanding of the Real Estate Licensing Law, Rules and Regulations, and proficiency in ethical real estate practice.

NORTH CAROLINA REAL ESTATE LICENSING BOARD

115 Hillsborough St.
Raleigh, North Carolina 27602

James B. Hunt, Jr., Governor

BOARD MEMBERS

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Edwin W. Tenney, Jr.
V. Chm. Chapel Hill
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Rufus L. Brock Mocksville
Joe O. Brewer Wilkesboro

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Phillip T. Fisher Admin. Asst.

BULLETIN NEWS

Departing from established policy, the Spring Quarter issue of this Bulletin commemorating the 20th anniversary of the North Carolina Real Estate Licensing Law was sent to all licensed North Carolina brokers and their salesmen.

Returning to normal policy, this and future regular issues of the Bulletin will be sent only to brokers for them to personally review with their salesmen

EXAM RESULTS

Examination — May, 1977		
	Passed	Failed
Brokers	602	289
Salesmen	50	20
Examination — June, 1977		
	Passed	Failed
Brokers	442	227
Salesmen	53	24
Examination — July, 1977		
	Passed	Failed
Brokers	427	270
Salesmen	41	22

Disciplinary Action

EARL GORDON GROVE — Fayetteville — Broker's License No. 27804 — Revoked for violation of G.S. 93A-6(a) (12) — Commingled money of his principals and failed to place \$312.50 earnest money deposit in escrow account.

WILLIAM TRAVIS HALL, SR. — Fayetteville — Broker's License No. 29994 — Revoked for violation of G.S. 93A-6(a) (12) — Commingled money of his principals and failed to place \$312.50 earnest money deposit in escrow account.

OLD COLONY DEVELOPMENT CORPORATION — Fayetteville — Corporation License No. C1562 — Revoked for violation of G.S. 93A-6(a) (12) — Commingled money of its principals and failed to place \$312.50 earnest money deposit in escrow account.

JAMES A. FRIESON — Charlotte — Broker's License No. 20169 — Reprimanded for violation of G.S. 93A-6(a) (3) and (10) — Knew there was an agreement to give buyer credit for past rent but failed to disclose same to Federal Housing Administration.

DOLLY S. PEAY — Charlotte — Broker's License No. 26655 — Reprimanded for violation of G.S. 93A-6(a) (3) and (10) — Knew there was an agreement to give buyer credit for past rent but failed to disclose same to Federal Housing Administration.

RONALDO INVESTMENT CORPORATION — Charlotte — Corporation License No. C-786 — Reprimanded for violation of G.S. 93A-6(a) (3) and (10) — Knew there was an agreement to give buyer credit for past rent but failed to disclose same to Federal Housing Administration.

VANCE E. McBROOM — Fayetteville — Broker's License No. 18158 — Suspended for a period of one hundred eighty (180) days for violation of G.S. 93A-6(a) (8) and (12) — Issued six insufficient

funds checks to a principal at failed to deposit rent monies in escrow account.

JAMES E. RATCHFORD — Fayetteville — Broker's License No. 21950 — Suspended for a period of one hundred eighty (180) days for violation of G.S. 93A-6(a) (8) and (12) — Issued six insufficient funds checks to principal and failed to deposit rent monies in escrow account.

BETTY A. WEBER — Fayetteville — Broker's License No. 18203 — Suspended for a period of thirty (30) days for violation of G.S. 93A-6(a) (4) and (10) — Released a lessee from a lease agreement in order to sell him a house, without the consent and approval of the principal.

CHARLES F. WEBER — Fayetteville — Broker's License No. 28569 — Suspended for a period of thirty (30) days for violation of G.S. 93A-6(a) (4) and (10) — Released a lessee from a lease agreement in order to sell him a house, without the consent and approval of the principal.

EDITH A. BROTHERTON — Charlotte — Broker's License No. 21990 — Reprimanded for violation of G.S. 93A-6(a) (10) — Improperly altering a sales contract to show a commission and an agency relationship when no commission was charged and no agency relationship existed.

SHIRLEY T. COX — Sanford — Broker's License No. 37363 — Suspended for thirty (30) days for violation of G.S. 93A-6(a) (10) — Permitted a false purchase price and down payment to be entered on a contract.

