

DEPARTMENT OF REAL ESTATE FORUM



Renaissance Hotel
Indian Wells
February 1, 2019



TODAY'S AGENDA



Opening Remarks – Acting Commissioner Dan Sandri

- Operations Report –
Sandra Knau, Assistant Commissioner-Administration
- Enforcement Report–
Jeff Oboyski, Assistant Commissioner, Enforcement
- Audit Report –
Tom Cameron, Assistant Commissioner, Audits
- Legal, Legislation and Consumer Recovery Account Report –
Stephen Lerner, Assistant Commissioner, Legal Affairs
- Q & A and Dialogue
Dan Sandri and Panel

DEPARTMENT OF REAL ESTATE OPERATIONS REPORT



Sandra Knau
Assistant Commissioner
Administration & Licensing

DRE Operations

▶ Five District/Exam Offices

- ▶ Fresno
- ▶ Los Angeles
- ▶ Oakland
- ▶ Sacramento
- ▶ San Diego

▶ **Authorized Positions: 354**

Financial Statistics

FY 2017-2018

DRE's Budget **\$54,520,000**

Revenues:

- ▶ Licensing-\$35,296,531
- ▶ Subdivisions-\$8,787,606
- ▶ Examinations-\$4,332,903
- ▶ Other- \$2,620,963
- ▶ **Total Revenues-\$51,038,003**

Financial Statistics

FY 2017-2018

DRE's Budget \$54,520,000

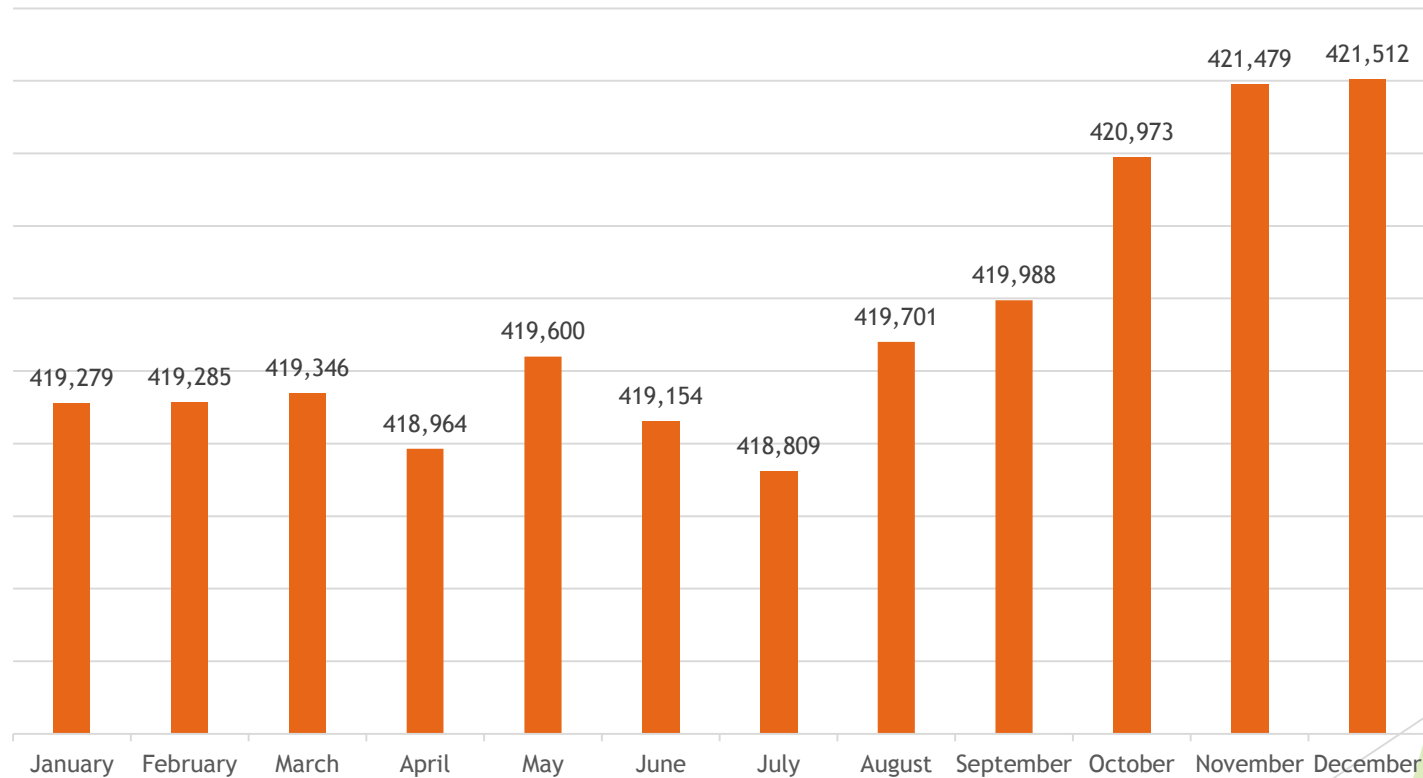
Expenditures:

- ▶ Personnel-\$33,964,892
- ▶ DCA Pro Rata-\$5,496,101
- ▶ Facilities-\$4,152,960
- ▶ Recovery Claims-\$1,424,559
- ▶ Other-\$4,934,484
- ▶ **Total Expenditures-\$49,972,996**

Licensing Workload

Exams Scheduled	1/1/17 - 12/31/17	1/1/18 - 12/31/18
RES	55,318	50,129
REB	5,047	4,560
New Licenses		
RES	25,166	23,357
REB	4,611	4,595
Renewals		
RES	51,550 (80%)	54,029 (85%)
REB	29,400 (90%)	29,035 (89%)
Total Licenses		
	419,016	421,512
Total MLO's		
	26,310	26,407

Licensing Population Last 12 Months



Enforcement Workload

Calendar Year	1/1/17 - 12/31/17	1/1/18 - 12/31/18
Complaints Received	6,700	5,770
Complaints Referred for Investigation	4,167	3,523
Complaints Closed	2,686	2,191
Citations Issued	248	399

Subdivision Filings (January 1 -December 31)

	1/1/17 – 12/31/17	1/1/18 – 12/31/18	% Change
Final Public Reports	3,262	3,550	8.82%
Renewal Public Reports	210	204	-2.85%
Amendment Public Reports	316	381	20.56%

Information Technology Updates

- ▶ Subdivision Online Public Report Application System (SOPRAS) launched September 2018
- ▶ Broker-Associates on eLicensing- launched on October 22, 2018

Information Technology Updates

- ▶ VOIP Phone system-Launched December 20, 2018
- ▶ New Virtual Call Center (VCC) System-Launched December 20,2018
 - ▶ Allows for streamlined call flows for Licensing and Enforcement
 - ▶ Added the ability to request to speak to investigators from our Mortgage Loan Activity Section
 - ▶ First month on system reduced call wait time from an average of 30 minutes to 20 minutes.

Information Technology

What's Next-

- ▶ Officer renewals on eLicensing-tentative date of April 2019
- ▶ Online submittal of exam and license applications-tentative date of July 2019
- ▶ Second phase of SOPRAS-tentative date December 2019
- ▶ Website redesign

Department of Real Estate Administration & Licensing

Contact:

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Assistant Commissioner-Administration &
Licensing

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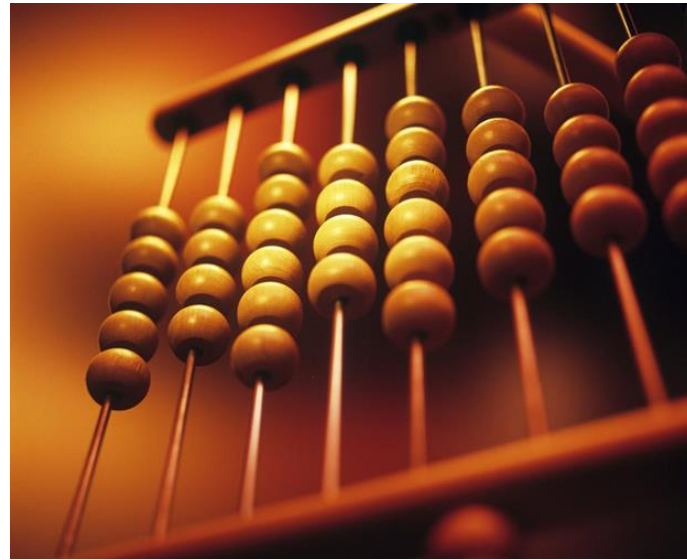


