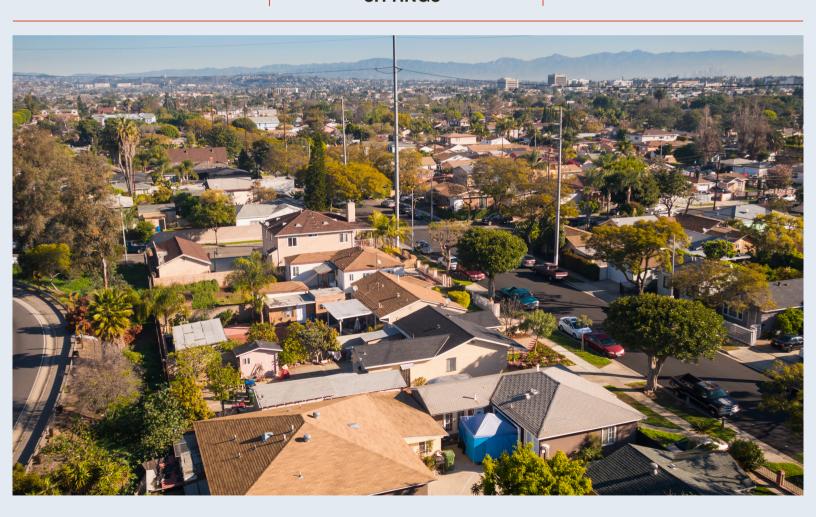


CALIFORNIA DEPARTMENT OF REAL ESTATE

FROM THE DESK OF THE COMMISSIONER

UNDERSTANDING OPEN HOUSE BROKER SITTINGS

SAFEGUARDING ENTRY INTO THE PROFESSION



SPRING 2025 | VOLUME 84, NO. 1

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DRE Bulletin

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FROM THE DESK OF THE COMMISSIONER



While the new year has brought many challenges, it has also highlighted the spirit of all Californians to support one another.

First and foremost, our thoughts and prayers are with those who have been affected by the recent fires in Southern California. Please know that the Department of Real Estate is here to support you. If you have been affected by the fires and need assistance or resources, please email us at <u>LAFires@dre.ca.gov</u>.

The Department has also been working with industry members, community groups, and law enforcement partners to ensure communities are aware of Governor's Executive Order N-7-25 that is intended to protect property owners in fire-impacted areas from predatory real estate speculators by prohibiting unsolicited offers to purchase, or acquire any interest in real property, for an amount less than the fair market value of the property or interest in the property as it was on January 6, 2025. This Executive Order is in effect until July 1, 2025. If you have not yet had a chance, please review and share the Department's <u>public notice</u> on the topic.

We have also been receiving reports of rental price gouging in the fire-affected areas and working with law enforcement partners to address those reports. In addition, I must applaud the efforts of industry members to prevent unlawful price gouging through education and work with their clients to support compliant housing efforts.

In addition to our fire response efforts this first quarter of the year, the requirements of Assembly Bill 2992 (Nguyen, S., Chapter 516, Statutes of 2024) are in effect. This new law requires all buyer agents in California to sign a buyer-broker representation agreement with their clients that includes the buyer agent's compensation, services to be rendered, when compensation is due, and the date when the agreement terminates. DRE is developing regulations to help implement AB 2992 and anticipates having these regulations in place later this calendar year.

Finally, on March 4, 2025, the Department of Real Estate testified at a Joint Hearing before the Senate Business, Professions and Economic Development Committee and Assembly Business and Professions Committee to discuss the Department's consumer protection efforts in a process called "sunset review." For those who are interested in watching a recording of the hearing, you can find a link in both the Senate and Assembly media archives. You can also find a copy of the Department's Sunset Report on our reports page.

DRE COMMISSIONER

hika unguist



Understanding Open House Broker Sittings

Can a representative of a different brokerage sit at an open house? Are there things to consider if a broker attends an open house that is not affiliated with the brokerage? The Department of Real Estate (DRE) says yes; however, they caution against this practice.

What You Need to Know

When marketing a property, seller's brokers are agents of the seller and owe fiduciary duties to the seller. In addition to advertising and other marketing tools, an open house can be valuable for real estate brokers who are representing a seller of a property.