MILLARD F. LEWIS — Jacksonville — Salesman's License No. 34790 — Reprimanded for violation of G.S. 93A-6(a) (8) and (13) — Failed to identify an earnest money deposit as a promissory note and failed to deliver a completed copy of sales contract to buyers.

Focus — Real Estate Law

Landlord-Tenant Legislation

The 1977 Session of the General Assembly passed two bills affecting the landlord-tenant relationship.

Senate Bill 453, entitled "An Act to Regulate The Handling of Tenant Security Deposits in Residential Dwelling Units", applies to all persons who rent or manage residential dwelling units. This law limits the amount of deposit a landlord may charge a tenant and requires the landlord or his agent to notify the tenant of the name and address of the bank where his deposit is located. Also, upon termination of the lease, the landlord must either return the full deposit or deliver to the tenant an itemized list of damages and the balance of the deposit.

The second bill, House Bill 949, entitled "An Act To Define The Responsibility For Maintenance Of Residential Rental Units", requires the landlord to keep the leased premises in a fit and habitable condition. This law applies to all residential rental agreements entered into, extended, or renewed automatically by the parties after October 1, 1977.

Both of these bills contain many more provisions and promise to have a substantial effect upon landlord-tenant law in North Carolina. You should consult your attorney for further details.

Contract "Kiting"

There is a highly illegal practice in the real estate business known as contract "kiting" which works in the following way:

The seller and buyer enter into an agreement for the purchase and sale of real estate in which the true sales price is \$16,000. Because the buyer has only \$500 cash for a down payment and the lender will not loan the \$15,500 balance of the purchase price, a second sales agreement is signed containing a false purchase price of \$18,000 and a false down payment of \$2,500. This false agreement is then submitted to the lender, the property is appraised at the inflated sales price, and the loan is approved.

As a result of this "kiting" or "ballooning" of the purchase price, the buyer is able to fraudulently finance part or all of the down payment at the expense of the lender who suffers a substantial loss of security in the transaction (the larger the down payment, the less likely the borrower will default in his loan payments).

Contract "kiting" is obviously difficult to discover because the seller and buyer are usually parties to the act and therefore conceal it. The Board's field representatives, however, often spot check loan applications while investigating other facets of a transaction. If evidence of this illegal practice is discovered the Board will not hesitate to use its subpoena power and pursue the matter on its own.

Under no circumstances should a broker or salesman cause or allow false information to be submitted to a lender. Giving false information to a lender or aiding and abetting in such an act can result in the suspension or revocation of your real estate license, and in certain cases may also be a criminal offense.

Brokers Must Present All Offers

In the simplest of real estate transactions, a broker will normally help the buyer prepare his offer to purchase and will present this offer to the seller for his acceptance, rejection, or counter-offer. The broker's task becomes more complicated, however, when he receives a second offer while he is in the midst of negotiating a prior offer. If the broker does not consider the second offer to be as desirable as the first offer, is he required to present it to the seller and possibly jeopardize an agreement on the first offer? The answer is an absolute "YES".

A broker who is employed to sell real estate has a duty to present all offers to his principal. If a new offer is not advantageous to the owner, the listing broker should communicate this to the owner when it is presented, but **until a final sales agreement has been executed, a broker must present all offers, no matter how late or undesirable.**

Also, while on the subject of presentation of offers, you are reminded that **offers to purchase should be prepared in quadruplicate.** The purchaser (offeror) should receive a copy of his offer after he has signed it; the seller (offeree) should receive a copy after he has signed it; the purchaser should be given a copy signed by the seller; and the broker should retain for his records a copy bearing the signature of both the buyer and seller. Remember, Licensing Board Rules require you to immediately deliver copies of the offer to the parties (in no event later than 5 days from the execution thereof), and you must retain a copy in your files for at least 3 years.

ROAD TO PROFESSIONALISM

(Continued From Page 1)

in many states have instituted recertification programs requiring continuing real estate education for practicing brokers and salesmen. For example, to renew a real estate license in some states a broker or a salesman must first provide evidence of having completed an approved real estate "refresher" course. It has even been suggested that brokers and salesmen should be periodically re-examined as a condition of license renewal.

While such requirements have not as yet been incorporated into North Carolina's real estate licensing law, the Licensing Board nevertheless recognizes the need for practitioners to continuously update their information and knowledge of real estate affairs, to keep abreast of local developments affecting their immediate markets, and to stay informed of legal decisions and governmental rulings which have an impact on the real estate industry as a whole.

