

# Department of Real Estate Enforcement Overview

*April 21, 2023*

*California Community Colleges Real Estate  
Education Center Conference*





# DRE Enforcement Overview

- DRE's Mission
- 2023 Real Estate Law Updates
- DRE Enforcement Overview
- Common Violations
- Best Practices
- Questions and Answers



# DRE's Mission

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

## *Business & Professions Code Section 10050.1*

- ▶ Protection of the public shall be the highest priority for the Department of Real Estate in exercising its licensing, regulatory, and disciplinary functions.
- ▶ Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.



# DRE Law Updates

- Fair Housing Regulations (Regulation 270)
- Disclosure Statement (AB 2960)



# Fair Housing Laws

## Federal - Two Primary Non-Discrimination Laws

1. Federal Americans with Disabilities Act
2. Federal Fair Housing Act

## State - Three Primary Non-Discrimination Laws

1. Unruh Civil Rights Act
2. Fair Employment & Housing Act
3. Holden Act



# Housing Protected Bases

1. Race Color
2. Ancestry
3. Religion
4. Sex
5. Gender
6. Sexual Orientation
7. Gender Identity
8. Gender Expression
9. National Origin
10. Source of Income
11. Marital Status
12. Familial Status (children under age of 18, pregnant, or becoming legal custodian)
13. Disability (mental and/or physical)
14. Medical Condition
15. Military or Veteran
16. Genetic Information
17. Primary Language\*
18. Immigration Status\*
19. Age\*
20. Citizenship\*

*\* Covered under the Unruh Civil Rights Act, which applies to most housing accommodations in California*



# Discriminatory Practices

## Commissioner's Regulation 2780

- Adopted in 1977
- Prohibits discriminatory conduct by a real estate licensee based on specified protected bases



# Commissioner's Regulation 2780

## Examples of some prohibited activities:

- Refusing to negotiate
- Refusing to provide information about a property
- Steering a person away from a property
- Misrepresenting the availability of a property
- "Slow playing" or delaying the processing an application





# Commissioner's Regulation 2780

## Examples of some prohibited activities:

- Failing to cooperate with another real estate licensee
- Soliciting transactions from any person, but not from another person within the same area
- Providing different information about a property's desirability



# Amendments to Regulation 2780

**Amends existing regulation to incorporate legislative changes since 1980 to:**

- Federal Americans with Disabilities Act
- Federal Fair Housing Act
- California Disabled Persons Act
- Unruh Civil Rights Act

**Took Effect on: October 1, 2022**



# Amendments to Regulation 2780

- Updates the list of protected classes
- Clarifies that prohibited efforts to encourage discrimination may target an individual or a group's protected class
- Clarifies allowed advertising practices
- Expands the applicability of protections to include implementation of rules that have the *purpose* of discrimination

**Took Effect on: October 1, 2022**



# Disclosure Statements (AB 2960)

- Clarifies when changes to disclosure statement statutes go into effect for pending contracts
- Real estate disclosure statement requirements in effect on the date the parties entered into contract shall be the requirements that apply to sales contract

**Took Effect on: January 1, 2023**

# DRE Enforcement

- First Authority: 1917
- Operations Began: 1919
- 370+ Employees
  - ▷ 88 Enforcement
  - ▷ 39 Audits
  - ▷ 37 Legal
- Headquarters & Four District Offices  
Five Exam Centers





# DRE Enforcement

## Primary Responsibilities

- Enforcing Real Estate Law & Subdivided Lands Act
- Conducting Investigations of:
  - ▷ Licensees
  - ▷ Unlicensed Persons
  - ▷ Applicants



# DRE Licensee Population

Number of Licensees – As of February 28, 2023

**437,299**

*Total*

126,703

**29%**

*Brokers*

310,596

**71%**

*Salespersons*



# Enforcement Statistics

	FY2018-19	FY 201920	FY 202021	FY 202122
Complaints Received	<b>6,497</b> 541/Month	<b>6,184</b> 515/Month	<b>5,863</b> 489/Month	<b>5,202</b> 433/Month
Complaints Referred for Investigation	<b>4,088</b> 341/Month	<b>4,767</b> 397/Month	<b>3,801</b> 317/Month	<b>3,733</b> 311/Month
Complaints Referred for Disciplinary Action	<b>1,081</b> 91/Month	<b>913</b> 77/Month	<b>946</b> 79/Month	<b>1,208</b> 100/Month

