

Real Estate

BULLETIN

CALIFORNIA DEPARTMENT OF REAL ESTATE

FROM THE DESK OF THE
COMMISSIONER

2025 END OF YEAR
CHAPTERED BILL
SUMMARIES

CONTINUING
EDUCATION FOR
CALIFORNIA REAL
ESTATE LICENSEES



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FROM THE DESK OF THE Commissioner

Dear Colleagues, Partners, and Real Estate Professionals,

I would like to take a moment to wish everyone a happy first quarter of 2026. I hope everyone's year is off to a great start. Every new year and every new season brings new opportunities for all of us. A chance for greater growth than the year before, to strengthen partnerships in our world of real estate, and to lead and serve in our communities — making an impact in the meaningful work you all do.

As I reflect on DRE's vision for 2026, I want to reaffirm our north star: **to be the champion for public protection in real estate**. DRE is a valued resource for the industry, guided by our mission of safeguarding and promoting the public interests in real estate matters. Whether it be licensing services, sharing best practices resources, or providing information on changes impacting the profession, DRE is committed to best serving and protecting consumers while also collectively supporting the industry to ensure they have the tools they need.

My sincere congratulations also to the new, incoming leaders of all the amazing trade organizations representing our stakeholders that we have the pleasure of working with. When I reflect on the exciting opportunities you have ahead of you, I would love to share some thoughts on leadership and stewardship from my two years as Real Estate Commissioner. As leaders in your respective associations, part of your role is to guide and mentor your members through opportunities and challenges. Having the focus on your organization's mission and vision as your north star will keep you on the path to positive change and guide you to making the right decisions in service to your members and community.

I would like to also take a moment to remind you of DRE's [Speakers Bureau](#) program, where we have representatives from around the Department available to speak on topics related to consumer protection. If this is something we can partner on, please contact us. We sincerely appreciate every opportunity to share what we are doing at DRE to protect consumers and provide resources and services to our stakeholders.

With well wishes for the new year,

Chika Sunquist

DRE COMMISSIONER





2025 End of Year Chaptered Bill Summaries

Below is a look at legislation that has passed and is now enacted into law.

Chapter 128, Statutes of 2025 (AB 238, Harabedian) enacts the Mortgage Forbearance Act, which requires a mortgage servicer to provide up to 12 months of forbearance to a borrower experiencing financial hardship due to the recent Los Angeles Area wildfires. This bill went into effect on September 22, 2025.

Chapter 337, Statutes of 2025 (AB 246, Bryan) enacts the Social Security Tenant Protection Act of 2025 to provide residential tenants an affirmative defense in an unlawful detainer proceeding for the nonpayment of rent if they experience a loss of income during a Social Security payment interruption that resulted from the action or inaction of the federal government. This bill will sunset on January 20, 2029.

Chapter 531, Statutes of 2025 (AB 299, Gabriel), in response to the recent wildfires in the Los Angeles Area, provides that a guest residing in a lodging, who resides for more than 30 days as a result of their prior house being substantially damaged by a declared disaster, will not have their continued occupancy be considered a new tenancy until the guest has remained for 270 days. A lodging is required to provide a notice, as well as a confirmation form, to guests regarding this tenancy exemption for stays that exceed 30 days. These documents must be provided no later than check-in if the lodging believes the guest meets these criteria. This bill applies to lodgings including a hotel, motel, or short-term lodging. The measure went into effect on October 10, 2025, and will expire on January 1, 2031.

Chapter 340, Statutes of 2025 (AB 414, Pellerin) requires a landlord or their successor, who receives a security deposit or rental payments from a residential tenant by electronic transfer, to return the security deposit by electronic transfer, unless the landlord or landlord's successor and tenant agree in writing to another method of returning the security deposit. Landlords or their successors have to notice tenants of their right to receive the security deposit electronically within a reasonable period of time after the notification of either party's intention to terminate the tenancy. This bill provides that, upon mutual agreement between the landlord and tenant, the landlord may send to the tenant by email the required itemized statement which specifies repairs or cleanings that will be deducted from a security deposit. This bill additionally provides the method by which a security deposit and the itemized statement shall be returned to multiple departing adult tenants.

Chapter 263, Statutes of 2025 (AB 455, Ortega) requires the seller of single-family residential real property who has knowledge of any residue from, or any history of, smoking tobacco or nicotine products on the property to disclose that knowledge to the buyer. This bill also requires the Department of Toxic Substances Control, in collaboration with the Center for Tobacco and the Environment at San Diego State University, to update the Homeowners' Guide to Environmental Hazards with information regarding thirdhand smoke.