ENFORCEMENT



Jeff Oboyski
Assistant Commissioner
Enforcement

AUDITS

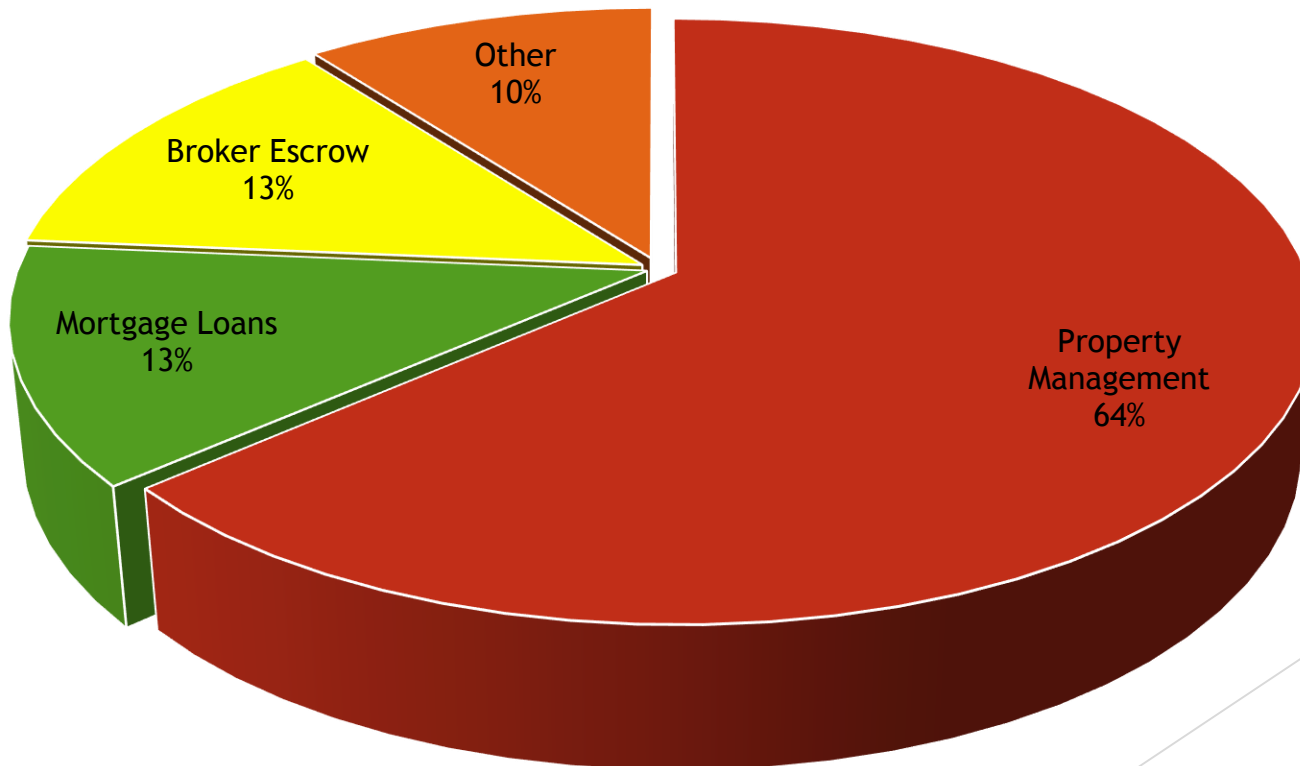


Tom Cameron
Assistant Commissioner
Audits

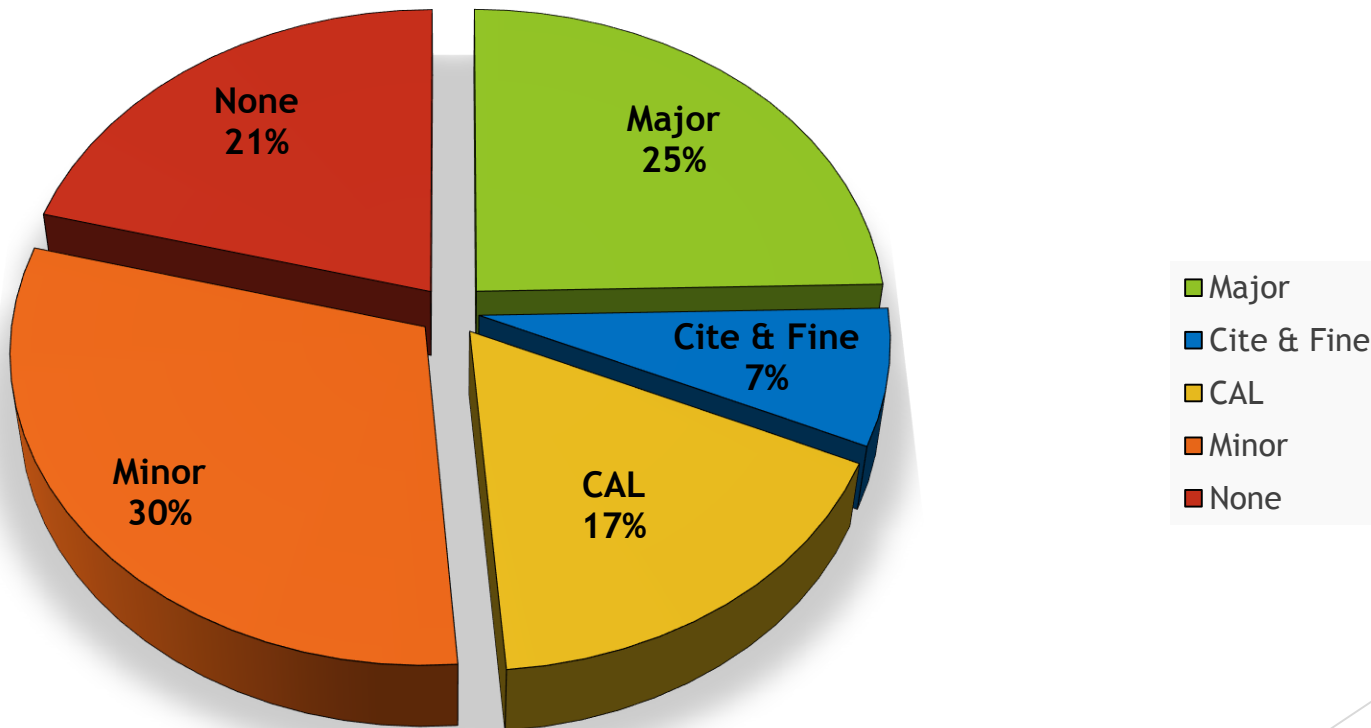


Audits Closed by Activities Statewide 1/1/18 - 12/31/18

605 Audits Completed



Findings of Audits Closed 1/1/18 - 12/31/18



Shortage Findings of Audits Closed

	1/1/17 - 12/31/17	1/1/18 - 12/31/18
Total Audits Closed	632	605
Total \$ Shortage	\$8.5 million	\$12.5 million
% Audits with Shortage	31.3%	31.1%
#(%) with \$10K+ Shortage	69 (10.9)	68 (11.2)

DRE Home Page

California Department of Real Estate
www.dre.ca.gov

CA.GOV
California Department of Real Estate
HOME CONSUMERS LICENSEES EXAMINEES DEVELOPERS

Broker Controlled Escrow Activities:
Should you be reporting to the Bureau?
Learn More...

Our Mission
The mission of the California Department of Real Estate is to safeguard and promote the public interests in REAL ESTATE MATTERS through licensure, regulation, education and enforcement.

