

# California Department of Real Estate

## Most Common Enforcement Violations

### Consumer Edition

As part of its efforts to protect the public and ensure fairness in the real estate industry, the California Department of Real Estate (DRE) urges consumers to be informed of the most common violations of the real estate law that the Department acts against.

#### TYPES OF VIOLATIONS

##### 1 Trust Fund Account and Record Keeping Violations

Trust fund handling and record-keeping are among the most common problem areas in real estate transactions. When brokers are responsible for holding and maintaining trust funds on behalf of others, improper trust fund handling can lead to significant penalties or even criminal charges. Common violations include commingling trust funds with business or personal funds, failing to reconcile trust accounts regularly, and not maintaining proper records for each transaction.

Trust fund shortages can arise due to poor record-keeping or improper handling of client funds, such as commingling trust funds with business or personal funds. Additionally, brokers are required to deposit trust funds promptly and timely into the correct accounts—whether that be to the principal, a neutral depository (such as an escrow account), or directly into the trust account as stipulated by Business and Professions (B&P) Code Section 10145. Failure to follow these procedures can lead to serious penalties, including license suspension or revocation.

##### 2 Failure to Supervise Violations

Brokers must exercise reasonable supervision over the activities of their salespeople and the operations of any real estate corporation they are responsible for. Failing to supervise adequately can lead to violations and misconduct that affect both the public and the broker's license. This includes neglecting to monitor licensed and unlicensed activities within the organization or allowing unqualified individuals to act without oversight.

##### 3 Unlicensed Activity Violations

Employing unlicensed individuals or entities to perform real estate activities that require a license is a serious violation. Brokers are responsible for ensuring that all individuals performing licensed activities are properly credentialed. This includes verifying that salespersons have active licenses and maintaining proper systems to track license renewals and continuing education requirements.

##### 4 Misrepresentation Violations

Misrepresentations are false statements or the failure to disclose material facts in a real estate transaction. Misrepresentations can be intentional or accidental, but both can lead to severe penalties. Failing to provide accurate information or concealing key facts can result in harm to clients and legal consequences for the broker or salesperson.

##### 5 Criminal Conviction Reporting Violations

Pursuant to B&P Code Section 10186.2, a licensee is required to report to the DRE in writing within 30 days from the date of any conviction, criminal complaint, information or indictment charging a felony, or disciplinary action. Failure to make a report required by this section shall constitute a cause for discipline.

##### 6 Advertising, First Point of Contact, Team Names, & Use of Fictitious Business Names Violations

Real estate professionals must adhere to strict regulations when advertising. This includes truth in advertising, disclosure of license numbers, and using fictitious business names or team names properly. The use of misleading advertising, or failing to register and disclose these names appropriately, can result in serious violations. Team names must be clearly associated with the broker, and advertisements must include necessary information for transparency.

#### TIPS TO PROTECT YOURSELF

- **Educate yourself on the process:** Being educated on the real estate transaction process can be helpful for consumers. Check out DRE Consumer publications and resources available.
- **Make sure the broker has strong systems:** Brokers should have clear office procedures for record-keeping, supervision, and compliance checks.
- **Ask Questions:** Agents are expected to disclose all required information. Ask questions if you don't understand something.
- **Be proactive:** When using the services of a real estate salesperson or broker, do your research and verify their license. Take the time to learn about the real estate transaction process.

For more information: <https://www.dre.ca.gov/>