The real estate broker, or the broker's salespersons or broker associates as agents of the broker, represents the seller at the open house—to market the property to prospective buyers, highlight selling points of the property, learn of issues that prospective buyers are noting that can be reported back to the seller, and more.

While the Real Estate Law does not explicitly state that a broker unaffiliated with the seller's broker is prohibited from "sitting" at an open house for another broker, there are several red flags that are raised with this practice.

Things to Consider

Before a seller's broker considers allowing a representative of a different brokerage to sit at an open house for their listing, the following should be considered:

- Does the listing agreement allow the listing broker to have an agent unaffiliated with their brokerage sit at an open house?
- What are the seller's expectations?
- Would the seller agree to this practice?
- Will the other broker's agency relationship with the seller be disclosed and consented to by the seller?
- When a buyer walks in to view the property, who would they expect to see?
- How informed is the other broker about the property and the seller?



UNDERSTANDING OPEN HOUSE BROKER SITTINGS

- Is there liability created by allowing a separate brokerage to sit at the open house?
- Is the activity covered by the other broker's errors and omissions insurance?
- Is the activity covered by the seller's broker's errors and omissions insurance? If not, what happens if the seller's broker performs activities that breach the insurance agreement?
- What happens if there is an incident on the property?
- Does the activity violate multiple listing service rules relating to marketing another broker's listing?

- Would the seller's broker allow a different broker to advertise or market their listing in any other manner such as in a multiple listing service, on a website, on social media, etc.?
- Does the practice honor the fiduciary duties that are owed to the seller by the seller's broker?

In considering all the above, DRE cautions against this practice. Please remember that the real estate profession is centered around agency and fiduciary duties, and real estate brokers and their agents must always consider and do what is best for their clients.



SAFEGUARDING ENTRY INTO THE PROFESSION:

UPDATED EXAMS ROLLED OUT IN MARCH 2025

The Department of Real Estate (DRE) is pleased to announce the recent completion of its Exam Validation and Development Process (EVDP) last March, which resulted in updated exams now being administered statewide to those striving to enter the real estate profession as salespersons and brokers.

Every five to seven years, the DRE embarks on this multiyear process, the EVDP, to ensure the real estate license exams reflect current industry practices and continue to be legally defensible.

The success of this project would not have been possible without the participation of more than 80 subject-matter experts from across the real estate industry, many of whom are active members of various state and local professional real estate organizations, including the Multicultural Real Estate Alliance for Urban Change, the Association of Black Real Estate Professionals, and the Asian Real Estate Association of America.



SAFEGUARDING ENTRY INTO THE PROFESSION

Each of these individuals brought unique knowledge and expertise to each phase of the EVDP, while representing different parts of the real estate industry and the diverse regions of our state to ensure our real estate exams reflect our state's diverse marketplace.

DRE first began this EVDP in June 2023. Salespersons and brokers throughout California, along with DRE Exam Administration and Development staff and third-party test provider PSI Services LLC, began working together to assess and identify evolving real estate job standards, exam specifications, and the level of knowledge needed to be a responsible real estate salesperson or broker who can effectively support consumers in real estate transactions, property management, and other areas of real estate practice.

From start to finish, the EVDP consists of four phases:

- Phase 1: Occupational Analysis
- Phase 2: Item Review
- Phase 3: Gap Analysis and Item Writing
- Phase 4: Implementation of New Exams

As with any partnership between the public and private sectors, the success of this project was dependent upon the people involved. Thank you to all who participated and supported our primary goal of protecting our state's consumers as it relates to real estate.



Check out DRE's latest episode featuring the CA Civil Rights Department!





SUMMARY OF NEW REAL ESTATE LAWS

Below are summaries of new state laws that affect real estate licensees and applicants. Unless otherwise noted, the laws take effect January 1, 2025.