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Save Our Water
Secretary of State - Register to Vote

Essential Information

- Verify a Real Estate License
- 2018 Real Estate Law
- Consumer Alerts
- Current News
- FAQs
- Forms
- File a Complaint
- Real Estate Business Resources
- Complete List of Publications
- Invitation for Public Comment/Hearing Notices
- Course Provider Resources (Pre-License & CE)
- Current Application Processing Timeframes
- Advisory – Implementation of Petition Process for Removal of Discipline Delayed

Real Estate Business Resources

INDUSTRY/LICENSEE RESOURCES

- Real Estate Law
- Real Estate Reference Book
- Broker Compliance Evaluation Manual
- Broker Self-Evaluation (RE 540)
- Course Provider Resources (Pre-License & CE)
- Search for Approved CE Course Offerings
- Online Access to Public Reports
- Disclosures in Real Property Transactions
- Doing Business on the Internet
- DRE Composite Report of Mortgage Loan/Trust Deed Annual Reports
- Guidelines for Unlicensed Assisted
 Additional Information
- Licensee Advisories and Alerts
- Most Common Enforcement Violations
- Professional Responsibility: An Overview
- Professional Responsibility: Course Booklet
- Sample Trust Account Review (TAR) Reports
- Ten Most Common Violations Found in DRE Audits
- Trade Associations
- Trust Funds
- DRE Business Address Lookup
- Trust Account Reconciliation (Reg. 2831.2) * PowerPoint, 23MB
- Opening a Real Estate Broker Trust Account
- A Guide to Understanding Residential Subdivisions in California
- Residential Subdivision Buyer's Guide
- Movement Toward Professionalism - What Makes a Real Estate Practitioner a Professional
- Don't Be Surprised if You Get a Friendly Visit from a DRE Representative - Community Outreach

▶ Broker Compliance Evaluation Manual

▶ Ten Most Common Violations Found in DRE Audits

▶ Trust Funds

▶ Trust Account Reconciliation (Reg. 2831.2) * PowerPoint, 23MB

▶ Opening a Real Estate Broker Trust Account

STATE AND FEDERAL AGENCIES

Audit Case

- ▶ Set up routine audit
- ▶ RES operated the business on her own
- ▶ RES was only signatory on the bank account
- ▶ Shortage in excess of \$190,000
- ▶ Personal properties with negative balances
- ▶ Tax payments being withdrawn monthly

Department of Real Estate Audit Section

Tom Cameron - Assistant Commissioner, Audits

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916 576-8777





LEGAL AFFAIRS



Stephen Lerner
Assistant Commissioner
Legal Affairs

LEGAL AFFAIRS

- ADMINISTRATIVE PROSECUTIONS
- CONSUMER RECOVERY ACCOUNT
- STATUTES
- REGULATIONS

Legal Affairs

- Offices
 - Los Angeles
 - Sacramento
- Operational Units
 - Los Angeles Administrative Prosecution Unit
 - Sacramento Administrative Prosecution Unit
 - Consumer Recovery Account
 - Special Projects/General Law

Legal Affairs

Disciplinary Tools

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



LEGAL AFFAIRS

DISPOSITION OF CASES

Category	Jan. 1, 2018 - Dec. 31, 2018
Desist & Refrain Orders	34
License Suspensions	101
License Surrenders	95
License Revocations	364
Case Dismissals	46
Public Reprovals	6
Stipulations & Waivers/Agreements	209
Application Denials	141
License Denials and Restrictions	79
Bar Orders	2
Total	1,077

CONSUMER RECOVERY ACCOUNT

Consumer Recovery Account

(January 1, 2018 – December 31, 2018)

Category		Total
Claims Filed		157
Disposition of Claims	Paid	39
	Denied	63
Amount Paid		\$1,507,912

Consumer Recovery Account

Claims Filed & Total Amount Paid

(Calendar Year)

Claims Filed	
2013	131
2014	185
2015	69
2016	87
2017	68
2018	157

Consumer Recovery Account

Claims Filed & Total Amount Paid

(Calendar Year)

