



DRE Update

Presented by: Doug McCauley, Stephen Lerner & Jeff Oboyski

CAR's REImagine! Conference - Anaheim, California - September 21, 2023





Department of Real Estate

NEW EQUAL EMPLOYMENT OPPORTUNITY OFFICE

- Focus on Diversity, Equity & Inclusion

NEW CHIEF INFORMATION OFFICER

- Information Technology Established as Separate Division
- Upgraded Digital Systems & Services

NEW TRAINING OFFICE

- Expanded Staff Training Opportunities

EXPANDED COMMUNICATIONS OFFICE

- New Outreach Programs Launched



Expanded Communications

FOCUS ON INDUSTRY OUTREACH

- Quarterly Newsletters
- Industry Advisories
- Annual Law Book
- Presentations to Local Associations

FOCUS ON CONSUMER OUTREACH

- Launch/Hosting of “Housing is Key” Website
- Launch of “First Home – California” Podcast
- Participation in Outreach Events
- Extensive Content on DRE Website

FOCUS ON INTERNAL OUTREACH

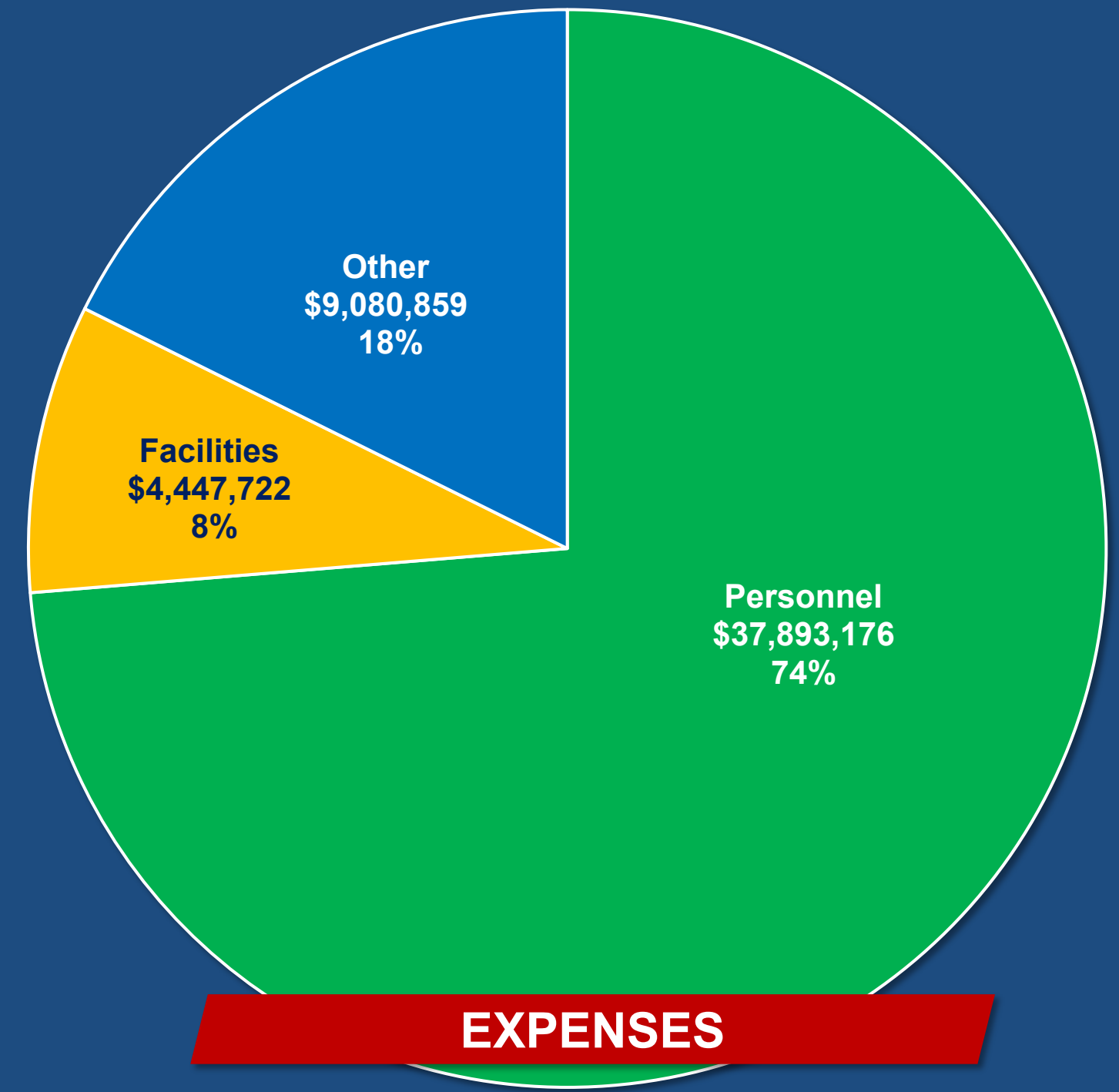
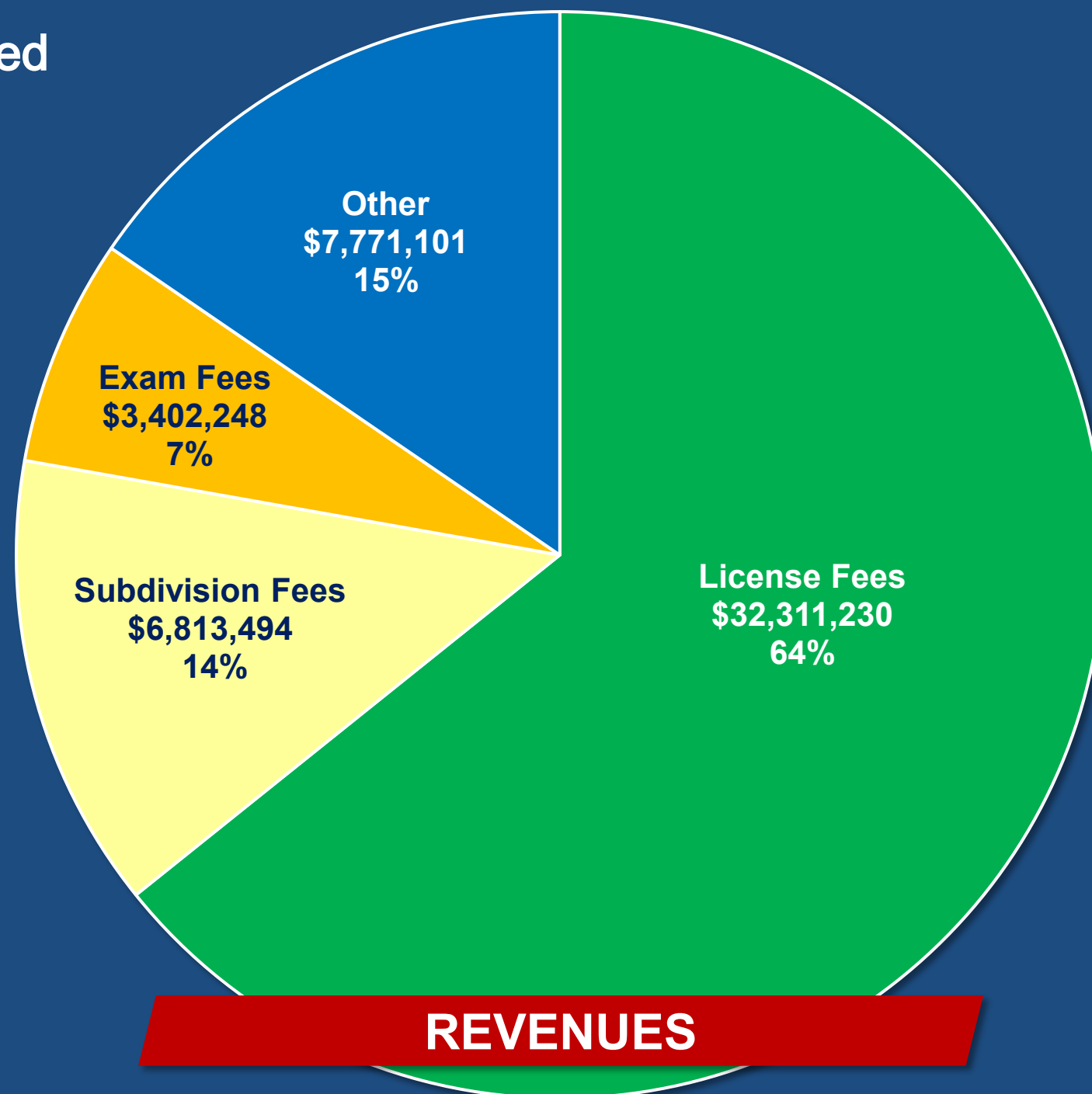
- Launch of first Employee-Only Video Newsletter, “DRE’s Kitchen Table”
- Launch of New Employee-Only Intranet Site “DREconnect”
- Revamp of Employee Recognition Program





