

DEPARTMENT OF REAL ESTATE FORUM

October 1, 2020



AGENDA

- **ADMINISTRATION**
- **LICENSING**
- **AUDITS**
- **ENFORCEMENT & LEGAL**
- **SUBDIVISIONS**
- **COMMUNICATIONS & PUBLICATIONS**
- **Q&A**



Sandra Knau

Assistant Commissioner – Administration

DRE OPERATIONS

➤ **Five District/Exam Offices**

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

➤ **Authorized Positions: 369**

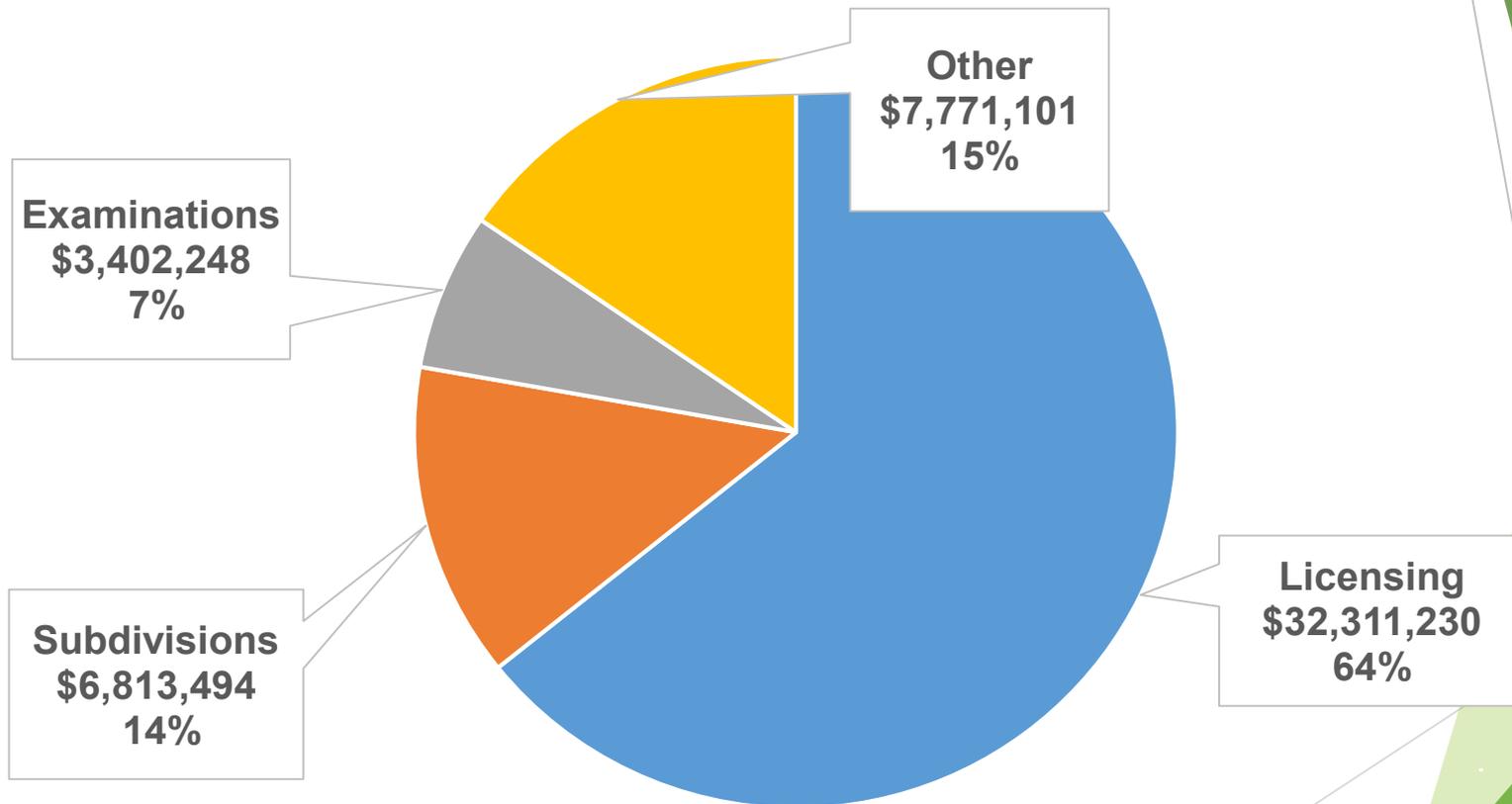
DRE OFFICE RELOCATIONS

- **Sacramento HQ will be moving to new Richards Boulevard Office Complex in 2024**
- **San Diego Office will be moving to a new location TBD sometime in 2021/2022**
- **San Diego Examination Center will be moving to a new location TBD in 2021/2022**