Chapter 342, Statutes of 2025 (AB 628, McKinnor), for rental agreements entered into, amended, or extended on or after January 1, 2026, requires the following to be included in a residential dwelling unit for the unit to be considered tenantable: 1) a stove that is maintained in good working order and capable of safely generating heat for cooking purposes and 2) a refrigerator that is maintained in good working order and capable of safely storing food. A stove that is subject to a recall by the manufacturer or a public entity will not be considered capable of safely generating heat for cooking purposes. Likewise, a refrigerator that is subject to a recall by the manufacturer or a public entity will not be considered capable of safely storing food. A landlord is required to repair or replace a stove or refrigerator that is subject to recall within 30 days of receiving notice of the recall.

The requirement to provide a stove and refrigerator does not apply to permanent supportive housing units, single-room occupancy units, residential hotels, and dwelling units within a facility that offers shared kitchen spaces for residents. Tenants are allowed to furnish their own refrigerator if mutually agreed to by the tenant and landlord and the following conditions are met: 1) the lease contains a clause noting the requirement for a landlord to provide a refrigerator, 2) by checking a box in the lease, the tenant acknowledges that they have asked to bring their own refrigerator and are responsible for keeping it in working order, 3) the lease provides that the tenant may, with 30 days' written notice, inform the landlord that they no longer wish to keep their own refrigerator in the unit, and that at the end of the 30-day notice period, the landlord will install a refrigerator in good working order in the unit, and 4) a landlord does not condition a tenancy upon the tenant providing their own refrigerator.

Chapter 497, Statutes of 2025 (AB 723, Pellerin) requires a real estate licensee, or person acting on their behalf, who includes a digitally altered image, as defined, in an advertisement or promotional material for the sale of real property to also include a statement in the advertisement or promotional material that discloses that the image was digitally altered. They must also provide a link to a publicly accessible website, URL, or QR code that includes and clearly identifies the original, unaltered image. The disclosure statement must be reasonably conspicuous and located on or adjacent to the image and must include language indicating that the unaltered images can be accessed on the linked internet website, URL, or QR code.

If the advertisement or promotional material is posted on an internet website over which a licensee or a person acting on their behalf has control, they are required to additionally include in the posting the unaltered version of the image from which the digitally altered image was created. The licensee or person acting on their behalf may comply with this requirement by including 1) a link to a publicly accessible internet website that includes, and clearly identifies, the original, unaltered image and 2) a statement indicating that the unaltered images can be accessed on the linked internet website, URL, or QR code.

Chapter 535, Statutes of 2025 (AB 851, McKinnor), until January 1, 2027, prohibits unsolicited offers to purchase residential real property in specific Los Angeles Area zip codes affected by the Los Angeles Area fires. The bill requires a seller and buyer to execute a written attestation affirming that the sale was not a result of a prohibited unsolicited offer and requires the buyer to record the signed attestation as an attachment to the deed when recording the transfer of title. A violation of this law is a violation of a real estate licensee's licensing law if they made a written offer and were either acting 1) for themselves or 2) on behalf of another while conducting licensed activity. The bill also authorizes the Attorney General, county counsel, city attorney, and district attorney to bring civil actions to enforce the law, as well as outlines monetary penalties and misdemeanor penalties. It allows a seller to cancel a real property sales contract for four months after the execution of the contract if it was entered into in violation of this bill. The measure went into effect on November 13, 2025, and will be repealed on January 1, 2027.



Chapter 344, Statutes of 2025 (AB 863, Kalra) requires the Judicial Council to create a single summons form for unlawful detainer actions that includes specified information in English, Spanish, Chinese, Tagalog, Vietnamese, and Korean by January 1, 2027. This form is for mandatory use, and the Judicial Council is required to publish it on their website.

Chapter 506, Statutes of 2025 (AB 1414, Ransom), for a residential tenancy commenced, renewed, or continuing on a month-to-month or other periodic basis on or after January 1, 2026, requires a landlord or their agent to allow a tenant to opt out of paying for a subscription from a third-party internet service provider for wired internet, cellular, or satellite service offered as part of residing in the dwelling unit. The bill allows a tenant to deduct the cost of the internet subscription from their rent if a landlord or their agent violates this requirement. The bill prohibits a landlord from retaliating against a tenant who opts out of using the internet service provider and specifies that the bill does not prevent landlords or their agents from offering tenants bulk-billing arrangements for services.