Financial Picture

Fee Study Completed



High Performance



MISSION

To safeguard and promote the public interests in real estate matters through licensure, regulation, education, and enforcement.

VISION

To be the champion for public protection in real estate.

CORE VALUES



Caring



Knowledge



Professionalism

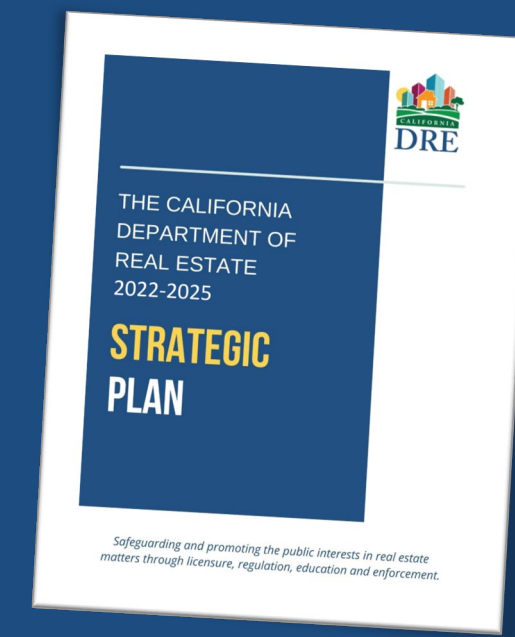


Communication



Excellence

High Performance



Customer-Centric Service

- Primary focus is on real estate consumers and customers
- Protecting their interests drives industry confidence, economic vitality, & forms the foundation where all Californians live, work, & play
- Build towards being best consumer protection & customer empowerment department through exemplary and consistent actions



Healthy Organization

- Talented team of consumer protection champions
- Deliberately invest in an inclusive, collaborative, and engaged workforce



Innovative Operations

- Re-Imagining processes & technology to embrace innovation
- Leverage lean methods and modern tools to continuously improve the delivery of results



Resourceful Stewardship

- Leverage resources (People, budget, facilities, data & technology assets) to perform at highest level possible
- Make wise investments & transparently track impact according to strategic priorities