FINANCIAL STATISTICS FY 19/20

DRE'S BUDGET \$55,883,000

REVENUES \$50,298,074*

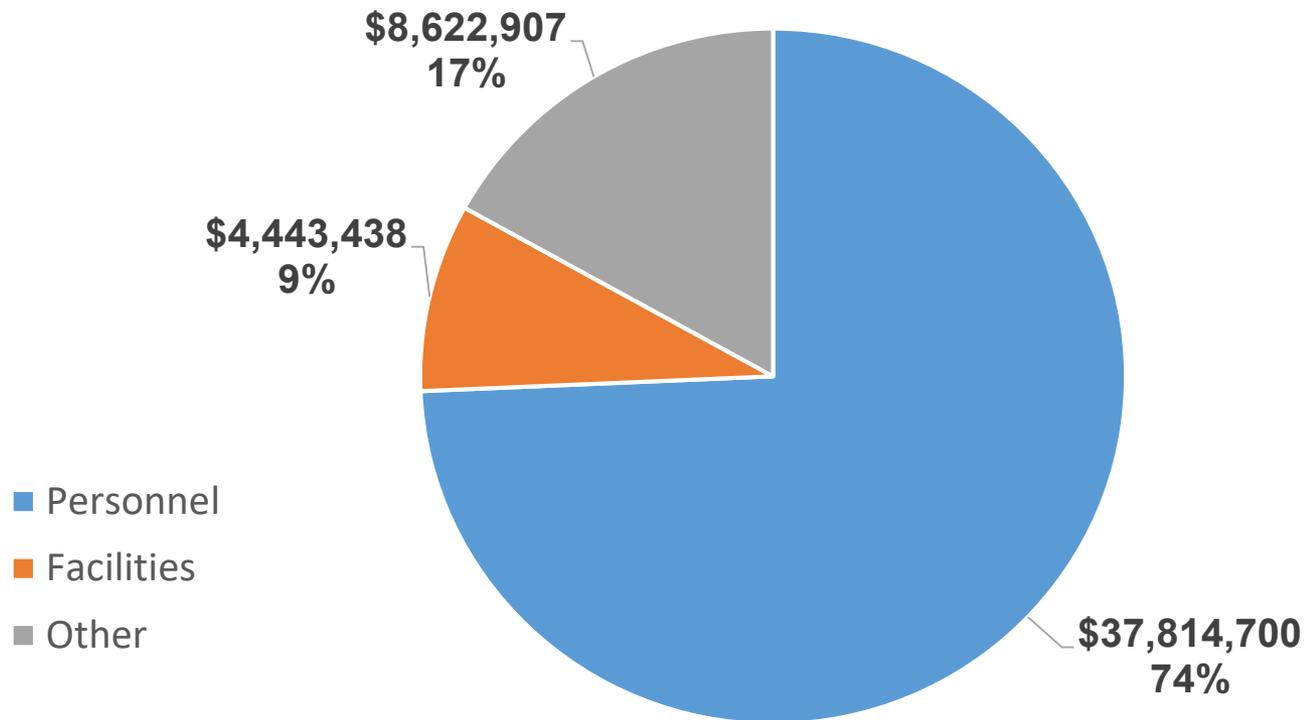


*FY 19/20 not yet closed, estimated figures

FINANCIAL STATISTICS FY 19/20

DRE'S BUDGET \$55,883,000

TOTAL EXPENDITURES \$50,881,045*



*FY 19/20 not yet closed, estimated figures

INFORMATION TECHNOLOGY UPDATES – COMPLETED PROJECTS

- **Broker-Associate changes added to eLicensing**
- **Officer renewals added to eLicensing**
- **Ability to print a license application off of eLicensing for successful exam candidates**

INFORMATION TECHNOLOGY UPDATES – PENDING PROJECTS

- **Online submittal of exam and license applications**
- **Second phase of SOPRAS**
- **Website redesign**
- **Automated 70/30 CE exemption request**



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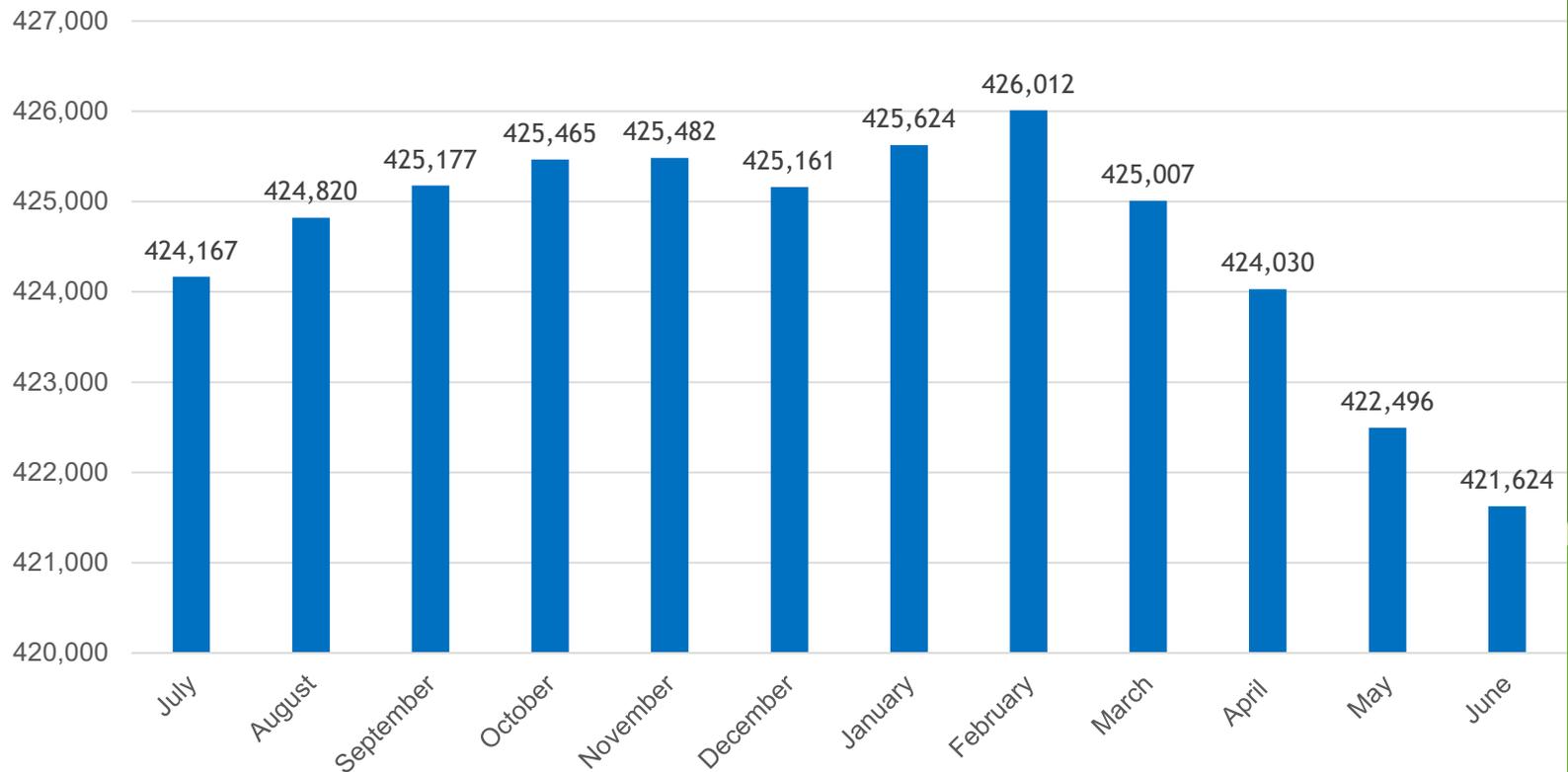
Jeff Oboyski

Assistant Commissioner – Licensing

LICENSING WORKLOAD

Exams Scheduled	FY 19/20	FY 18/19
RES	41,249 (-18%)	50,197
REB	4,442 (-15%)	5,197
New Licenses		
RES	17,396 (-26%)	23,648
REB	3,911 (-15%)	4,619
Renewals		
RES	51,107 (79%)	53,442 (80%)
REB	26,913 (92%)	28,622 (93%)
Total Licenses		
	421,624 (-1%)	423,810
Total MLO's		
	26,840	26,237

LICENSING POPULATION FY 19/20



EXAMS

Changes to Exams

- Effective January 27, 2020

Broker Exam	Salesperson Exam
Time allotted for completion of reduced from 5 hours to <u>4 hours</u>	Time allotted for completion reduced from 3 hours and 15 minutes to <u>3 hours</u>
Reduced from two sessions to <u>one session</u>	

- Exam content, number of questions, and pass rates remain the same

GOVERNOR NEWSOM'S EXECUTIVE ORDERS

- **In response to COVID-19, the Governor issued three Executive Orders (N-52-20, N-69-20, and N-71-20), extending statutory applicant and licensee deadlines**
- **Extensions apply to examination, original license, and renewal applications**
- **N-71-20 extends license requirements deadlines expiring between April 16, 2020, through December 30, 2020, until December 31, 2020**
- **FAQs have been posted on DRE's website**

EXECUTIVE ORDER N-71-20 LICENSE REQUIREMENT EXTENSIONS

4-Year License Expiration Date	Eligible for N-71-20 Extension
March 21, 2020	No.
April 17, 2020	Yes. Granted an extension to submit renewal application, fee and, CE requirements until 12/31/2020.

