

DRE UPDATE

CALIFORNIA DEPARTMENT OF REAL ESTATE

DRE Executive Staff

Thursday, May 1, 2025



Agenda

- 1) DRE Overview
- 2) Licensing Update
- 3) Audits Update
- 4) Enforcement Update
- 5) Question & Answers



DRE Overview

Chika Sunquist
Real Estate Commissioner



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 by the Numbers

1917

First
Authority

\$66.5 Million

Fiscal Year 24-25
Budget

325+
Employees

(as of 4/1/2025)

5

Offices

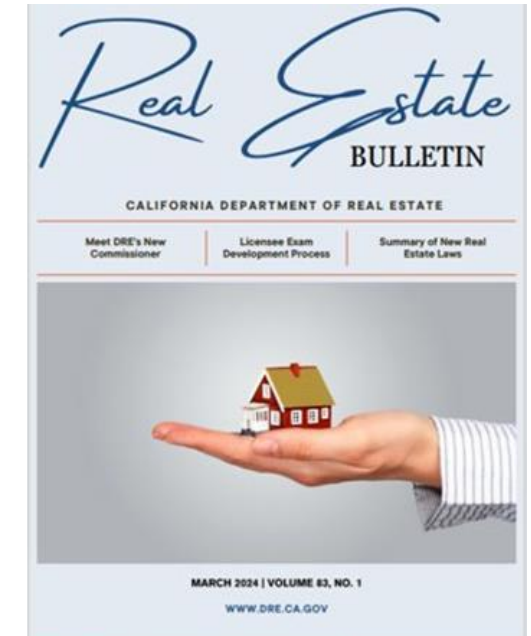
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Exam
Centers



Consumer Protection Priorities

- Enhanced stakeholder engagement
- Proactive efforts
 - Outreach
 - Education
 - Resources
 - Communication
- Technology Use