• Assembly Bill (AB) 295 makes minor changes to foreclosure law, largely to the SB 1079 (Skinner, Chapter 202, Statutes of 2020) foreclosure bid process. Among the changes made by this measure are (1) a prohibition on contacting a person experiencing a foreclosure to assist in claiming surplus funds from the sale until 90 days after the trustee's deed has been recorded. (2) clarifying liability protections for trustees if they rely on information from a lender when responding to a request for mortgage payoff or reinstatement information, (3) adding allowable charges to homeowners for recording a notice of foreclosure rescission and

accepting future payments, and (4) requiring bidders in the SB 1079 process to submit a single bid amount for a property without instructions for successive bid amounts, among others. This measure contains an urgency clause and took effect immediately upon signature.

- AB 2114 allows civil engineers to conduct the required visual inspection of exterior elevated elements of condominium buildings of three or more units, in addition to structural engineers and architects, as allowed by current law. This bill contains an urgency clause and took effect immediately upon signature.
- AB 2159 allows homeowners' associations to conduct elections via electronic secret ballot.

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The measure establishes parameters for election operating rules that allow for electronic secret balloting, establish requirements for the electronic secret balloting systems, update noticing requirements related to voting to incorporate electronic secret balloting, and clarify that election counting must be done at a public, in-person meeting. If an association decides to conduct an election via electronic secret ballot, the election rule must allow members to change their preferred method of voting from electronic secret ballot to written ballot or written ballot to electronic secret ballot, as appropriate.

- AB 2304 expands tenant protections for mobilehome park tenancies by removing their exemption from law that limits public access to ongoing unlawful detainer proceedings. This tenant protection limits public access to court records involving unlawful detainer actions, unless the evicting plaintiff prevails within 60 days of filing the complaint.
- AB 2347 extends the time by which a tenant must respond to an unlawful detainer action from five court days to ten court days after being served. This bill requires a hearing when a tenant moves to demur (object) or strike any portion of the action to occur in no fewer than five court days, but no greater than seven court days, after the filing of the notice of the motion. A court may set the hearing for a later date upon a showing of good cause. This bill also

- allows a landlord to respond orally in opposition to the tenant's motion to demur or strike any portion of the complaint. If the landlord seeks to have written opposition considered in advance of the hearing, the bill requires it to be filed and served in advance of the hearing.
- AB 2424 requires mortgage servicers to inform borrowers that a third party can record a request to receive copies of notices of default and sale regarding the property and that, by doing so, may allow the third party to assist the borrower in avoiding foreclosure. The bill also allows borrowers to postpone a foreclosure sale date by 45 days if they provide the trustee with an agreement to list the property for sale in a marketing platform. They can extend the sale an additional 45 days if they provide the trustee a purchase agreement to sell the property. The bill also requires all residential properties, up to four units, which are to be sold at a foreclosure auction, to be sold at 67 percent of the fair market value. If the property does not sell at this price. there will be a second foreclosure auction at least seven days later where the property can be sold to the highest bidder.
- AB 2460 makes technical changes to AB 1458 (Ta, Chapter 303, Statutes of 2023), which allowed for homeowner's associations to

- reconvene an election meeting at a future date in the event there was an absence of a quorum, and for the quorum on the future date to be 20 percent of the members of the association voting.
- AB 2493 prohibits a landlord from charging a prospective tenant an application screening fee if no unit is available for rent. This bill also prohibits a landlord from charging an application screening fee unless the landlord does either of the following: (1) has a screening process that considers applications in the order received, grants tenancy to the first prospective tenant who qualifies, and does not charge the fee until/unless an application is actually being considered, or (2) refunds the entire application screening fee if the applicant is not selected for tenancy for any reason. Additionally, the bill requires landlords to provide applicants who paid a screening fee with a copy of the consumer credit report within seven days of receiving the report.
- AB 2747 requires residential landlords to offer tenants the opportunity to have positive rental payment rental information reported to at least one nationwide consumer reporting agency. The bill allows tenants who elect to have rental payment information reported to stop reports at any time. Landlords may charge tenants up to \$10 per month for this reporting service. Only landlords who own residential buildings of 16 units or more must comply with these requirements, unless the landlord owns more than one residential rental building and the landlord is a real estate investment trust, corporation, limited liability company in which at least one member is a corporation.
- AB 2801 clarifies several existing tenant protections related to residential rental security deposits and establishes requirements for a landlord to photographically document conditions of a residential unit at the inception, as well as the conclusion, of a tenancy. The bill clarifies the limitation on the reasonably necessary use of security deposits by