EXECUTIVE ORDER N-71-20 LICENSE REQUIREMENT EXTENSIONS

2-Year (late) License Expiration Date	Eligible for N-71-20 Extension
February 21, 2020	No.
June 1, 2020	Yes. Granted an extension to submit renewal application, "late" fee, and CE requirements until 12/31/2020.

EXECUTIVE ORDER N-71-20 LICENSE REQUIREMENT EXTENSIONS

2-Year Exam Expiration Date	Eligible for N-71-20 Extension
February 1, 2020	No.
July 27, 2020	Yes. Granted an extension to take and pass the real estate exam until 12/31/2020.

EXECUTIVE ORDER N-71-20 LICENSE REQUIREMENT EXTENSIONS

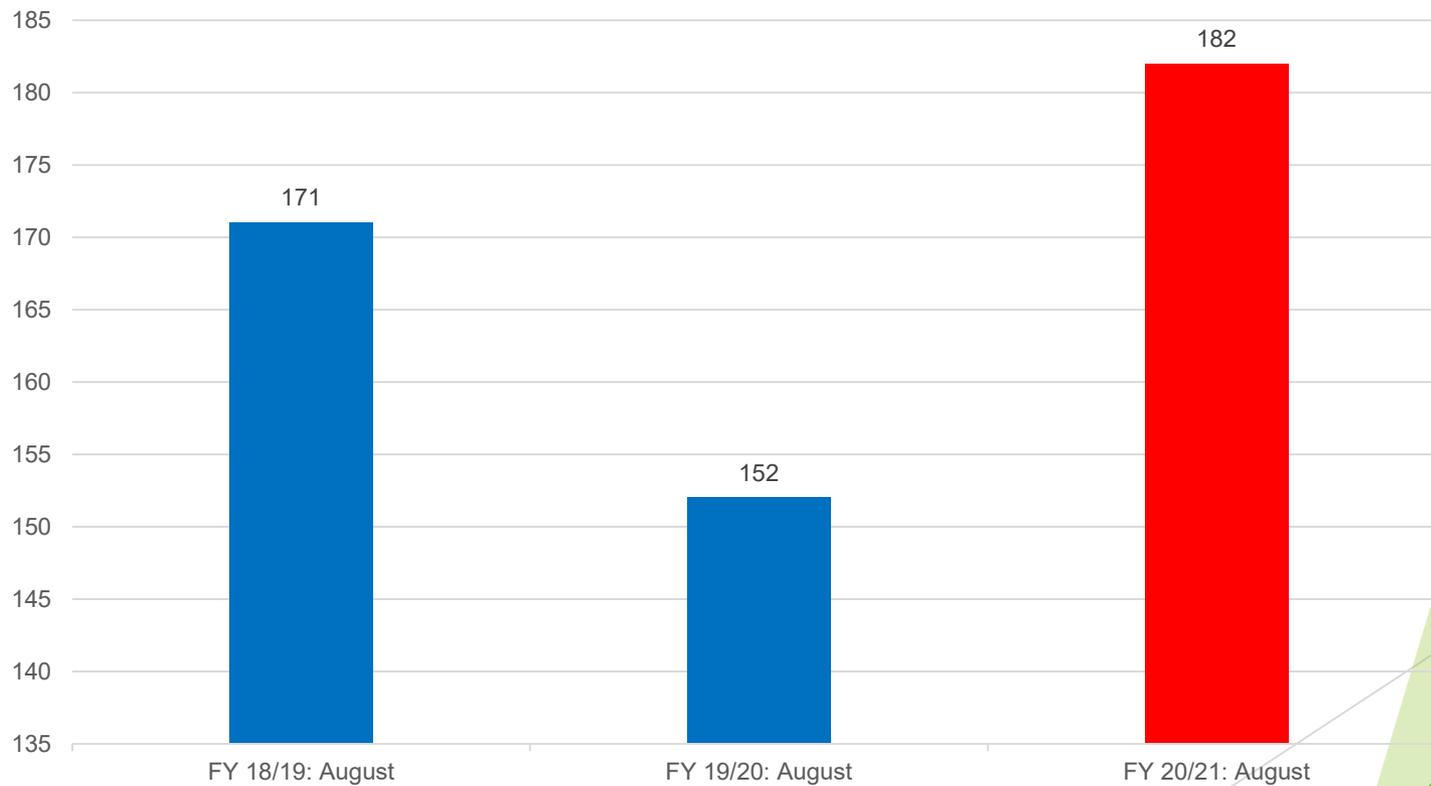
1-Year to Apply for the License Expiration Date	Eligible for N-71-20 Extension
April 2, 2020	No.
December 1, 2020	Yes. Granted an extension to apply for licensure until 12/31/2020.

COVID-19: REAL ESTATE EXAMS

- **Exams were cancelled in April & May 2020**
- **Effective June 2020, DRE has enacted the following health and safety procedures at Exam sites:**
 - ✓ **Social distancing requirements**
 - ✓ **40% capacity**
 - ✓ **Mask requirement in Exam Centers**
 - ✓ **Exam Centers are disinfected after every exam administration**

DRE EXAM AVAILABILITY

Exam Sessions



THE FUTURE OF DRE EXAMS

- Additional Testing locations and availability



DRE INFO SECTION



- **Public Information Line (877) 373-4542**
- **DRE Info section staff are now able to answer licensing calls remotely**