Licensing Update

Jeff Oboyski

Assistant Commissioner, Licensing

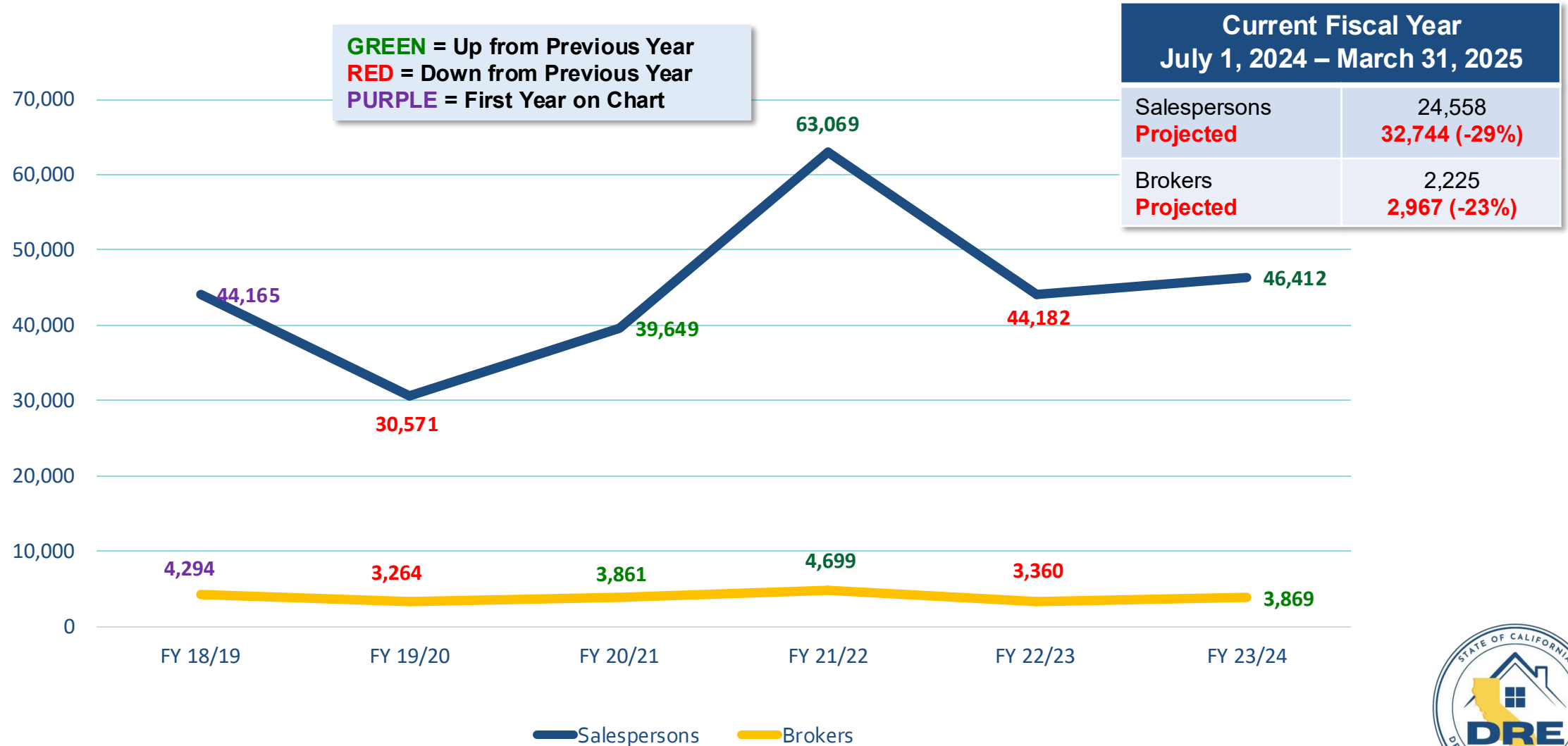


Current Market Conditions

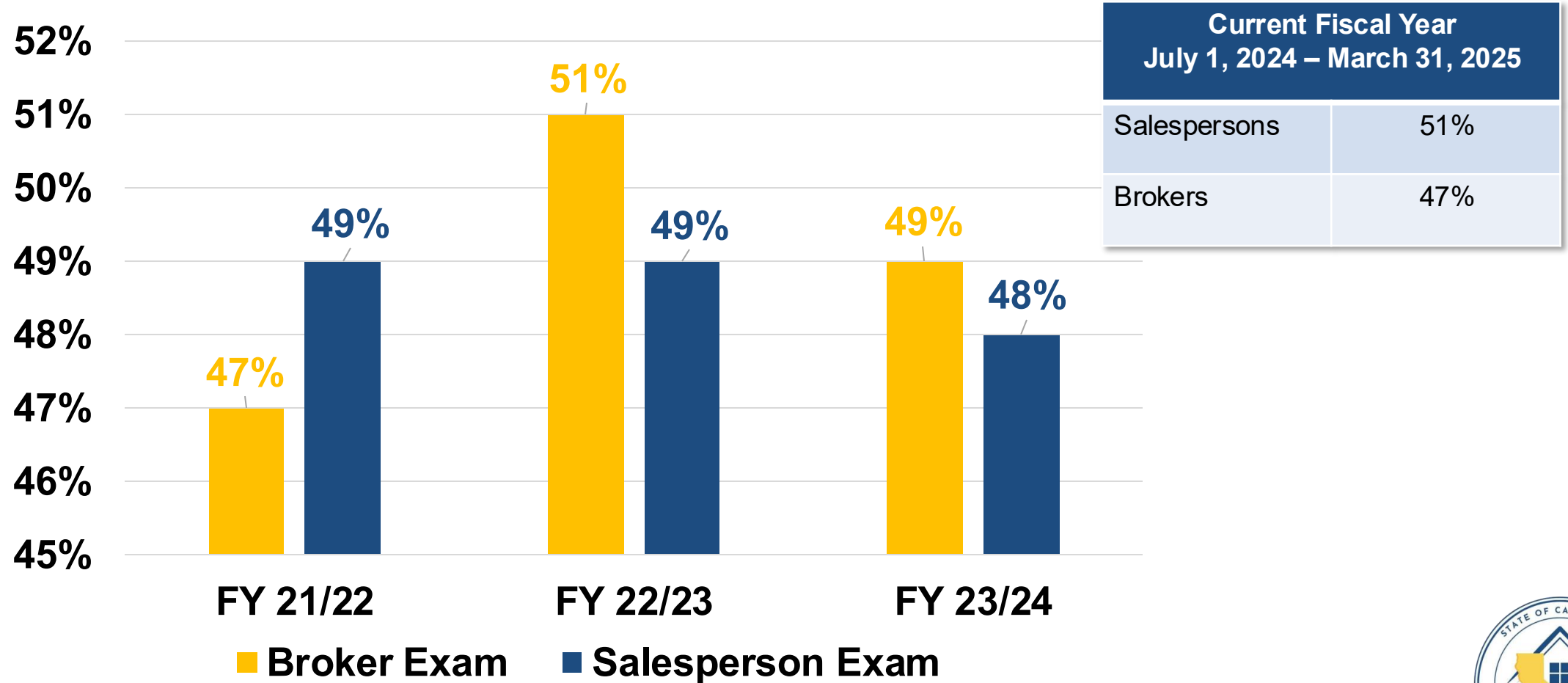
- Higher interest rates
- Lower housing inventories
- Class-action lawsuits against National Association of Realtors (NAR) and large national brokerages