	FY 202122
Licenses Revoked	<b>152</b>
Licenses Restricted	<b>105</b>
Licenses Suspended	<b>428</b>
Public Repevals	<b>10</b>
Licenses Surrendered	<b>52</b>
<b>TOTAL</b>	<b>747</b>





# Audit Statistics

## Fiscal Year 2021-22

Broker Activity	# of Audits Closed		#/% of Audits with Shortages				Amount of Shortage Found	
	20/21	21/22	20/21		21/22		20/21	21/22
Property Management	284	330	106	37%	124	28.2%	\$2,891,808	\$9,019,436
Broker Escrow	38	38	16	42%	15	3.4%	\$242,359	\$538,592
Mortgage Loan	47	56	2	4%	2	0%	\$6,662	\$6,563
Sales/Other	20	16	0	0%	0	0%	\$0	\$0
<b>Total</b>	<b>389</b>	<b>440</b>	<b>166</b>	<b>31%</b>	<b>141</b>	<b>31.6%</b>	<b>\$3,140,829</b>	<b>\$9,564,591</b>

# Audits and Enforcement Visits

## Routine, Proactive



Education

Compliance

## Investigative



Education

Compliance

Complaint Resolution

# Complaint Review



- Complaints in DRE Jurisdiction
  - Assigned to a Special Investigator
- Complaints Outside of DRE Jurisdiction
  - Referral to other Resource or Department
  - Closed without Investigation



# Investigative Outcomes

- Case closed due to insufficient evidence
- Case referred for potential action or discipline
  - ▷ Corrective Action Letter
  - ▷ Citation with Fine
  - ▷ Public Reprimand
  - ▷ Suspension
  - ▷ Restriction
  - ▷ Revocation
  - ▷ Bar Order
  - ▷ Desist and Refrain



# Common Violations - Enforcement

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



# Unlicensed Activity

- Wholly Unlicensed
- Licensed, but No Broker 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



# Broker Supervision (Regulation 2725)

Policies, rules, procedures; systems to review, oversee, inspect, and manage:

- Transactions requiring a real estate license
- Documents effecting the rights and obligation of the parties
- Filing, storage, and maintenance of documents
- Handling of trust funds
- Advertising
- Familiarizing staff with fair housing laws
- Reports of licensed activities of licensees





# Best Practices

<https://dre.ca.gov/Licensees/BusinessResources.html>

## Check the License

- ▶ Name
- ▶ Status
- ▶ Affiliation
- ▶ DBA's
- ▶ Offices

 A screenshot of the California Department of Real Estate (DRE) website's "Public License Information" search page. The page features a navigation bar with links for "HOME", "CONSUMERS", "LICENSEES", "EXAMINEES", and "DEVELOPERS". The main content area includes a search form with the following fields: "Licensee/Company Name:", "Mailing Address City (optional):", and "License ID:". There are "Find" and "Clear" buttons below the form. A disclaimer at the bottom states: "Note: The 'Mailing Address City' may differ from the licensee's main office and/or branch office city."
 

CA .GOV California Department of Real Estate DRE

HOME CONSUMERS LICENSEES EXAMINEES DEVELOPERS

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### 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.



# Best Practices

<https://dre.ca.gov/Licensees/BusinessResources.html>

## Know the Law

- ▶ 2023 Real Estate Law Book
- ▶ Broker Compliance Manuals
- ▶ Broker Self Evaluation
- ▶ Trust Fund Guide
- ▶ Trust Account Reconciliation
- ▶ Real Estate Advertising Guidelines

## Real Estate Advertising Guidelines



CALIFORNIA DEPARTMENT OF REAL ESTATE  
August 2020



# Best Practices

<https://dre.ca.gov/Licensees/BusinessResources.html>

## Remember:

- ▶ Agency
- ▶ Fiduciary Duties
- ▶ Brokerage
- ▶ Supervision



# Questions & Answers

Connect with us...



Administrative Office: *Administration@dre.ca.gov*  
 Licensing/Exam Questions: *Ask.DRELicensing@dre.ca.gov*



## Licensing Contact Center: (877) 373-4542

*Monday-Friday, 8:00 a.m. – 5:00 p.m.*

Administrative Office	(916) 576-8100
Subdivisions – North	(916) 576-3374
Subdivisions – South	(916) 576-6983



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Twitter	@CA_DRE
Twitter – Commissioner McCauley	@DougMcCauleyDRE
YouTube	CA Dept. of Real Estate