With this goal in mind, we have recommended in previous issues of this Bulletin that you investigate the numerous real estate programs and courses currently being offered throughout the state; some of these give college credits, others can lead to an Associate Degree in real estate. Begin collecting books and periodicals to form your own personal real estate library. Attend lectures, conferences, seminars and workshops.

Yet another suggestion which should be of particular interest to broker/owners of real estate firms is the staff meeting — an intra-office educational program designed to promote a greater understanding of the technical aspects involved in modern-day real estate brokerage. (Although recent court decisions prohibit you from **requiring** your independent contractors to attend staff meetings, they may attend of their own volition and will likely do so if the meeting appears to be interesting and informative.)

It should be pointed out that while the meeting can include a free-wheeling "rap session" for discussing more immediate problems, the format should nevertheless be well structured with the broker/owner exercising firm leadership at all times. It can be offered separately or in conjunction with the weekly sales meeting at which sales tactics and market data are typically discussed.

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ROAD TO PROFESSIONALISM

(Continued From Page 3)

At the staff meeting, however, the emphasis is placed on so-called "non production", "confidence building" information focusing on topics such as "Proper Handling of Trust Funds"; "The Broker/Client Relationship"; "Avoiding Misrepresentation"; "Building Construction"; etc.

To encourage participation in the staff meeting, each week ask a different person to read and critique for your staff a recent book or magazine article dealing with a relevant real estate subject. This Bulletin is especially adaptable for such use and should be thoroughly reviewed with licensed salesmen since they do not themselves receive a copy; the "question and answer section" of the Bulletin should prove particularly valuable.

If all staff members are not able to attend a local seminar or conference, encourage at least one member to attend and report his observations to the group at the staff meeting.

Invite members of related occupations to your meetings to address your group or lend their expertise to an issue under study. Your list could include lawyers, mortgage loan officers, tax officials, surveyors, building contractors, appraisers, insurance agents; the list is endless.

Both the immediate and long-term benefits derived from such programs of instruction are numerous. In addition to improving the quality of the daily performance of your workers, the staff meeting should prove to be a valuable tool in recruiting conscientious brokers to your firm and should reduce the rate of turn-over within your ranks by instilling in them that nebulous quality best described as "Pride in Professionalism".

As with the journey of a thousand miles, the road to professionalism begins with a single step — that step is continuing education, and the staff meeting is surely a step in the right direction.

***There are no
professions —
only professionals.***

ANSWERS TO BULLETIN QUIZ

1. B 2. D 3. A

EXPLANATION OF REGULATIONS GOVERNING THE ISSUANCE OF WOOD-DESTROYING INSECT CERTIFICATIONS FOR EXISTING CONSTRUCTION

article by

N. C. Structural Pest Control Committee

SP FORM NO. 1 Rev. (Dec. 31, 1976) or Letter of Clearance

Subsection .0602 of the Committee rules and regulations requires that any written statement by a licensed pest control operator as to the presence or absence of wood-destroying insects or their damage in buildings for sale shall be on a Form No. 1. The Form No. 1 shall not be issued on properties purchased through FHA and VA.

Before an operator issues a Form No. 1, he is responsible for making a thorough inspection of the property to determine if there is any visible evidence of a wood-destroying insect infestation on the property. Wood-destroying insects include, in addition to termites, carpenter ants, carpenter bees, wood-borers, powder-post beetles, etc. If the operator finds visible evidence of an active or past or present inactive wood-destroying insect infestation, and no visible evidence that the property has been treated for the specific insect, he is responsible for treating the property prior to issuing the Form No. 1.

If the operator determines that no treatment of the property is necessary and wood-destroying insects are found infesting the property within 90 days of the date of the Form No. 1, the operator is responsible for treating the property free of charge for the specific insects which are found.

If the property is treated, it must be covered by a one-year written agreement against insects for which treatment was made. In addition, treatment must conform to the North Carolina State minimum requirements.

FORM NO. 2053 or Wood Infestation Report

This form is required on properties purchased through FHA and VA. It does not include rot or fungus.

Note — For further information regarding this subject, contact the North Carolina Structural Pest Control Committee, P. O. Box 27647, Raleigh, N. C. 27611 (phone: 919/829-7125).

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REAL ESTATE LICENSING BOARD
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RALEIGH, N. C. 27602

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