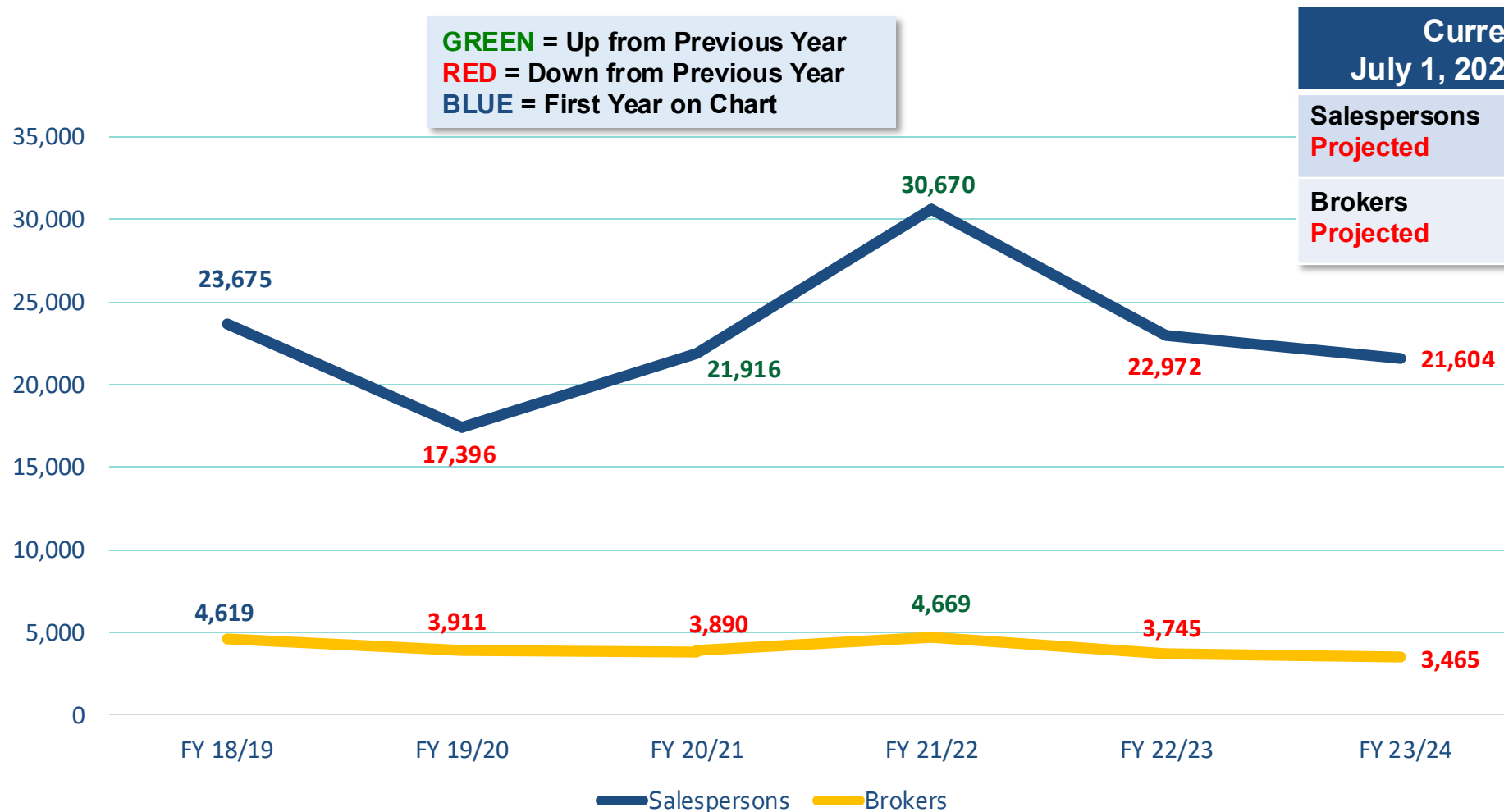
Exams Administered (FY 18/19-Today)