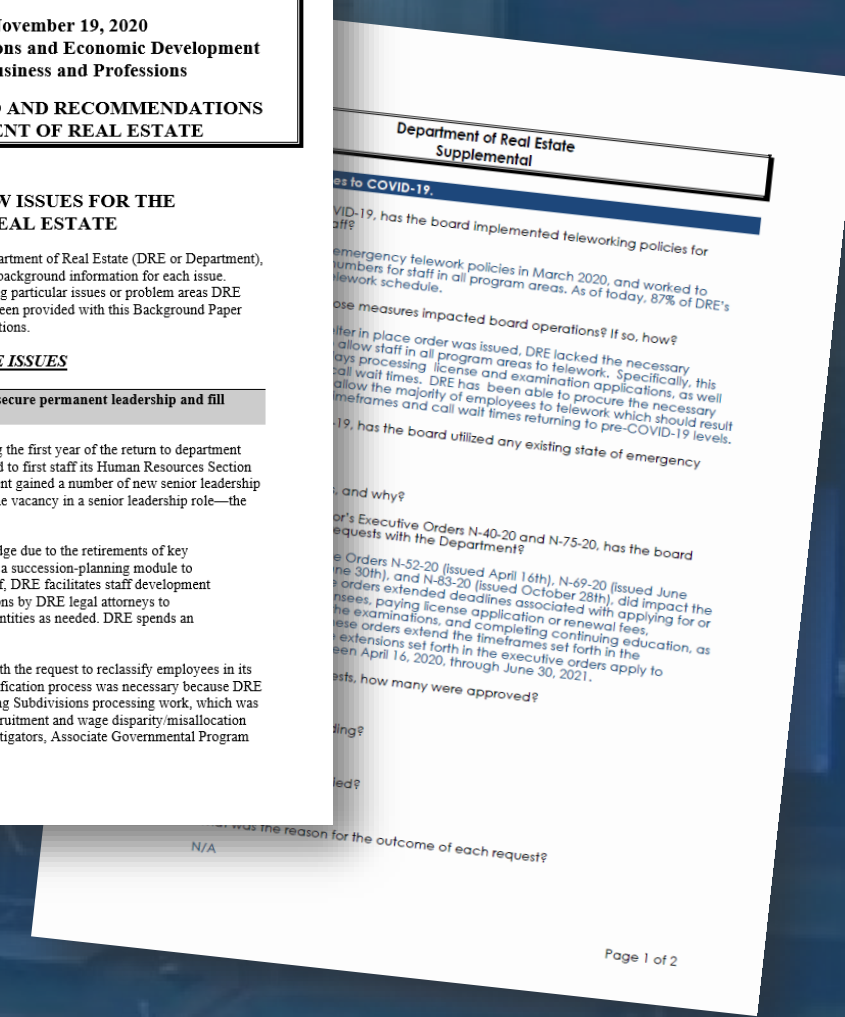
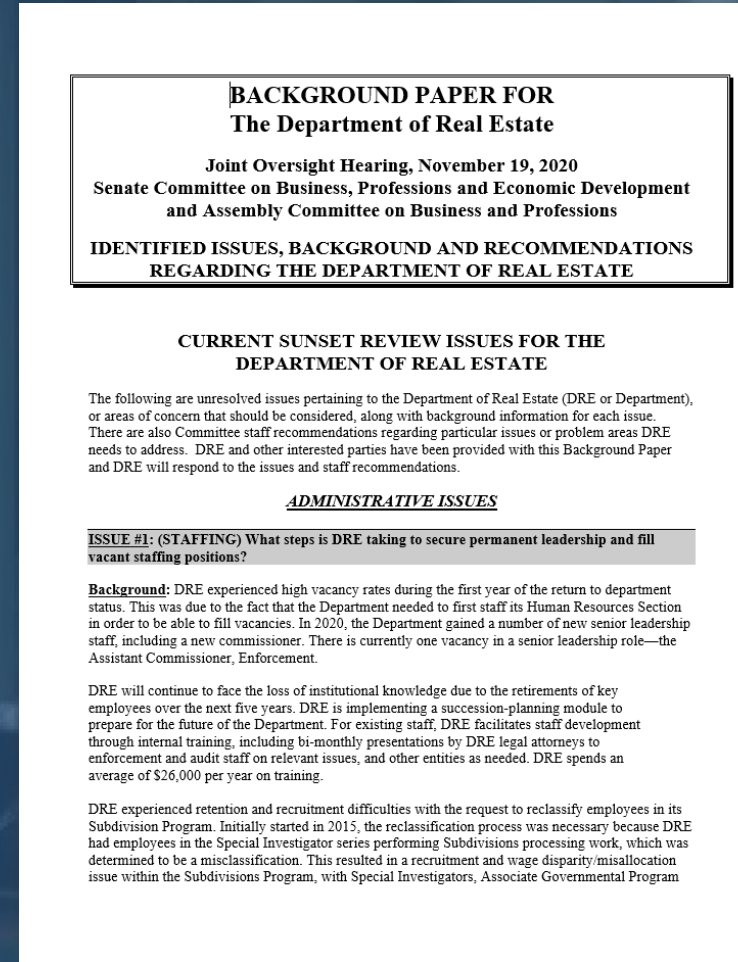
Sunset Review



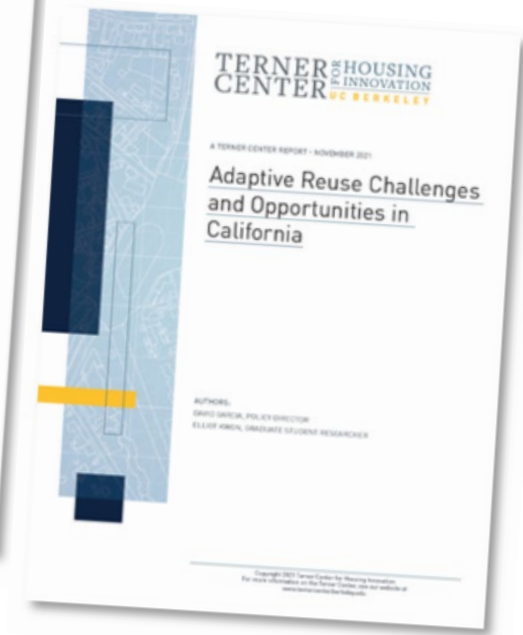
Every four years DRE goes through a sunset review process before the Assembly Business and Professions Committee and the Senate Business, Professions, and Economic Development Committee.

The process provides an opportunity for DRE, the Legislature, and interested parties and stakeholders to discuss DRE's performance and make recommendations for improvements.