“ASK DRE LICENSING” BY EMAIL

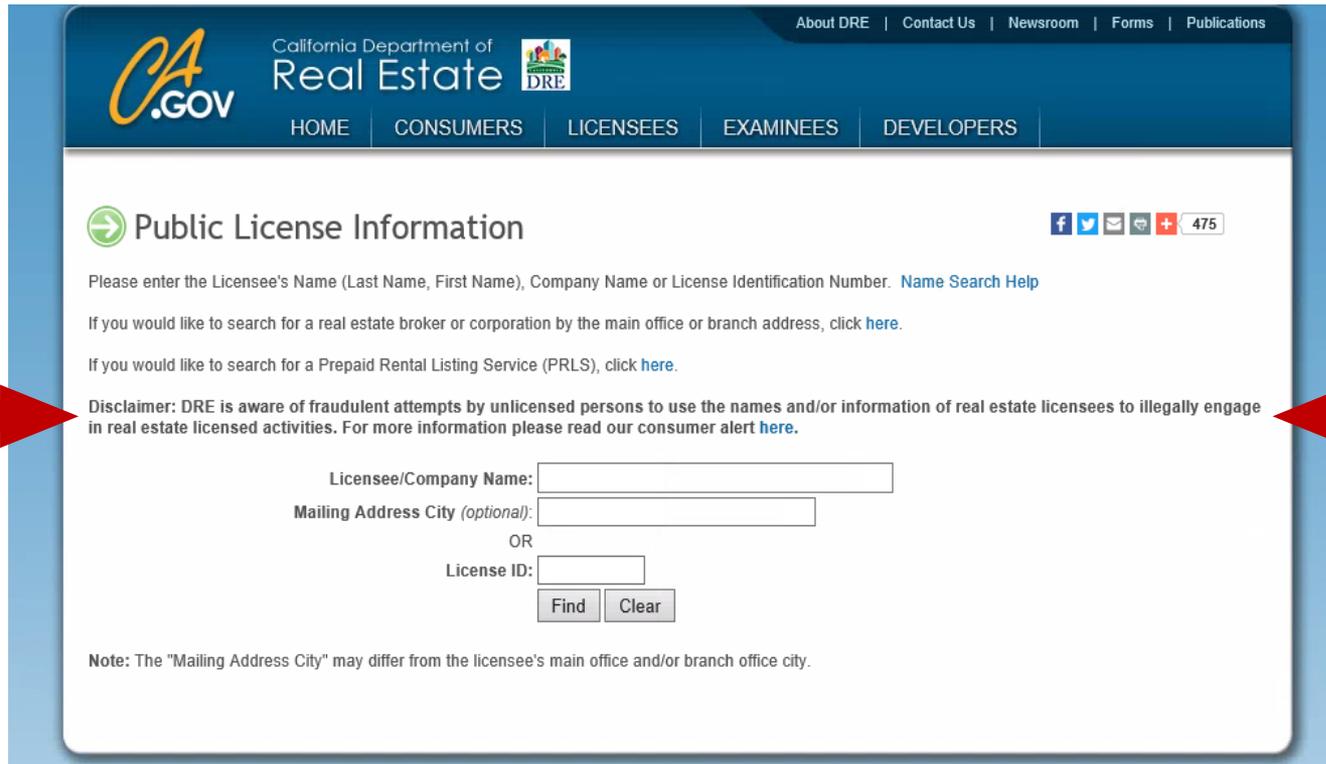
- **Temporarily answering Licensing related questions by email at Ask.DRELicensing@dre.ca.gov**
- **General licensing and examination questions**
- **Answered in order received**
- **Two business days for emailed response**
- **Check your spam or junk email folders for responses**
- **Staff are responding to over 1,500 emails per month**

eLICENSING



- ✓ Schedule a salesperson and broker exam date after an application is qualified and processed
- ✓ Change exam mailing address
- ✓ Print a license application after passing an exam
- ✓ Print license and MLO license endorsement certificates
- ✓ Request to add or change a salesperson's affiliating broker
- ✓ Add or change main office and mailing address
- ✓ Update contact information (i.e. phone numbers and email address)
- ✓ Broker-associate affiliation processing
- ✓ Broker, salesperson, and officer renewal transactions

PUBLIC LICENSE INFORMATION: DISCLAIMER



CA .GOV California Department of Real Estate DRE

HOME CONSUMERS LICENSEES EXAMINEES DEVELOPERS

About DRE | Contact Us | Newsroom | Forms | Publications

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.

LICENSE RECORD CHECK

- **Review Your “On-line” Public License Record.**
 - ✓ **Mailing Address**
 - ✓ **Business Addresses**
 - ✓ **Fictitious Business Names**
 - ✓ **Affiliated Salespeople**
 - ✓ **Check the Web - Google Yourself**





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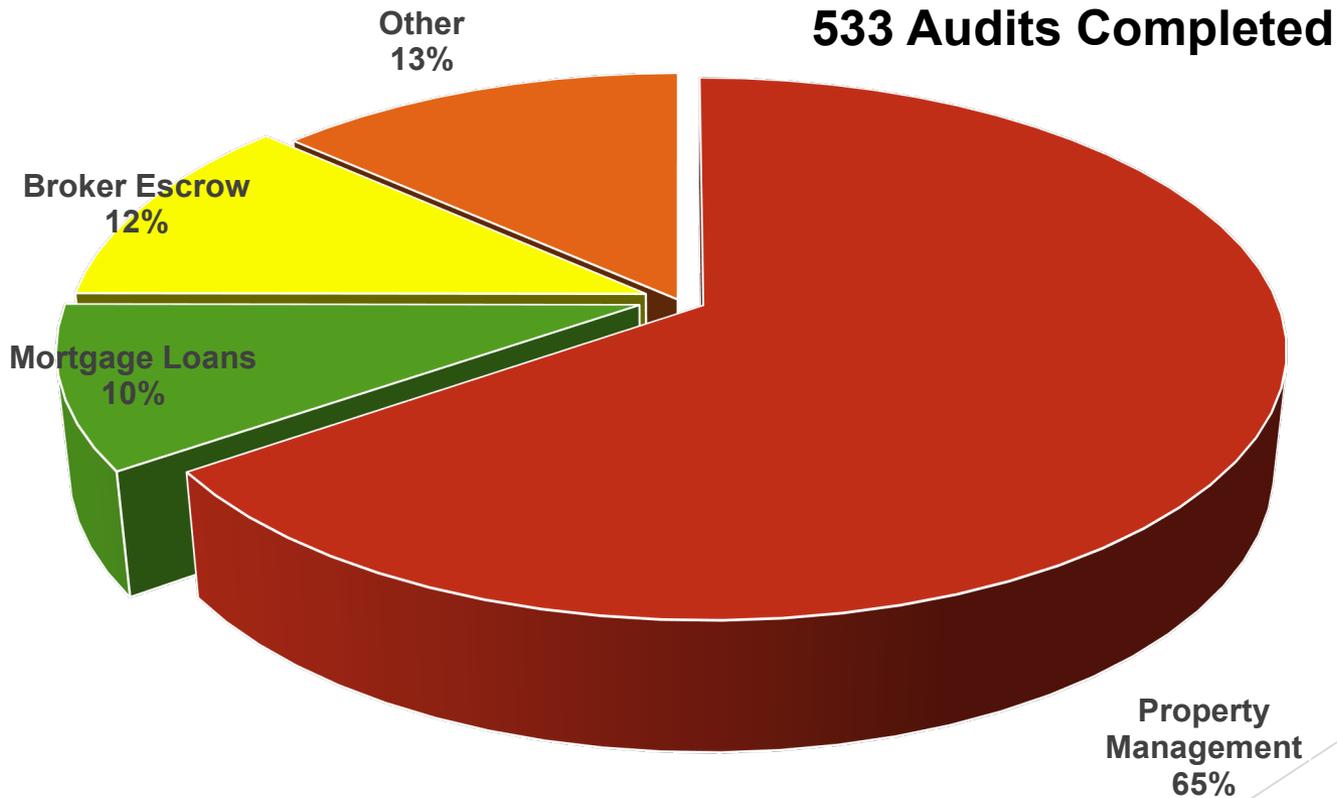
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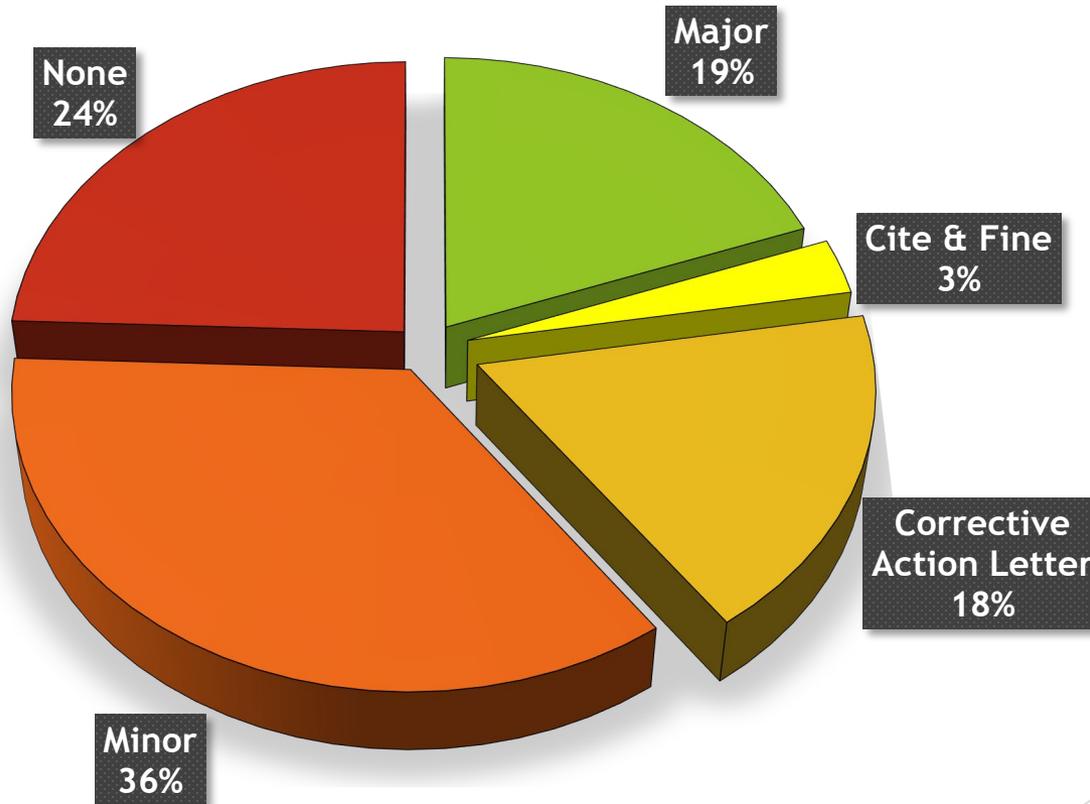
Tom Cameron