Examination Passage Rates



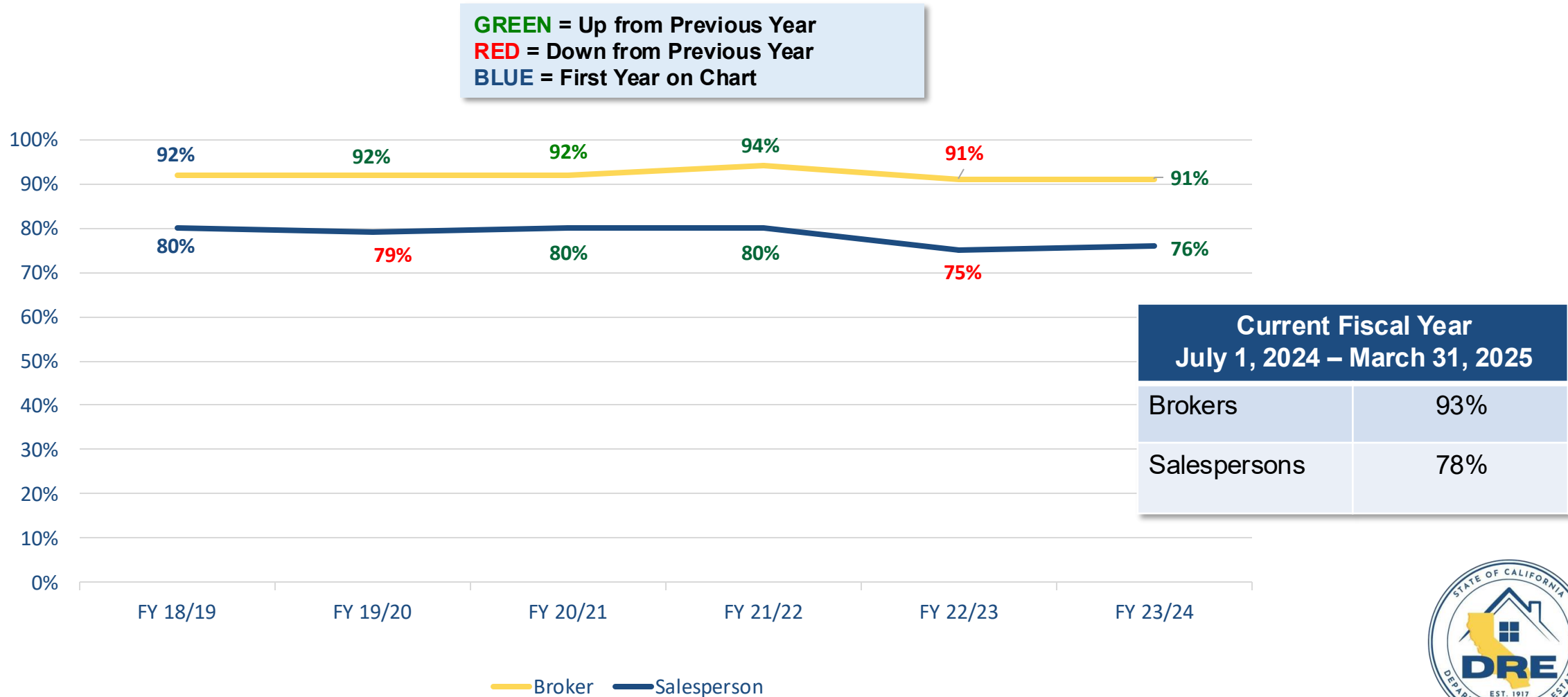
Licenses Issued (FY 18/19-Today)



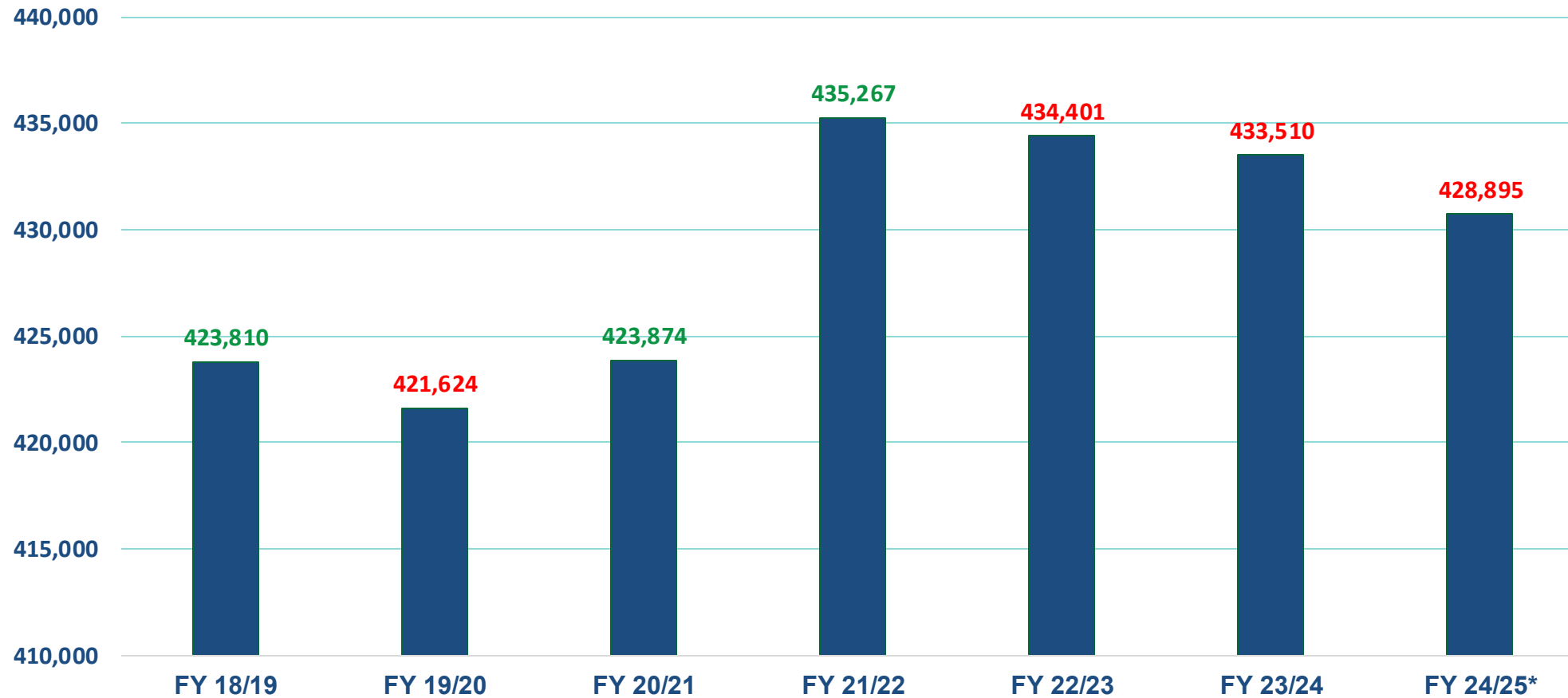
Current Fiscal Year July 1, 2024 – March 31, 2025	
Salespersons Projected	12,246 16,328 (-24%)
Brokers Projected	2,427 3,236 (-7%)