DRE's last sunset review was completed in 2022, with DRE getting its sunset date extended to January 1, 2026



More Than a Licensing Agency





More Than a Licensing Agency

A screenshot of the "HOUSING IS KEY" website. The header includes the DRE logo and navigation links for About, Publications, Tenant/Landlord Resources, AMI Calculator, Contact, and Search. The main content area features a large blue banner with the text "Tenant and Landlord Resources" and a smaller box for "The California COVID-19 RENT RELIEF GUIDE for Tenants & Landlords". At the bottom, there are four colored buttons: "Tenants" (Protection Guidelines), "Landlords" (Protection Guidelines), "Homeowners" (Protection Guidelines), and "Partners" (Legal Aid Societies).

The cover of the "CALIFORNIA TENANTS" guide, subtitled "A GUIDE TO RESIDENTIAL TENANTS' AND LANDLORDS' RIGHTS AND RESPONSIBILITIES". It features a photograph of a smiling man and woman in front of a modern apartment building. The "HOUSING IS KEY" logo is at the bottom.

The "FIRST HOME CALIFORNIA" logo, featuring a stylized house icon with three windows. The text "California Department of Real Estate" is at the top, and "Helping Californians Buy Their First Home" is at the bottom.

DRE Executive Staff



APRIL 2022



Licensing

Jeff Oboyski
Assistant Commissioner, Licensing





DRE License Population

Number of Licensees – As of July 31, 2023

434,361

125,723

29%

Brokers

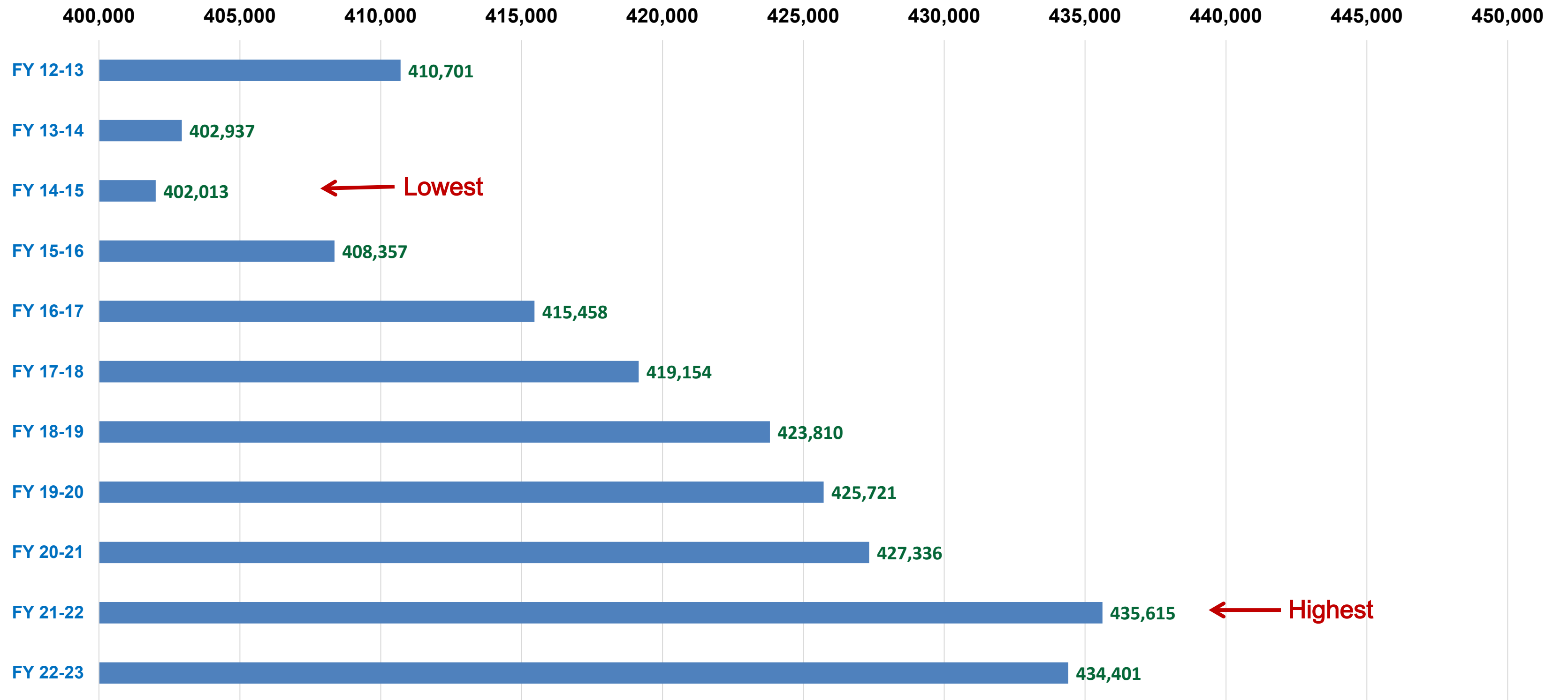
308,638

71%

Salespersons

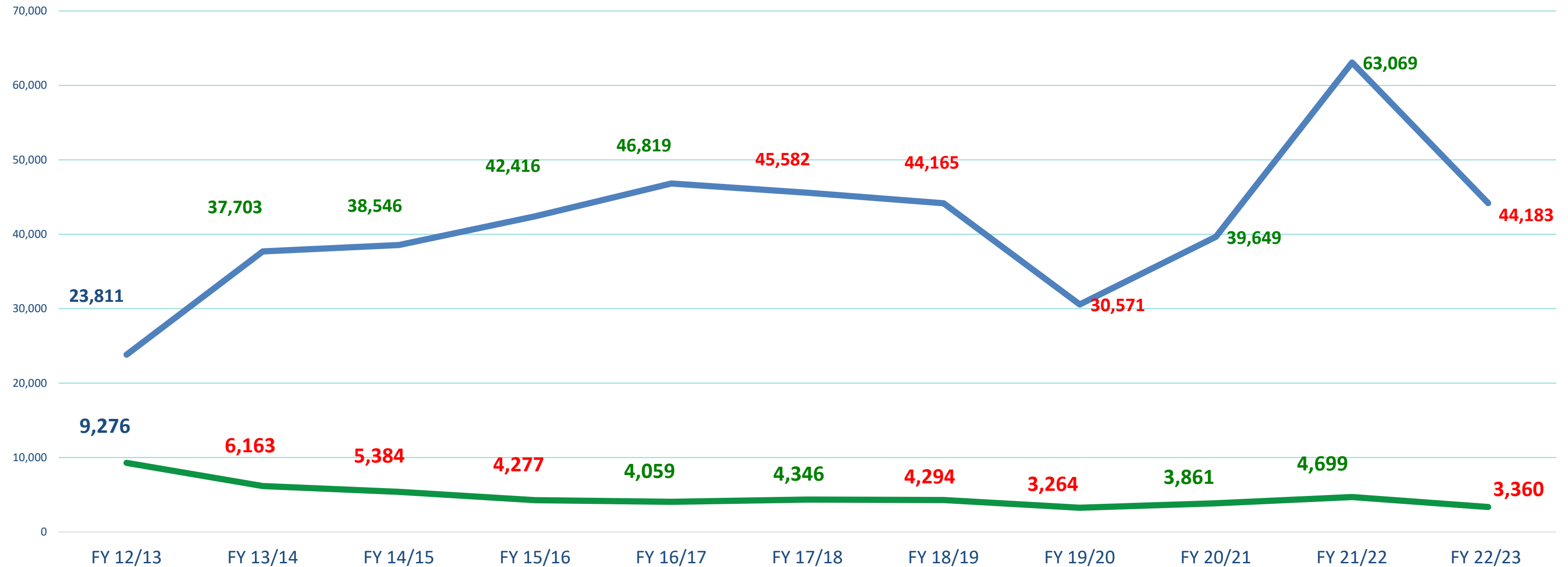


DRE License Population FY 2012-13 Through FY 2022-23





Exams Administered FY 2012-13 Through FY 2022-23

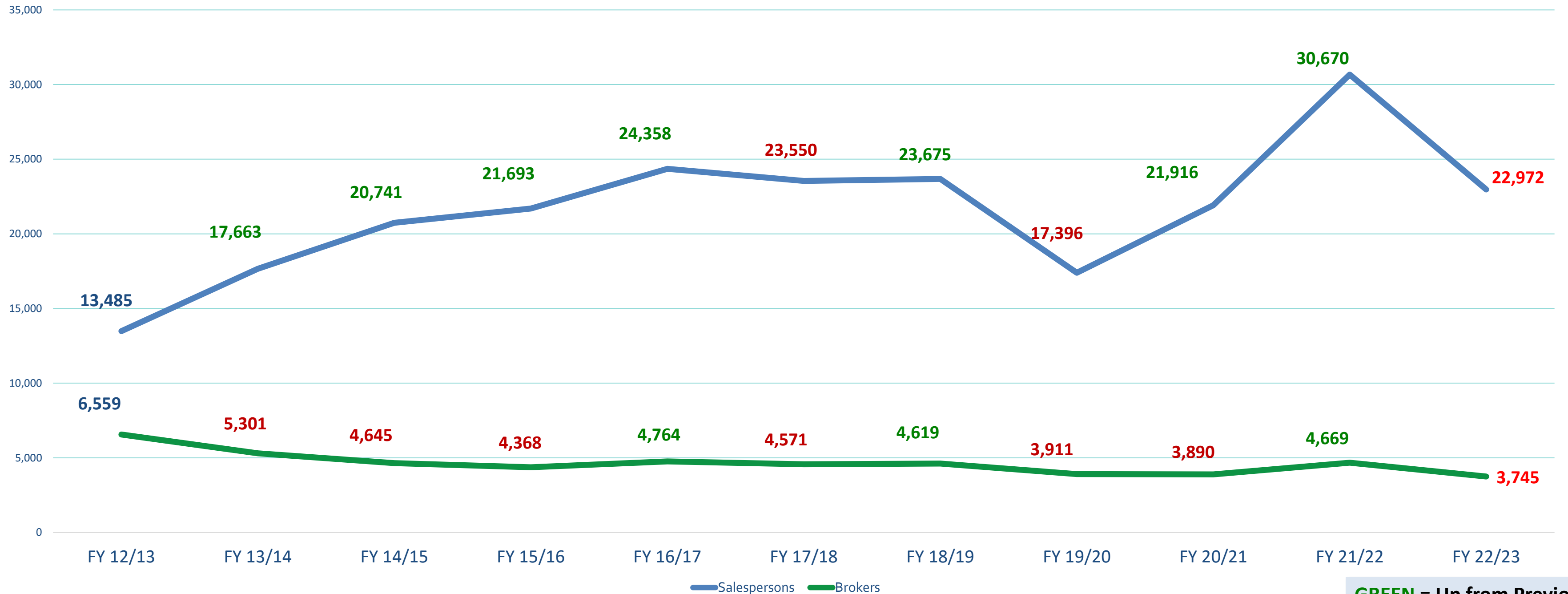


— Salespersons — Brokers

GREEN = Up from Previous Year
RED = Down from Previous Year
BLUE = First Year / No Change