specifying that costs for materials, supplies, and work performed by a contractor, landlord, or landlord's employee must be limited to a reasonable amount necessary to restore the premises back to the condition as it was at the inception of the tenancy, not including ordinary wear and tear. The bill clarifies that for tenants who request an initial inspection prior to vacating the property, a landlord is prohibited from using the security deposit to pay for repairs or cleanings not identified in the itemized statement provided to the tenant. For tenancies that begin on or after July 1, 2025, landlords will be required to take photographs of the unit immediately before or at the inception of a tenancy. Beginning April 1, 2025, landlords will also be required to take photographs of a unit after a tenant vacates the property to document the condition of the unit as it was left by the tenant.

For the purposes of the SB 1079 (Skinner, Chapter 202, Statutes of 2020) process related to foreclosure sales, <u>AB 2897</u> changes the definition of community land trust to allow them to use affordability covenants in lieu of 99-year land leases, in situations where the trust does not own the land on which a dwelling unit is located, among other changes.
 Community land trusts are included as entities that meet the definition of eligible bidders for purposes of the SB 1079 process, a process which allows prospective owner-occupants and eligible bidders to match winning bids at a

- foreclosure auction. AB 2897 modifies the definition of community land trust in the Revenue and Taxation Code, which impacts all laws that reference that definition.
- AB 2898 exempts a residential unit from the unbundled parking requirements established by AB 1317 (Carrillo, W., Chapter 757, Statutes of 2023) if the unit is leased to a tenant who receives a federal Housing Choice Voucher, including a federal Veterans Affairs Supportive Housing Voucher. AB 1317 established new requirements beginning January 1, 2025, for landlords to separate housing unit rental costs and the costs associated with a parking space at the rental housing, in certain newly constructed residential properties in certain counties.



- AB 2992 requires a buyer's agent and a buyer in a real estate transaction to execute a buyer-broker representation agreement as soon as practicable, but no later than when a buyer's offer to purchase real property is executed. This bill defines a buyer-broker representation agreement as a written contract between a buyer and a buyer's agent in which the buyer's agent has been authorized by the buyer to provide services for which a real estate license is required pursuant to the terms of the contract. This must include, at a minimum, the terms related to the compensation of the real estate broker, services to be rendered, when compensation is due, and contract termination. This bill prohibits buyer-broker representation agreements from lasting longer than three months, as well as limits renewals of such agreements to three months. This bill also updates certain disclosures for information pertaining to buyer-broker representation agreements.
- AB 3108 prohibits a person who originates covered loans from avoiding, or attempting to avoid, statutory restrictions on covered loan activity by committing mortgage fraud. The bill adds to the definition of mortgage fraud when a mortgage broker or person who originates a loan, with the intent to defraud, does either of the following: 1) instructs or deliberately causes a borrower to sign documents that reflect the terms of a business, commercial, or agricultural loan, with knowledge that the borrower intends to use the loan proceeds primarily for personal, family, or household use, or 2) instructs or deliberately causes a borrower to sign documents reflecting the terms of a bridge loan, with knowledge that the loan proceeds will not be used to acquire or construct a new dwelling.
- Beginning January 1, 2026, <u>Senate Bill (SB) 382</u> will require the seller, or seller's agent, of a single-family residential property to deliver to the prospective buyer a specific disclosure advising (1) that the buyer may want to obtain an inspection of the electrical system, (2) that substandard wiring poses a fire risk and may make it difficult to obtain property insurance, and (3) that limited electrical capacity may cause difficulty in supporting future electrical additions such as solar generation, electric space and water heating, or electric vehicle charging.



DID YOU KNOW DRE HAS PROGRAMS TO HELP U.S.
MILITARY SERVICEMEMBERS AND THEIR SPOUSES
PRACTICE REAL ESTATE IN CALIFORNIA?