License Renewal Rates (2018-Today)



License Population (2018-Today)



**FY 24/25 Through March 31, 2025*



DRE License Population

Number of Licensees – As of March 31, 2025

428,895

121,540

28%

Brokers

307,355

72%

Salespersons



Exam Validation & Development Process (EVDP)

- **Update the real estate license exams (5-7 years)**
- **Ensures Both DRE Licensing Exams are:**
 - **Valid/Legally Defensible**
 - **Appropriate for Entry into Real Estate Profession**



EVDP – Four Phases

Four Phases of the Process

1. Occupational Analysis
2. Item Review
3. Gap Analyses/Item Writing
4. Exam Creation and Administration
 - Updated Exams – March 2025



Real Estate Education Endowments

- **Three Real Estate Education Endowments**
 - **UCLA/Berkeley**
 - **California State University (CSU)**
 - **California Community Colleges**



Promoting Real Estate Licensure

- **Articulation Agreement Signed Between DRE and the UCLA Ziman Center for Real Estate**
- **Participation at real estate advisory committee meetings (Mt. San Jacinto CC)**
- **Other efforts to promote licensure (Comms. Division)**



Audits Update

Mike Rivera

Assistant Commissioner, Audits



Audits Division

- Protects consumers by conducting financial compliance audits of DRE licensees and subdivision developments
- Primarily focus on the handling of trust funds by licensees and subdividers to ensure compliance with the requirements of the Real Estate Law and Subdivided Lands Law



Audits Division

Two Types of Audits:

1. Investigative Audit:

- Public complaint for a follow-up audit to previous disciplinary action or report

2. Proactive Audit:

- Unrelated to a public complaint
- Typically conducted on brokers who handle trust funds



Summary of Audits Closed (FYTD as of 3/2025)

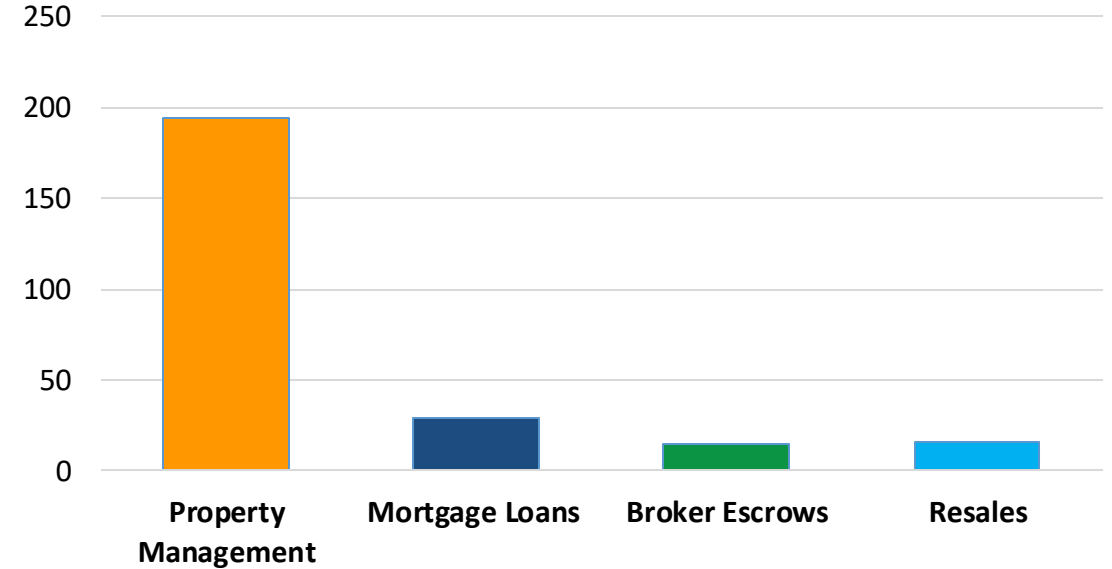
254 Audits

- 194 - Prop. Mgmt.
- 29 - Mortgage Loans
- 15 - Broker Escrow
- 16 - Resales

145 - Investigative Audits

109 - Proactive Audits

Types of Audits Closed



Summary of Audits Closed (2024 – 3/2025)