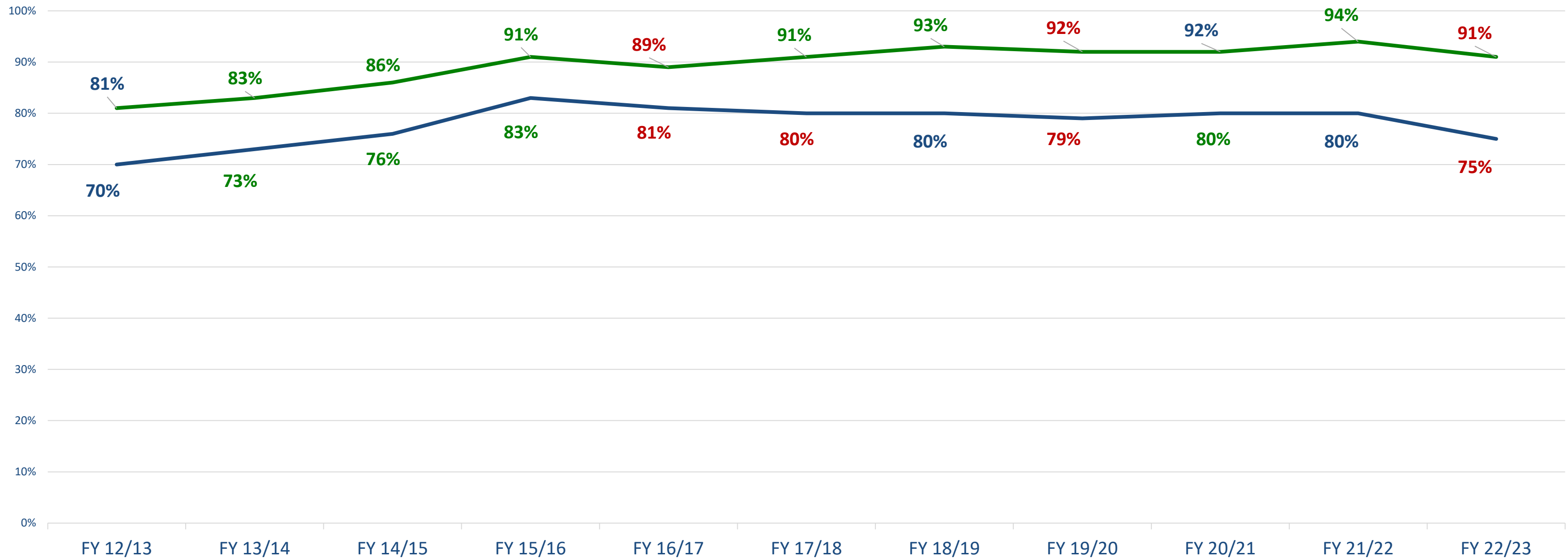
Licenses Issued FY 2012-13 Through FY 2022-23



GREEN = Up from Previous Year
RED = Down from Previous Year
BLUE = First Year / No Change



License Renewal Rates FY 2012-13 Through FY 2022-23



— Broker — Salesperson

GREEN = Up from Previous Year
RED = Down from Previous Year
BLUE = First Year / No Change



Continuing Education Requirements

Continuing Education (CE) Courses (SB 263)

1. Added Interactive Participatory Component to Fair Housing Course
2. Added Two-Hour Implicit Bias Course
 - ▶ Component regarding impact of implicit bias, explicit bias, and systemic bias on consumers & historical & social impact of those biases
3. Updated Survey Course from Eight to Nine Hours to Allow for New Implicit Bias Content

Took Effect On:

January 1, 2023



Bias & Fair Housing Education

Pre-Licensure Education (SB 1495)

- All applicants will need to complete a real estate practice course, which includes the following components:
 1. Implicit & Explicit Bias
 2. Federal & State Fair Housing Laws

For license applications starting:

January 1, 2024



Bias & Fair Housing Education

Pre-Licensure Education (SB 1495)

1. Implicit & Explicit Bias

- ▷ Impact of Implicit, Explicit, & Systemic Bias on Consumers
- ▷ Historical & Social Impacts of Biases
- ▷ Actionable Steps Students Can Take to Address Their Own Implicit Bias

2. Federal & State Fair Housing Laws

- ▷ Interactive Participatory Component – Including Role Play as Both Consumer & Real Estate Professional

For license applications starting:

January 1, 2024



Senate Bill 1495 Stats

SB 1495 Compliant Real Estate Practice Courses Approved by DRE

8

Private Course Providers

55

California Colleges / Universities



<https://secure.dre.ca.gov/publicasp/cestatutory.asp>



Examination Development

- **Occupational Analysis Conducted Every 5 -7 Years**
 - ▷ **Ensures Both DRE Licensing Exams are:**
 - ▷ Valid/Legally Defensible
 - ▷ Appropriate for Entry into Real Estate Profession
 - ▷ **Looking for Subject Matter Experts (SME) to Assist**
 - ▷ Please Send Me an Email

Jeff.Oboyski@dre.ca.gov

SCAN ME





Occupational Analysis Survey

- Partnered with PSI to develop survey
- Licensees share knowledge and Expertise about job requirements as a California Real Estate Professional
- Update two Licensing Exams
- Receive 3 hours of Continuing Education - Consumer Service Credit

Take the Survey

SCAN ME





eLicensing System



Four Applications are Now Online

1. Salesperson Exam Only
2. Salesperson Exam/License Combo
3. Broker Exam Only
4. Broker Exam/License Combo

The screenshot shows the California Department of Real Estate (DRE) website. At the top, there is a navigation bar with links for 'About DRE', 'Contact Us', 'Newsroom', 'Forms', and 'Publications'. Below this is a search bar and a main menu with 'HOME', 'CONSUMERS', 'LICENSEES', 'EXAMINEES', and 'DEVELOPERS'. A large banner for the '2022 Real Estate Law Book' is visible, with a 'Click to' button. Below the banner, there are sections for 'COVID-19 UPDATES', 'Our Mission', and 'Essential Information'. The 'eLicensing' section is highlighted in yellow and contains the following links: 'Apply for Your Exam/License', 'Schedule Your Exam', 'Update Your License', and 'Renew Your License'. A red arrow points from the 'eLicensing System' header to the 'eLicensing' section. At the bottom right, there is a 'Help us remodel this website!' banner with a 'CLICK HERE' button.