Assistant Commissioner – Audits

AUDITS CLOSED BY ACTIVITIES STATEWIDE FY 19/20



FINDINGS OF AUDITS CLOSED FY 19/20



SHORTAGE FINDINGS OF AUDITS CLOSED FY 19/20

- **Total audits closed – 533**
- **\$5 million in shortages**
- **31.1% had shortages**
- **10.3% of audits with more than \$10,000 in shortages.**

COMMON AUDIT FINDINGS

- **Trust fund shortages on property management and broker escrow audits**
- **Lack of broker oversight**
- **Broker-controlled escrow activities and failure to report to DRE**
- **Delays in providing records**



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Stephen Lerner

Assistant Commissioner – Legal Affairs

LEGAL AFFAIRS

➤ **Offices**

- **Los Angeles**
- **Sacramento**

➤ **Operational Units**

- **Los Angeles Administrative Prosecutions**
- **Sacramento Administrative Prosecutions**
- **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
 - Audit Section
- **Legal Section Prosecutes Disciplinary Action**
 - Preparation and filing of Operative Pleading(s)
 - Limited Discovery

LICENSE DISCIPLINE PROCESS

➤ Outcome

- Hearing before an Administrative Law Judge
 - ❖ 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

LEGAL AFFAIRS

➤ Disciplinary Tools

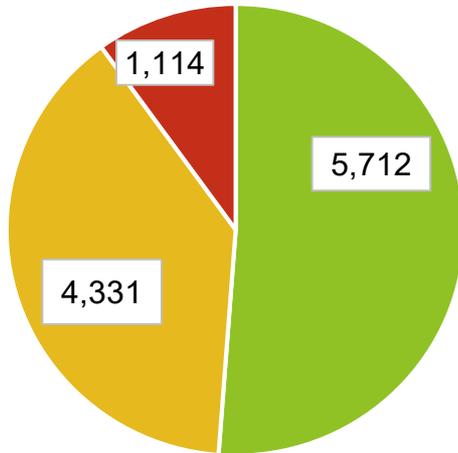
- Revocation
- Restriction
- Suspension
- Surrender
- Public Reproval
- Corrective Action Letter
- Cite and Fine
- Desist and Refrain Order
- Bar Order



ENFORCEMENT

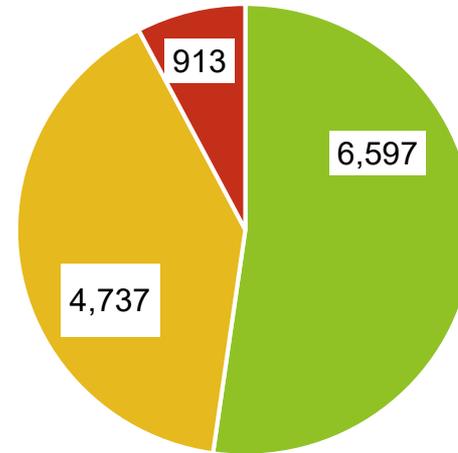
Complaints, Investigations & Referrals to Legal

FY 18/19



■ Complaints ■ Investigations ■ Legal

FY 19/20



■ Complaints ■ Investigations ■ Legal

DISPOSITION OF CASES

Category	FY 19/20
Desist & Refrain Orders	18
License Suspensions	87
License Surrenders	62
License Revocations	162
Case Dismissals	60
Public Reprovals	8
Stipulations & Waivers/Agreements	164
Application Denials	70
License Denials and Restrictions	43
Bar Orders	4
Total	678

MOST COMMON VIOLATIONS

- 1. Trust Fund Record Keeping**
- 2. Trust Fund Shortages**
- 3. Failure to Supervise**
- 4. Unlicensed Activity**
- 5. Misrepresentation**
- 6. False/Misleading Advertising & Advertising Compliance**

CONSUMER RECOVERY ACCOUNT FY 19/20

Category		Total
Claims Filed		40
Disposition of Claims	Paid	41
	Denied	9
Amount Paid		\$947,411

CONSUMER RECOVERY ACCOUNT HISTORICAL

Year	Claims Filed	Total Claims Paid	Total Amount Paid
FY 14/15	159	119	\$4,898,912
FY 15/16	76	81	\$3,396,293
FY 16/17	70	89	\$2,022,602
FY 17/18	66	39	\$1,424,559
FY 18/19	160	68	\$3,216,957
FY 19/20	40	41	\$947,411

Since 1964, DRE has paid approximately \$66 million to victims.