254 Audits

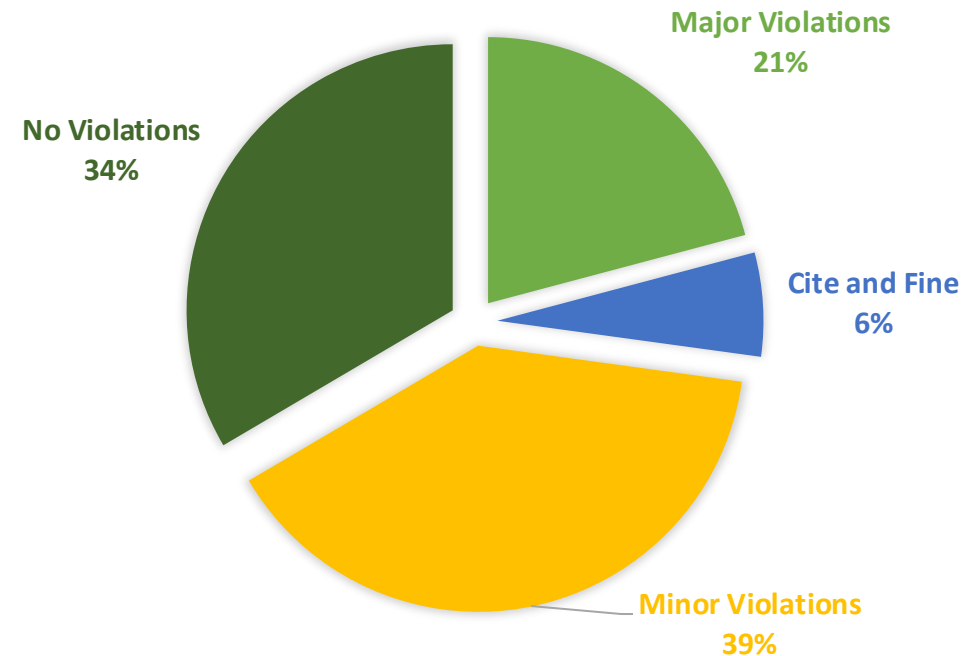
53 - Major Violations

16 - Cite and Fine

100 - Minor Violations

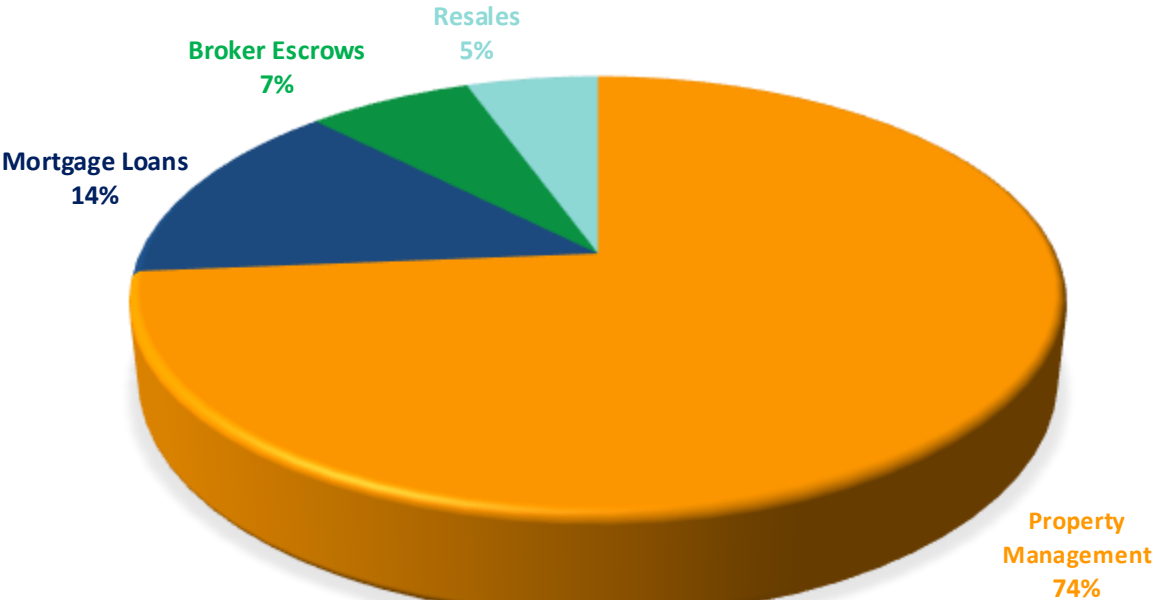
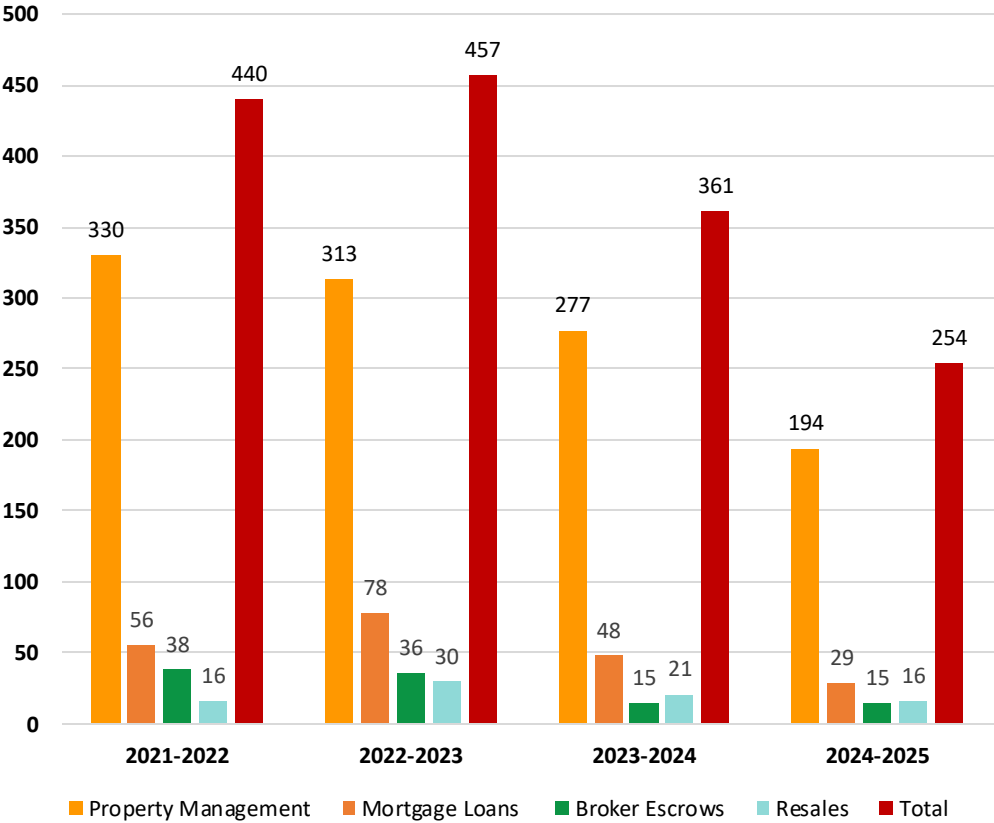
85 - No Violations