eLicensing System



Saves Times for Applicant

- No Longer Have to Print and Mail Application Packet
- Deficiencies Are Addressed Through Email
- Applicants Can Check Their Status

The screenshot shows the California Department of Real Estate (DRE) website. At the top, there is a navigation bar with links for 'About DRE', 'Contact Us', 'Newsroom', 'Forms', and 'Publications'. Below this is a search bar and a main menu with 'HOME', 'CONSUMERS', 'LICENSEES', 'EXAMINEES', and 'DEVELOPERS'. A large banner for the '2022 Real Estate Law Book' is visible, with a 'Click to' button. Below the banner, there are sections for 'COVID-19 UPDATES', 'Our Mission', and 'Essential Information'. On the right side, there is a yellow 'eLicensing' section with buttons for 'Apply for Your Exam/License', 'Schedule Your Exam', 'Update Your License', and 'Renew Your License'. Below this is a 'Help us remodel this website!' section with a 'CLICK HERE' button. A red arrow points from the 'eLicensing' button in the top right to the 'eLicensing' section on the page.



eLicensing System

Another Recent Enhancement



Broker & Licensed Officers can now add/cancel branch office addresses

Please make your selection from one of the options below:

License Options:

- [License Renewal](#)
- [View/Update Your Responsible Brokers and Broker-Associates](#)
- [Change Your Mailing Address Only](#)
- [Add/Change Your Main Office Address Only](#)
- [Add/Cancel Your Branch Office Addresses](#)
- [Print License Certificate](#)
- [Review Your License Application](#)



Online Processing Times Page

➔ Current Processing Times for Applications, Renewals, License Changes, and Certified Histories f t e + 0

Select an Option Below

Exam & New License Applications

Renewals

License Changes

Certified Histories

Exam and New License Application Current Processing Times:

Sales Exam Only (RE 400A)	+
Sales License Only (RE 202)	+
Sales Combo Exam/License (RE 435)	+
Broker Exam Only (RE 400B)	+
Broker License Only (RE 200)	+
Broker Combo Exam/License RE 436)	+
Corporation/Designated Officer License - New and Substitution (RE 201)	+



DRE's Licensing Information Section

Ask.DRELicensing @dre.ca.gov

- General Licensing & Exam Questions Answered
- Emails Answered in Order Received
- Please Give Us Two Business Days to Respond
 - Staff Respond to 1,500+ Emails Every Month

(877) 373-4542

- Monday – Friday, 8:00 a.m – 5:00 p.m.
- Call Back Option – Eliminates Need to Wait On - Hold
 - Phone System Receives 25,000 Calls Every Month



Legal Affairs

Stephen Lerner
Assistant Commissioner, Legal Affairs





Legal Disclaimer

Today's Presentation

- Intended for Informational Purposes Only
- Does Not Establish Substantive Policy or Rights
- Does Not Constitute Legal Advice
- Does Not Create An Attorney - Client Relationship



Legal Affairs Division

■ Offices

- ▷ Sacramento
- ▷ Los Angeles

■ Operational Units

- ▷ Administrative Prosecution Unit – Sacramento
- ▷ Administrative Prosecution Unit – Los Angeles
- ▷ Consumer Recovery Account
- ▷ Special Projects / General Law
- ▷ Legal Support



License Discipline Process

- **Complaint Filed with DRE**
 - ▷ Initiated on DRE's Own Motion
 - ▷ Receipt of Verified Third Party Complaint
- **Complaint Investigated**
 - ▷ Enforcement Section
 - ▷ Audits Section
- **Legal Section Prosecutes Disciplinary Action**
 - ▷ Preparation and Filing of Operative Pleading(s)
 - ▷ Limited Discovery



License Discipline Process

■ Outcome

- ▷ Hearing Before Administrative Law Judge (ALJ)
 - ▷ Issuance of Proposed Decision
- ▷ Settle Action via Stipulation
- ▷ Dismiss Action

■ Commissioner Action

- ▷ Adoption / Rejection of Proposed Decision
- ▷ Approval / Rejection of Proposed Stipulation

■ Request for Reconsideration (Optional)

■ Petition for Writ of Mandate



Disciplinary Tools

- Revocation
- Restriction
- Suspension
- Surrender
- Public Reproval
- Corrective Action Letter
- Cite & Fine
- Desist & Refrain Order
- Bar Order



Enforcement Statistics

Fiscal Year 2018-19 Through 2022-23

	FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23	
Complaints Received	6,497	541 Per Month	6,184	515 Per Month	5,863	489 Per Month	5,202	433 Per Month	4,989	416 Per Month
Complaints Referred for Investigations	4,088	341 Per Month	4,767	397 Per Month	3,801	317 Per Month	3,733	311 Per Month	3,399	283 Per Month
Complaints Referred for Disciplinary Action	1,081	91 Per Month	913	77 Per Month	946	79 Per Month	1,208	100 Per Month	936	78 Per Month



Audit Statistics

Fiscal Year 2021-22 & 2022-23

Broker Activities	# of Audits Closed		# / % of Audits with Shortages				Amount of Shortages Found	
	2021-22	2022-23	2021-22		2022-23		2021-22	2022-23
Property Management	330	313	124	28.2%	121	26.5%	\$9,019,436	\$2,307,884
Broker Escrow	38	36	15	3.4%	4	0.9%	\$538,592	\$49,603
Mortgage Loan	56	78	3	0%	10	2.2%	\$6,563	\$270,040
Sales / Other	16	30	0	9%	0	0%	\$0	\$0
Total	440	457	141	31.6%	135	29.6%	\$9,564,591	\$2,627,527



Disposition of Cases

Fiscal Year 2022 - 23

Category	Number of Cases
Desist & Refrain Orders	14
License Suspensions	117
License Surrenders	44
License Revocations	188
Case Dismissals	75
Public Reprovals	14
Stipulations & Waivers / Agreements	101
Application Denials	46
License Denials and Restrictions	45
Bar Orders	3
Total	647