OVERVIEW OF 2019 LEGISLATIVE ACTIVITY

- **Signed by the Governor**
 - AB 5 (Gonzalez)
 - AB 892 (Holden)
 - AB 1110 (Friedman)
 - AB 1482 (Chiu)

AB 5 (GONZALEZ) THE “DYNAMEX” BILL

- Signed by the Governor on September 18, 2019
- Codifies the “Dynamex” California Supreme Court case that reset the standard for independent contractors in this state
- C.A.R. lobbied for, and the bill now includes, language that excludes the real estate industry from this codification

AB 892 (HOLDEN)

- Signed by the Governor on September 20, 2019
- C.A.R.-sponsored bill. “Clean up” language to correct minor issues found in the Civil Code disclosure requirements after 2018’s amendments (AB 1289 - Arambula)
- “Clean up” for issues spotted in the Civil Code after 2018’s amendments (AB 1289 - Arambula)
- Includes a requirement that MLS retain listing information for three years

AB 1110 (FRIEDMAN) LONGER NOTICE FOR HIGH RENT INCREASES

- Addresses rental properties that are excluded from AB 1482's rent control cap.
- Where a landlord is allowed to raise rent by more than 10 percent, and wants to, requires 90 days advance notice to the tenant of the proposed rent increase.

AB 1482 (CHIU) TENANT PROTECTION ACT OF 2019

➤ **Just Cause Eviction Requirement**

- Applies to tenants residing at unit for 12+ months or 24+ months if adult added to tenancy in last 12 months
- Does not apply to units subject to local just cause ordinances adopted on/before September 1, 2019
- Does not apply to units subject to local just cause ordinances adopted/amended after September 1, 2019 if local ordinance is more protective
- Does not apply to hotels, dormitories, non-profit housing accommodations, single-family homes, and owner-occupied duplexes

AB 1482 (CHIU) TENANT PROTECTION ACT OF 2019

➤ Just Cause Eviction Requirement

➤ 2 types of Just Cause

■ At Fault

- ❖ Failure to pay rent, breach of rental agreement, refusal to sign renewal agreement on same/similar terms, or refusal of tenant to vacate after agreeing to do so
- ❖ If curable, must give tenant reasonable period to cure

■ No Fault

- ❖ Removing unit from rental market, owner's occupation of unit, owner's compliance with governmental requirements/actions, or demolition/substantial rehabilitation of unit
- ❖ Landlord must pay relocation assistance to tenant

AB 1482 (CHIU) TENANT PROTECTION ACT OF 2019

➤ **Cap on Rent Increases**

- Lesser of 5% plus inflation or 10%
- Maximum of two increases within 12 months

➤ **Notice to tenants**

- Given for tenancies in existence before July 1, 2020
- Notice to tenants or addendum to rental agreement
- Must be given by August 1, 2020

OVERVIEW OF 2020 LEGISLATIVE RESULTS

➤ Signed

- **AB 1864 (Limón)**
- **AB 3088 (Chiu)**
- **SB 1079 (Skinner)**
- **SB 1190 (Durazo)**

SB 1079 (SKINNER) FORECLOSURE NOTICES TO TENANTS OF RESIDENCES

- Requires notice to a tenant of a pending foreclosure.
- Establishes a process tenants may pursue to purchase the property at foreclosure.
- “Sunsets” on January 1, 2026.

SB 1190 (DURAZO)

EARLY LEASE TERMINATION

VICTIMS OF VIOLENT CRIME

- Extends authority for tenants to terminate leases early when a violent crime occurs.
- Applies where immediate family member of tenant is the crime victim, rather than just the tenant or a household occupant.
- Adds additional crimes to the list of crimes that qualify for early lease termination.

AB 1864 (LIMÓN)

- Establishes Department of Financial Protection and Innovation
- Significantly expands the state's consumer protection capacity to supervise financial institutions and crack down on financial predators
- Creates a team to monitor markets to proactively identify emerging risks to consumers
- Creates a team dedicated to consumer education and outreach
- Creates new Office of Financial Technology and Innovation to cultivate financial technology to serve consumers

AB 3088 (CHIU) TENANT, HOMEOWNER, AND SMALL LANDLORD RELIEF AND STABILIZATION ACT OF 2020

- Applies to all residential tenants regardless of immigration status
- Applies to tenants in mobile home parks
- Extends just cause eviction protections through January 31, 2021
 - Landlord must specify reason for evicting tenant
 - Landlord's reason must comply just cause eviction protections in AB 1482 and AB 3088
- By September 30, 2020, landlords must provide notice to all tenants who failed to pay some/all of their rent between March 1, 2020 and August 31, 2020 informing them of their rights under AB 3088

AB 3088 (CHIU) TENANT, HOMEOWNER, AND SMALL LANDLORD RELIEF AND STABILIZATION ACT OF 2020

- No evictions for nonpayment of rent due to financial distress arising from/related to COVID-19
 - If landlord wants to evict, landlord must give tenant 15-day notice and unsigned declaration plus any other notices required by federal, state or local laws
 - Protected Time Period – March 1, 2020 through August 31, 2020
 - ❖ Return signed declaration of financial distress within 15 days of receipt
 - Transition Time Period – September 1, 2020 through January 31, 2021
 - ❖ Return signed declaration of financial distress within 15 days of receipt
 - ❖ Pay 25% of monthly rent due by January 31, 2021
- Landlords can require high-income tenants to provide documentation to substantiate financial distress
- Tenants still owe unpaid rent, but can't be evicted for nonpayment of rent

REGULATIONS

- AB 2138 – New License Applicants
- AB 2884 – Omnibus Cleanup Bill
- Protected Classes
- Mortgage Call Reports – Establishing time periods when reports must be filed