**\$13.5 million in trust fund
shortages**



Audits Closed

Audits Closed



Common Violations:

Trust Fund Handling Requirements

- **B&P §10145 and Reg. 2832 – Handling of Trust Funds**
 - Placing trust funds in a properly designated trust account maintained by the broker
- **Reg. 2832.1 – Trust Fund Handling for Multiple Beneficiaries**
 - Trust fund shortage
- **Reg. 2831 and Reg. 2831.1 – Trust Account Records**
 - Record of trust funds received and disbursed
 - Separate record for each beneficiary



Common Violations:

Trust Fund Handling Requirements

- **B&P §10176(e) – Commingling**
 - Mixing of broker funds with trust funds in the trust account or broker's personal bank account
- **Reg. 2831.2 – Trust Account Reconciliation**
 - Required monthly reconciliation



Audits Division News

- **Internal Audit Unit**
 - Established in 2023 to provide assurances to program areas over their risk management and governance processes.
 - Responsible for the evaluation of the DRE's major risks and the preparation and submission of the SLAA report (State Leadership Accountability Act) due every 2 years.
- **Digital File Project**
 - Moving away from paper
 - Audit files to be digital starting with documents obtained from brokers, auditor working papers, and the final audit reports
 - Plan to be implemented at beginning of the next fiscal year



Enforcement Update



Introducing

Shannan West
DRE Assistant Commissioner,
Enforcement



Primary Responsibilities

- **Enforcing Real Estate Law & Subdivided Lands Act**
- **Conducting Investigations**
 - Licensees
 - Unlicensed Persons
 - Applicants



Primary Responsibilities

- **Education to Licensees**
 - **Routine, Proactive Field Visits**
 - Focus on education and compliance
- **Outreach Opportunities**
 - Request a speaker for association meetings



Land Speculation

- Executive Order N-7-25 issued January 14, 2025
Executive Order N-17-25 issued February 4, 2025
Executive Order N-26-25 issued April 14, 2025
- Notice published on DRE Website
- Prohibits unsolicited offers from buyers below the property's fair market value as of January 6, 2025
 - Applies to properties in specific zip codes
 - Applies to offers made on or before July 1, 2025



Land Speculation

- Consequences of violations – misdemeanor with fines up to \$1,000 and/or six months imprisonment
- Report violations of unsolicited offers under fair market value for properties
 - Email: LAFires@dre.ca.gov or online via web form



Rental Price Gouging

- **Declared State of Emergency, January 7, 2025**
- **Executive Order N-9-25 issued January 16, 2025**
- **Executive Order N-17-25 issued February 4, 2025**
- **Executive Order N-23-25 issued March 7, 2025**