Total Amount Paid

2013	\$3,074,790 (81 claims paid)
2014	\$5,459,413 (140 claims paid)
2015	\$3,922,533 (104 claims paid)
2016	\$1,946,785 (43 claims paid)
2017	\$2,244,882 (93 claims paid)
2018	\$1,507,912 (39 claims paid)

CONSUMER RECOVERY ACCOUNT

Claims History

Since 1964, DRE has paid over
\$61 million to victims

Approximately 54% of all applications
paid

Update: 2018 Legislation



Overview of 2018 Legislative Activity

- Bills that reached the Governor's Desk: 1,217
- Bills Signed: 1,016
- Bills Vetoed: 201



Overview of 2018 Legislative Activity

Signed by Governor

- AB 1289 (Arambula)
- AB 2138 (Chiu and Low)
- AB 2884 (Irwin)
- SB 721 (Hill)

AB 2884 (Irwin)

AB 1289 (Arambula)

- Both bills include a “Savings Clause” added to statute to preserve existing legal duties and relationships
- The bills move real estate definitions from the Civil Code to the Real Estate Law
- Licensees must report a felony criminal complaint filed against them to the DRE, just as with an indictment currently
- Brokers are no longer required to keep the paper licenses for themselves and their salespersons
- AB 1289 amends Civil Code Sections 2079.16 and 2079.21 to expand the information a dual agent may withhold from clients

AB 2138 (Chiu and Low)

Existing law:

- Authorizes denial of license if applicant is convicted of felony or substantially-related misdemeanor
- Authorizes denial of license if applicant knowingly made a false statement of fact that is required to be disclosed on his/her application
- Precludes denial of a license solely based on a conviction if conviction dismissed or expunged

AB 2138 (Chiu and Low)

New law:

- Precludes denial of license if applicant convicted of a crime that is more than 7 years old
 - Exception: Convictions for serious felonies or financial crimes
- Precludes denial of license based on acts underlying a conviction if conviction has been dismissed or expunged
- Precludes entity from inquiring about criminal history on license applications
- Effective July 1, 2020

SB 721 (Hill)

- Inspection of decks or balconies for buildings with 3+ dwelling units
 - Performed by licensed architect, engineer or specified building contractor
- Inspections to be conducted
 - Initially by January 1, 2025
 - Subsequently every 6 years
- Repairs to be completed within 120 days
- Inspection report submitted to DRE for condo conversions
 - Condition to issuance of final public report

Regulations

- First Point of Contact
- Removal of Discipline from DRE's Website

First Point of Contact

- AB 1650 (Frazer)
- Regulations under development
 - Target Implementation Date: April 1, 2019
- Proposed Regulations
 - License number required on “1st Point of Contact” solicitation materials
 - Responsible broker’s number not required as long as responsible broker’s name/logo appears with name and license number of salesperson or broker associate

First Point of Contact (Continued)

- 1st Point of Contact
 - Business Cards
 - Stationery
 - Websites owned or controlled by the soliciting licensee
 - Promotional and advertising flyers, brochures, leaflets, etc.
 - Advertisements in electronic media (internet, e-mail, radio, television, etc.)
 - Print advertising in any newspaper or periodical
- Excludes “for sale”, “for rent” or “open house” sign where sign has no name/logo or the name/logo belongs to the responsible broker

Petitions to Remove Discipline from Website

AB 2330 (Ridley-Thomas)

- Prior law required DRE to post status of every license on its website
 - Including all discipline
- New law authorizes the Commissioner to set up a petition process to remove discipline from the website
 - Licensees only (not available to unlicensed or non-licensed)
 - Discipline must be 10 years or older
 - Petitioner must pay a fee set by regulation
 - Findings that no credible risk to members of the public exists as a condition to removing discipline
- Target Implementation Date: April 1, 2019

Department of Real Estate Legal Affairs

Contact:

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Legal Affairs

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Q&A

THANK YOU

This power point presentation will be made available in its entirety on the DRE website.

www.dre.ca.gov

Next Meeting to be held in
Sacramento, CA