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TYPES OF PUBLIC REPORTS

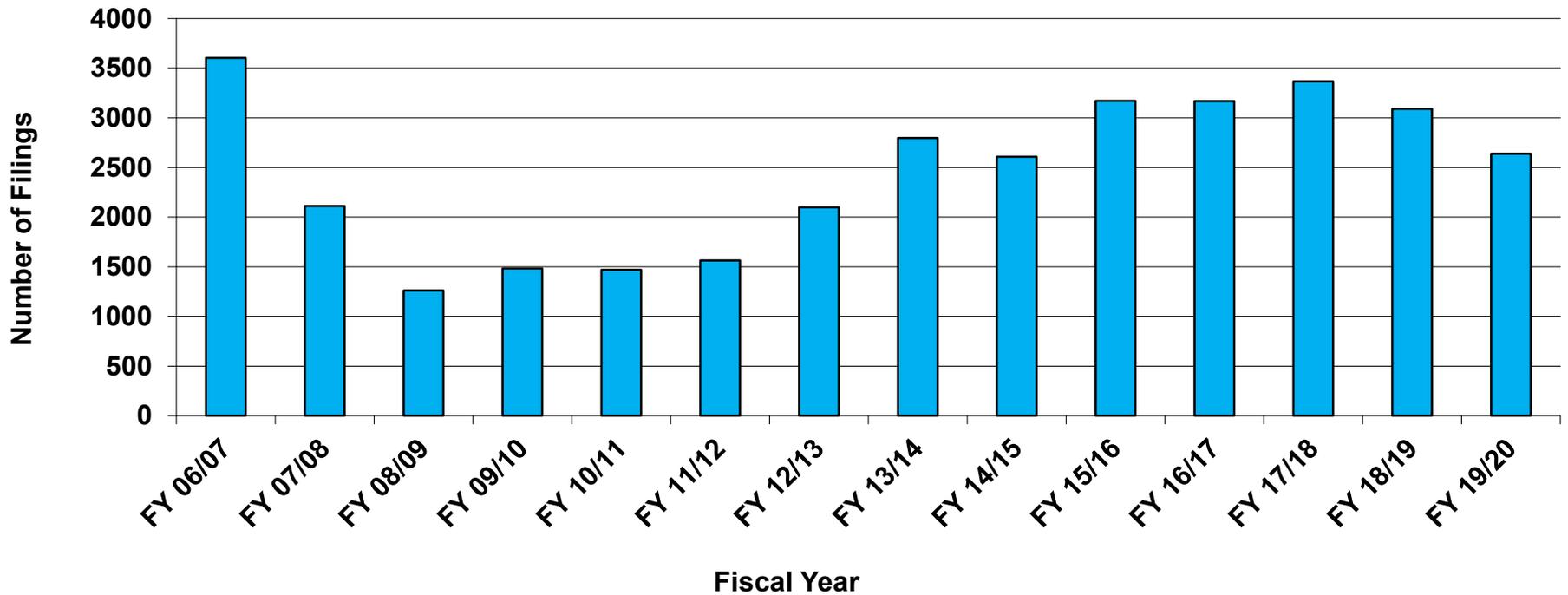
- **Preliminary Subdivision Public Reports**
 - PINK
 - typical term of 1 year
- **Conditional Subdivision Public Reports**
 - YELLOW
 - typical term of 6 or 30 months depending on the project type
- **Final Subdivision Public reports**
 - WHITE
 - typical term of 5 years

All of these reports can be amended or renewed, as needed.

SUBDIVISION FILINGS

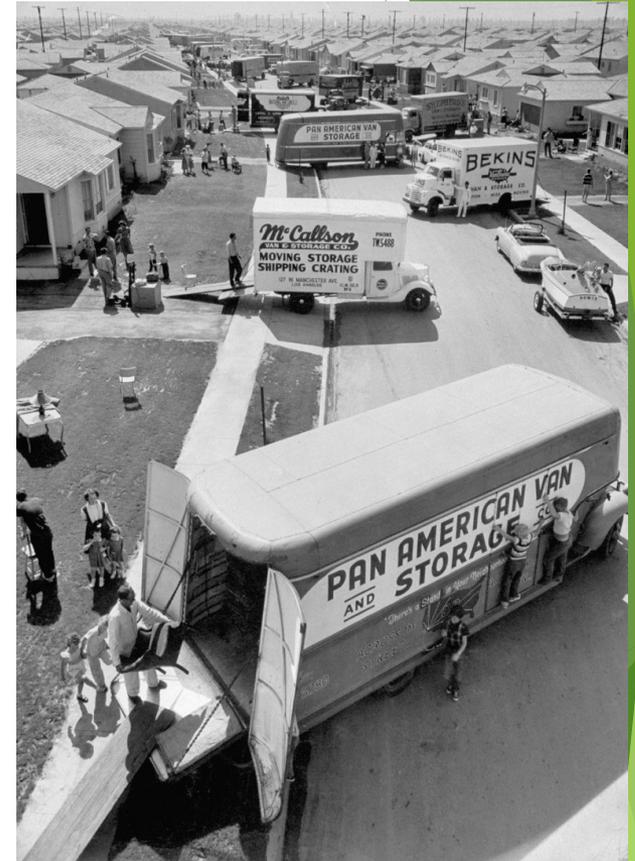
	FY 18/19	FY 19/20	% Change
Final Public Reports	3,089	2,639	-14.5%
Number of Lots/Units for Issued Final Public Reports	40,549	33,679	-20.4%