Rental Price Gouging

- **Rental price gouging**
 - **Charging a price that exceeds by more than 10% the rental price charged before the emergency declaration**
 - **For a home not rented before the emergency declaration, the rental price cannot exceed 160% of the HUD fair market value of rental housing**
- **Cannot evict a tenant and re-rent the property at a rate the landlord would have been prohibited from charging the evicted tenant**



Rental Price Gouging

- **Properties covered:**
 - **Any residential tenant in residential housing**
 - **Regardless of initial lease term**



Rental Price Gouging

- **Excluded**
 - **If a property is not rented and not offered for rent in the one year prior to the emergency declaration and is a single-family home of four bedrooms or more in specified zip codes**
 - **Housing first issued a certificate of occupancy for residential use on or after January 1, 2025**



Rental Price Gouging

- Violators may face fines up to \$10,000 and/or one year imprisonment, civil penalties of \$2,500
- Report licensee violations of price gouging
 - Email: [LAFires@dre.ca.gov](mailto:LA Fires@dre.ca.gov) or online via web form



How to Respond to a DRE inquiry?

- **Provide complete responses**
 - Include all requested information and documents
 - Chronological account/description of transaction in question
- **If requested, provide Policies and Procedures Manual**
 - Supporting documents
 - How you monitor those policies and rules
 - Provide documentation
 - How you ensure salesperson and broker associates comply with this policy
- **Explain how non-compliance is addressed**
 - Systems in place



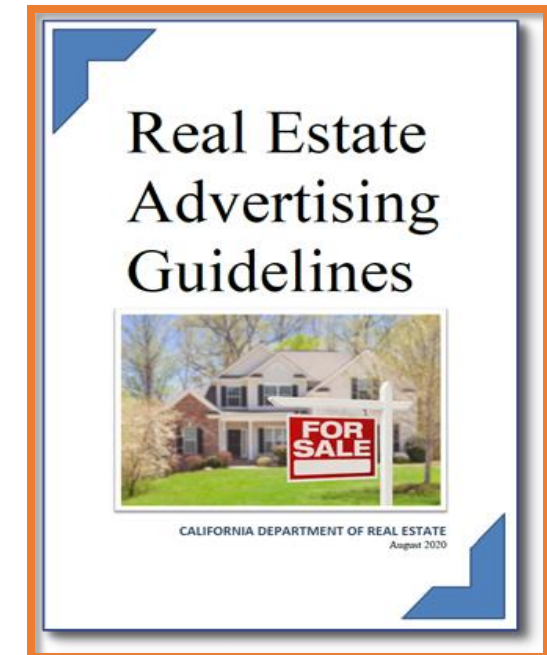
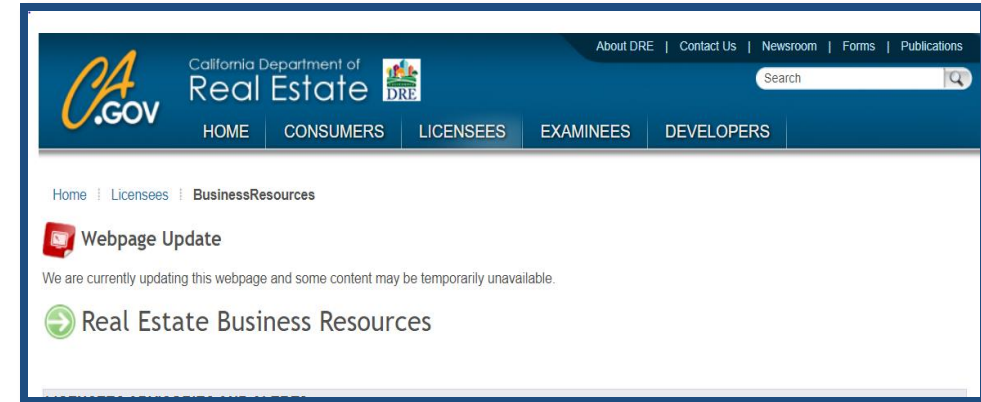
Best Practices

- Check Licenses
- Disclosure, disclosure, disclosure
- Be Engaged
- Broker as Foundation
- Remember Agency and Fiduciary Duties



Self-Education Resources

- **2025 Real Estate Law Book**
- **Broker Compliance Manual**
- **Broker Self-Evaluation (RE 540)**
- **RE Advertising Guidelines (RE 27)**
- **Licensees Advisories and Alerts**
- **Trust Fund Guide**
- **Trust Account Reconciliation**



Connect with Us



**Communications Office:
Licensing/Exam Questions:**

**Communications@dre.ca.gov
<https://dre.ca.gov/AskDRELicensing>**



**Licensing Contact Center
Phone: (877) 373-4542**

***Monday through Friday, 8 a.m. to 5 p.m.*
Administrative Office: (916) 576-8100**



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Questions & Answers



Thank you!