VISIT: HTTPS://DRE.CA.GOV/EXAMINEES/MILITARY.HTML

• SB 479 corrects an error in current statute made by SB 567 (Durazo, Chapter 290, Statutes of 2023) regarding the definition of a natural person in the provisions relating to nofault just cause evictions. SB 567, which will become effective April 1, 2024, strengthened the renter protections of the Tenant Protection Act of 2019 by revising no-fault just cause eviction requirements and providing enforcement mechanisms for violations of the Act. This measure contains an urgency clause and went into effect March 25, 2024.



- <u>SB 611</u> prohibits landlords from charging tenants a fee for paying their rent or security deposit by check or for providing tenants notices communicating the termination of tenancy or unlawful detainer. Beginning April 1, 2025, landlords who charge a military service member a security deposit higher than standard or advertised due to credit history, credit score, housing history, or other factors, will be required to provide the tenant with a written statement of the amount of the higher fee and an explanation as to why it is being charged. In these scenarios, the bill also requires that any additional security will be refunded after six months, provided that the tenant is not in arrears on any rent due at that time.
- <u>SB 900</u> declares that a homeowner's association (HOA) is responsible for the repairs and replacements necessary to restore interrupted gas, heat, water, or electrical services in a development unless either the declaration of a common interest development provides otherwise or the service is the responsibility of a public, private, or other utility service provider. The HOA board is required to commence the process of repairing services within 14 days of an interruption. If there are insufficient reserve funds available to cover the cost of repair, this bill authorizes the HOA to obtain competitive financing to pay for the costs of the repairs and levy an emergency assessment for the repayment of the loan without a vote of the members of the HOA. If an HOA board is unable to meet a quorum within 14 days to act, then the quorum required at the next duly noticed board meeting will be reduced to the number of board members that attend. Additionally, HOAs are required to inspect gas, water, and electrical systems every three years as part of an association's triennial inspection of major components.

- <u>SB 1051</u> builds upon existing law to protect tenants who are at risk of abuse or violence by allowing them to have their locks changed by their landlord, free of charge, if they provide required documentation to the landlord. The bill also expands the types of documentation that can be provided to include documentation from a qualified third party, as described, and allows for tenants to have locks changed if a member of their immediate family or household member is a victim of abuse or violence. Additionally, this bill prohibits a landlord from taking an adverse action in the screening process against a prospective tenant that was a victim of abuse who exercised their rights to terminate a past tenancy, requested a lock change, was a victim of abuse, or previously summoned law enforcement or emergency assistance.
- <u>SB 1103</u> extends the existing residential tenant protections and notice requirements for lease terminations and rent increases to qualified commercial tenants, defined as certain small businesses and nonprofits. Also, this bill will allow a landlord to charge these tenants fees to cover building operating costs not included in a rental agreement if certain conditions are met. Lastly, the bill adds commercial rental agreements for qualified commercial tenants entered into on or after January 1, 2025, to current requirements to provide translated copies of contracts negotiated in Spanish, Chinese, Tagalog, Vietnamese, or Korean at the time they are signed.





In 1920, how many license designation abbreviations (i.e. Salesman, Broker, etc.) were adopted by the California Real Estate Department?

a. 3

b. 6

c. 9

d. 12

Who was the first person issued a real estate broker license by the first California Real Estate Commissioner?

- a. Lucille T. Allan, Los Angeles
- **b.** Arthur Hastings Breed, San Francisco
- c. Adelia Hickman, Los Angeles
- d. William Wales Mines, Los Angeles



What year, what city, what kind of license designation, and to whom was the first real estate license issued by the first California real estate Commissioner?

Q1: D. 12

Q2: D. William Wales Mines on Aug. 9, 1917

Q3: Corporation (Corp.) license #1 was issued to Pres. Daniel Webster Carmichael of the Carmichael Co., in Sacramento, on August 6, 1917.

Out with the Old

Why Removing Old Mercury Thermostats Enhances Safety and Reduces Energy Costs

By: California Department of Toxic Substances Control

Nowadays, with mercury-containing products few and far between, most people may not remember how potent mercury is. Just one gram of mercury is capable of polluting a twenty-acre lake. A single mercury thermostat contains around three grams of mercury.