Petitions

- Reinstatement of Revoked License
- Removal of Restriction from Restricted License
- Removal of Discipline History from DRE Website



Disposition of Petitions

Fiscal Year 2022 - 23

Category	Filed	Granted	Denied
Reinstatement	78	78	15 (Denied outright)
			3 (Denied w/right to restricted license)
Removal of Restrictions from Restricted License	31	50	3
Removal of Discipline History from DRE Website	44	57	5
Total	153	185	26



Common Violations – Enforcement

- Advertising / Licensing Compliance
- Misrepresentation
- Fraud / Dishonest Dealing
- Negligence or Incompetence
- Brokers Failure to Supervise
- Unlicensed Activity



Unlicensed Activity

- Wholly Unlicensed
- Licensed, but No Affiliation (Salesperson)
- Licensed, but No Business Address (Broker)
- Expired License
- Licensed, but No MLO Endorsement
- Compensation for Unlicensed Activity



Common Violations – Audits

- **Separate Beneficiary Records**
- **Columnar Control Records**
- **Trust Account Reconciliations**
- **Trust Accounts Not Designated Properly**
- **Improper Signatures**
- **Broker Supervision**



Consumer Recovery Account

Purpose

- Last resort victim's fund to compensate innocent members of the public who are victimized by dishonest real estate licensees

Historical Background

- Operative July 1, 1964
- 12% of License Fees (Bus. & Prof. Code § 10450.6)

Who May File

- Consumer
- Innocent Member of the Public



Consumer Recovery Account

Basis for Application

- Final Judgment / Criminal Restitution Order
 - ▷ Finding of Intentional Fraud
 - ▷ Conversion of Trust Funds
- Licensed Activity
- Actual & Direct Loss

Coverage Limits (Bus. & Prof. Code § 10474.5)

- \$50,000 per Transaction
- \$250,000 per Licensee



Consumer Recovery Account

Fiscal Year 2015-15 Through 2022-23

Year	Claims Filed	Total Claims Paid	Total Amount Paid
FY 2014-15	159	119	\$4,898,912
FY 2015-16	76	81	\$3,396,293
FY 2016-17	70	89	\$2,022,602
FY 2017-18	66	39	\$1,424,559
FY 2018-19	160	68	\$3,216,957
FY 2019-20	40	41	\$947,411
FY 2020-21	40	11	\$308,528
FY 2021-22	31	15	\$470,890
FY 2022-23	23	9	\$581,951



Consumer Recovery Account

Amount DRE has paid to Victims of Real Estate Fraud Since 1964

\$68+
Million



Broker Supervision

- **Business & Professions Code section 10177(h)**
 - ▷ Suspend or Revoke License
 - ▷ Delay Renewal of License
- **Commissioner's Regulation 2725**
 - ▷ A broker shall exercise reasonable supervision over the activities of his or her salespersons



Broker Supervision

Reasonable Supervision is a Legal Term

- Determining whether supervision is “reasonable” may require evidence to be presented on the “standard of care”

Standard of Care

- Varies Among Brokers
 - ▷ Depends on:
 - ▷ Type of Business They Conduct
 - ▷ Location of Their Activities



Commissioner's Regulation 2725

- **Reasonable Supervision includes, as appropriate, establishing:**
 - ▷ Policies
 - ▷ Rules
 - ▷ Procedures
 - ▷ Systems
- **To be used to:**
 - ▷ Review
 - ▷ Oversee
 - ▷ Inspect
 - ▷ Manage



Commissioner's Regulation 2725

- Establish policies, rules, procedures, and systems to review, oversee, inspect, and manage:
 - ▷ Transactions Requiring a License
 - ▷ Transactional Documents
 - ▷ Filing and Maintenance of Documents
 - ▷ Handling of Trust Funds
 - ▷ Advertising of Any Service Requiring a License
 - ▷ Familiarizing Salespersons with Federal & State Discrimination Laws
 - ▷ Regular Reports of Licensed Activities of Salespersons



Commissioner's Regulation 2725

- **The form & extent of a broker's policies, rules, procedures, & systems must take into account:**
 - ▷ **Number of Salespersons Employed**
 - ▷ **Number & Location of Branch Offices**
- **Broker must establish a system to monitor compliance with policies, rules, procedures & systems**
- **Associate brokers & salespersons may assist in administering the policies and procedures, so long as the broker retains overall responsibility for supervising his or her salespersons**



DRE Resources

- Check Your License Information
- 2023 Real Estate Law Book
- Broker Compliance Manual
- Broker Self Evaluation
- Trust Fund Guide
- Trust Account Reconciliation Presentation
- Remember Fiduciary Duties

The screenshot shows the "Public License Information" page on the California Department of Real Estate website. The page header includes the "CA.GOV" logo, the text "California Department of Real Estate", and a "DRE" logo. Navigation links for "HOME", "CONSUMERS", "LICENSEES", "EXAMINEES", and "DEVELOPERS" are visible. A search bar with a "475" character count is present. The main content area contains instructions for searching by name, address, or license ID, along with a disclaimer and a search form with "Find" and "Clear" buttons. An orange arrow points to the "Public License Information" heading.

Public License Information

Please enter the Licensee's Name (Last Name, First Name), Company Name or License Identification Number. [Name Search Help](#)

If you would like to search for a real estate broker or corporation by the main office or branch address, click [here](#).

If you would like to search for a Prepaid Rental Listing Service (PRLS), click [here](#).

Disclaimer: DRE is aware of fraudulent attempts by unlicensed persons to use the names and/or information of real estate licensees to illegally engage in real estate licensed activities. For more information please read our consumer alert [here](#).

Licensee/Company Name:

Mailing Address City (optional):

OR

License ID:

Note: The "Mailing Address City" may differ from the licensee's main office and/or branch office city.



California Department of Real Estate

dre.ca.gov