FINAL PUBLIC REPORT FILINGS BY FISCAL YEAR

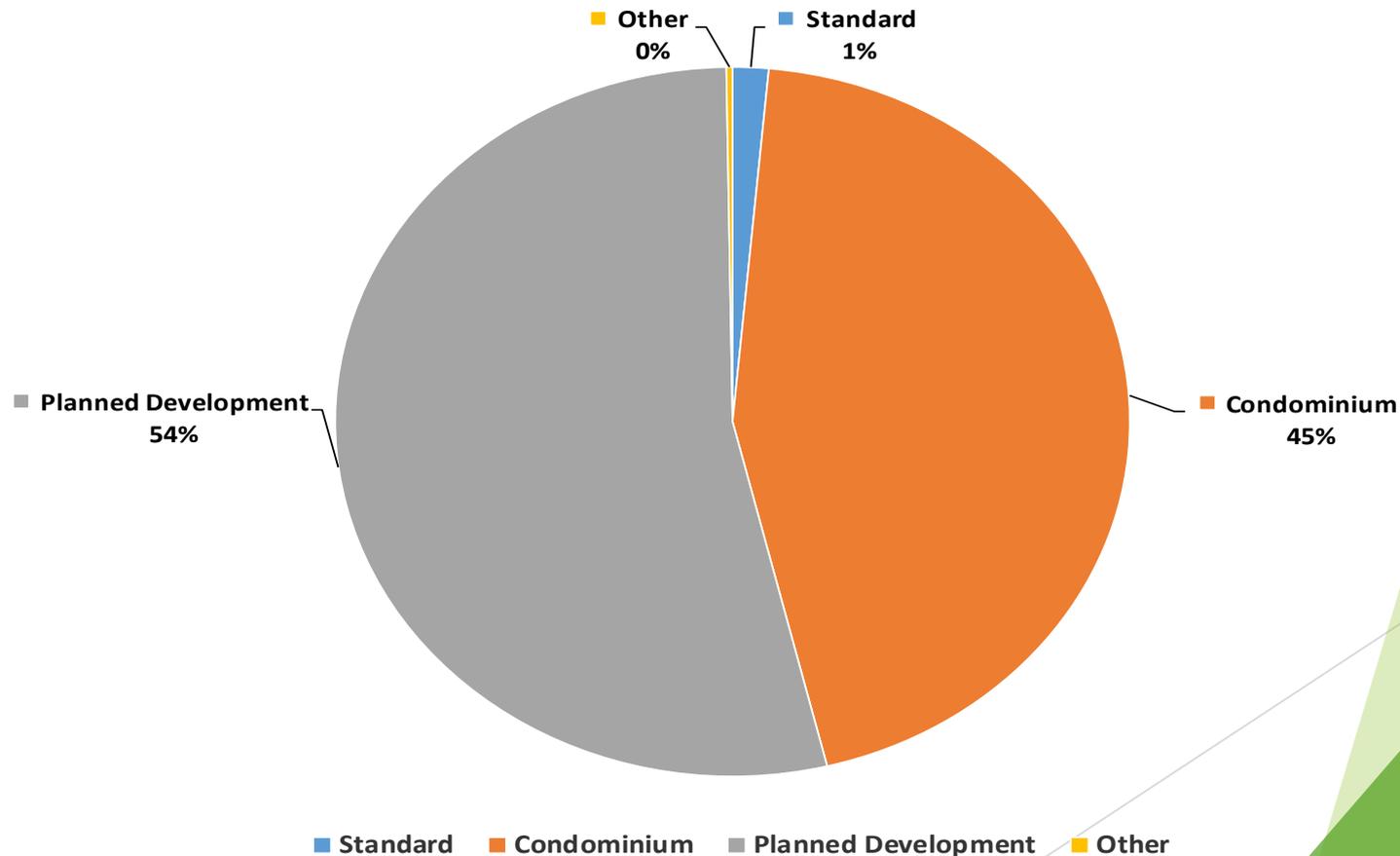


TYPES OF SUBDIVISIONS

- Standard
- Common Interest
- Condominium
- Planned Development
- Stock Cooperative
- Community Apartment
- Undivided Interests
- Tenancy-in-Common (TIC's)



ISSUED PUBLIC REPORTS BY SUBDIVISION TYPE FY 19/20



NOTABLE DEVELOPMENT TRENDS

➤ **Local Government Trends**

- Common Interest Developments (CID's) preferred
- HOA maintenance of public amenities
- HOA assessment subsidization (Market vs. Affordable)

➤ **Strong demand for new homes**

➤ **Higher density housing vs. Suburban housing**

BE AWARE OF THE FOLLOWING

- What constitutes a “subdivision”
- Common interest governing documents
- The “Public Report”
- Use of the accepted purchase contract
- Use caution with “oral representations”
- Civil Code Section 4525
- Solar Arrangements

WHERE TO FIND MORE INFORMATION

- www.dre.ca.gov/Developers/
- Publications that may be of assistance:
 - Real Estate Law & Reference Books
 - Residential Subdivision Buyer's Guide
 - Guide to Understanding Residential Subdivisions in California
 - Living in a Common Interest Development
 - Subdivision Public Report Application Guide (SPRAG)



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DRE COMMUNICATION

➤ Social Media

-  @CaliforniaDepartmentOfRealEstate
-  @CA_DRE
-  @DougMcCauleyDRE

➤ RSS Feed

- eClips
- All website updates

DRE COMMUNICATION

➤ Licensee and Consumer Alerts and Advisories

The screenshot shows the California Department of Real Estate (DRE) website. The header includes the CA.GOV logo, the text "California Department of Real Estate", and a search bar. Navigation links include "HOME", "CONSUMERS", "LICENSEES", "EXAMINEES", and "DEVELOPERS". The breadcrumb trail is "Home > Licensees > Advisories". The main heading is "Licensee Alerts and Advisories". Below this, a section for the year "2019" contains two items:

- Licensee Advisory: Implementation of Section 106, Eliminating Barriers to Jobs for Loan Originators, of S.2155 (September 2019)
- Advisory: Implementation of Petition Process for the Removal of Discipline Information from the DRE's Website (March 2019)

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- Consumer Alert- Fraud Warnings for California Homeowners in Financial Distress (April 2020)
 - En Español In Arabic In Armenian In Cantonese In Chinese In Farsi In Korean In Tagalog In Vietnamese
- Consumer Alert- Be Cautious of Those Who Target Others in Vulnerable Financial Situations (March 2020)
 - En Español In Arabic In Chinese In Farsi In Korean In Tagalog In Vietnamese
- Consumer Alert- Buyers, Sellers, Real Estate Agents and Escrow-holders BEWARE: Criminals are targeting your Wire and Electronic Funds Transfers! (March 2020)
 - En Español In Arabic In Chinese In Farsi In Korean In Tagalog In Vietnamese

DRE COMMUNICATION

➤ Press Releases

The screenshot displays the California Department of Real Estate (DRE) website. The header features the CA.GOV logo, the text "California Department of Real Estate DRE", and navigation links for "About DRE", "Contact Us", "Newsroom", "Forms", and "Publications". A search bar is also present. Below the header, a menu bar includes "HOME", "CONSUMERS", "LICENSEES", "EXAMINEES", and "DEVELOPERS". The main content area shows a breadcrumb trail: "Home :: Newsroom :: PressReleases". The "Press Releases" section is highlighted with a green arrow icon. Below this, a grey bar indicates the year "2020". A list of press releases follows, each with a date and a red ribbon icon, and an option to view the release in Spanish.

Home :: Newsroom :: PressReleases

➔ Press Releases

2020

- [DRE Suspends License of Chino Real Estate Broker Lin Li on Federal Conspiracy Charge \(September 17, 2020\)](#)
 - [En Español](#)
- [DRE Warns Against Rental Price Gouging in Wildfire Areas \(September 16, 2020\)](#)
 - [En Español](#)
- [DRE Suspends License of Real Estate Broker George Chiang in Ongoing Federal Corruption Probe at Los Angeles City Hall \(August 21, 2020\)](#)
 - [En Español](#)
- [Governor Newsom Issues Executive Order N-71-20 Impacting DRE Applicants and Licensees \(July 14, 2020\)](#)
- [Governor Newsom Issues Executive Order N-69-20 Impacting DRE Applicants and Licensees \(June 16, 2020\)](#)
- [Governor Newsom Issues Executive Order Impacting DRE Applicants and Licensees \(April 17, 2020\)](#)
- [DRE Issues Consumer Alert Warning Homeowners in Financial Distress \(April 16, 2020\)](#)
 - [En Español](#)
- [DRE Revokes License of Orange County Real Estate Broker Laura Preciado for Fraudulent Activity \(February 5, 2020\)](#)
 - [En Español](#)

DRE COMMUNICATION

- **Website**

- Refresh

- Focus groups

- **Email**

- Local Associations

- Industry Stakeholders

- Law Enforcement Partners

DRE PUBLICATIONS

➤ **New Publications**

- RE 27 Real Estate Advertising Guidelines
- RE 26 California Tenants Guidebook

➤ **Updated Publications**

- RE 12 Fraud Warnings for Homeowners in Financial Distress
- RE 21 Loan Modification Self-Help Guide

➤ **Major revisions scheduled**

- RE 25 Reserve Study Guidelines for Homeowner Association Budgets
- RE 1 Reference Book
- Real Estate Law Book (Done Annually)

➤ **Real Estate Bulletin**



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Department of Real Estate



Contact Information

- (877) 373-4542
- Licensing Questions:
Ask.DRELicensing@dre.ca.gov
-  @CaliforniaDepartmentOfRealEstate
-  @CA_DRE
-  @DougMcCauleyDRE
- www.dre.ca.gov

QUESTIONS