Do any of the homes you manage or own still have mercury-containing thermostats? If you're replacing a manual thermostat with a smart thermostat, chances are that the old thermostat contains liquid mercury, especially if it was manufactured before 2006.

Removing mercury thermostats and upgrading your property with smart thermostats can have multiple benefits:

- Protect your community from mercury exposure and associated repercussions
- Cut energy costs
- Potentially leverage higher rent to tenants for upgraded units by including smart thermostat benefits, such as scheduling

Plus, there is an opportunity for you to get paid for dropping off your old mercury thermostat. Keep reading to learn how you can get \$30 for every mercury thermostat you replace.





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Removing Old Mercury Thermostats

Profit and Protect Your Property with Thermostat Care

Thermostat Care, a free mercury thermostat disposal program mandated by California legislation, incentivizes California residents to safely dispose of mercury thermostats by offering a \$30 mail-in rebate for each mercury thermostat dropped off at a Thermostat Care location.

Read the quick and easy steps below to help your community benefit from mercury-free properties and receive your mail-in rebate.

Take Control: How to Safely Upgrade

Step 1: Identify the Type of Thermostat

Answer these questions to find out if you have a mercury thermostat:

- Does the thermostat have any type of digital screen (even if older)? Example below.
 - If yes: you do not have a mercury thermostat.
 - If no: continue
- When was the thermostat manufactured?
 - o 2006 or later: you do not have a thermostat
 - Prior to 2006: you may have a mercury thermostat

If you want to be absolutely sure, you can take the cover off. If you see small glass ampules inside the thermostat, it is a mercury thermostat. But, opening a thermostat makes it more fragile. If you're unsure, we advise you to bring the thermostat to a Thermostat Care drop-off site.

Step 2: Carefully Remove the Thermostat from the Wall

Wearing protective gloves, carefully remove the thermostat from the wall and place it inside a sealed clear bag – Thermostat Care drop-off sites may have these bags available if you do not. Do NOT disassemble or attempt to remove the mercury-containing glass tube inside the thermostat.



Step 3: Find a Drop-Off Site

Once you've replaced your old thermostat, it's crucial to ensure proper disposal. For mercury thermostats, find a Thermostat Care drop-off site nearest you in California on this page.

Please contact your local Household Hazardous Waste facility for more information on how to dispose of electronic or other types of thermostats.

Step 4: Safely Dispose of Your Mercury Thermostat at a Thermostat Care Drop-Off Site

At the location, fill out a form and place it in the bag with your old mercury thermostat. The bag will then be processed, and the \$30 rebate will be mailed to you within 1 year. If you're curious about the status of your check, email info@ThermostatCare.org.

Step 5: Replace Your <u>Mercury Thermostat</u> with a New, Safe Model

Upgrade your thermostat to a modern, digital model that does not contain mercury. These newer thermostats offer precise temperature control, energy efficiency, and peace of mind knowing that your property is free from the risks associated with mercury.

Understanding Mercury Thermostats and Their Adverse Effects

When not disposed of properly, mercurycontaining thermostats can harm local wildlife and the health of surrounding communities either through water pollution or the inhalation of mercury vapors.



Mercury exposure can have adverse neurological effects on humans. Potential effects include:

- Neurological disorders, such as memory loss, cognitive impairment, and developmental delays in children.
- Cardiovascular system issues, leading to increased risks of heart disease and high blood pressure.
- Kidney damage and dysfunction.
- Inhalation of mercury vapors can result in respiratory problems, such as bronchitis and difficulty breathing.

Join the Movement: Spread Awareness and Take Action

By learning about the risks associated with mercury thermostats and sharing this knowledge with others, you can promote a safer living environment for all. Encourage others in your community to check their thermostats, replace them with newer models, and responsibly dispose of old mercury thermostats at nearby Thermostat Care drop-off locations.

For more information, visit:
ThermostatCare.org or email questions to info@ThermostatCare.org.



LA Property Owners Impacted by Wildfires

Report Unsolicited Offers to Buy Your Property Below Fair Market Value to:

LAFires@dre.ca.gov

Deadline to report to DRE extended to July 1, 2025

DRE Mission

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