Chapter 200, Statutes of 2025 (AB 1521, Judiciary Committee) corrects a drafting error contained in AB 2992 (Nguyen, S., Chapter 516, Statutes of 2024) pertaining to buyer-broker representation agreements used in real estate transactions. Among the provisions of the bill, AB 2992 amended Business and Professions Code 10147.5 to require that a buyer-broker representation agreement include a disclosure to buyers of real property that real estate compensation is not fixed by law. This measure corrects the language of the statutorily outlined disclosure to state that real estate compensation is negotiable between a buyer and a broker.

Chapter 516, Statutes of 2025 (SB 410, Grayson) expands the list of documents that a homeowner of a separate interest in a common interest development is required to provide to prospective purchasers. It adds a copy of the most recent inspection report of the exterior elevated elements, such as balconies, walkways, and staircases. Such a change will also compel the homeowners' association to provide the report to a homeowner, upon request. Further, the bill adds inspectors' reports compiled pursuant to required exterior elevated element inspections to the definition of association records and requires such inspectors' reports to be subject to inspection for two inspection cycles. Lastly, the bill requires inspectors who complete inspections of exterior elevated elements to include on the first page of the report six data elements and certify that they have conducted a visual inspection and evaluated a statistically significant sample of the exterior elevated elements in a project.

Chapter 547, Statutes of 2025 (SB 610, Pérez), among other provisions, declares that, for any structure intended for human habitation, a landlord has a duty to remediate any dilapidations that arise from a disaster by 1) removing debris caused by the disaster and/or 2) mitigating hazards arising from the disaster including, but not limited to, mold, smoke, smoke residue, smoke odor, ash, asbestos, or water damage. This bill also provides that when a tenancy is terminated due to the destruction of the property, the landlord must return any advance rental payments to the tenant within 21 days.

Chapter 525, Statutes of 2025 (SB 770, Allen) deletes the requirement that a homeowner's insurance policy name the homeowners' association as an additional insured party when a homeowner installs an electric vehicle charging station in a common area of a common interest development.

Chapter 548, Statutes of 2025 (SB 625, Wahab) makes void and unenforceable any covenant, restriction, or condition (CC&R) contained in any deed, contract, security instrument, or other instrument that prohibits, or has the effect of prohibiting, the reconstruction of a residential structure that was destroyed or damaged in a disaster if it will be substantially similar to the structure prior to the disaster. The bill also makes void and unenforceable any provision of a homeowner's association (HOA) governing document that also prohibited such reconstruction. Lastly, this bill establishes the parameters under which an HOA must process applications to rebuild destroyed or damaged properties.

Chapter 786, Statutes of 2025 (SB 774, Ashby) extends the sunset date of the Department of Real Estate and Bureau of Real Estate Appraisers from January 1, 2026, to January 1, 2030, and makes technical, non-substantive changes to the Real Estate Law. In addition, it creates a cross reference in Real Estate Law to statute regarding the portability of licensure for military and their spouses from other states, updates the Department's authority to receive federal fingerprint-based background checks for applicants and licensees, and requires applicants to submit email addresses to the Department. In addition, the bill exempts licensee and applicant email addresses from disclosure under the Public Records Act, requires additional reporting on military applicants, strikes obsolete law regarding conditional licenses, and allows the Department to make payments from the Consumer Recovery Account based on the evidentiary standard of preponderance of the evidence without having to automatically suspend the licensees' license. [🏠](#)



FROM STOREFRONTS TO PLATFORMS

A CENTURY OF REGULATION AND A 36-YEAR SHIFT IN CALIFORNIA REAL ESTATE PRACTICE



When California first began regulating real estate in 1917, the business was small, local, and personal. Brokers worked face-to-face with clients. Transactions were straightforward. Regulation itself was in its early stages, shaped by the belief that professionalism and public trust required oversight.

Over the decades that followed, real estate did not remain static. Economic upheavals, housing booms, lending innovations, and market failures all left their mark. The law changed in response—sometimes slowly, sometimes urgently. Disclosure requirements expanded. Trust fund rules became more precise. Standards for supervision and advertising were refined as business practices evolved.

That historical arc matters. It reminds us that regulation has always had to keep pace with change.

Still, few periods illustrate that tension more clearly than the past 36 years. A comparison between the typical real estate office of 1990 and the brokerage environment of 2026 shows just how far the business has moved—and how familiar the underlying compliance challenges remain.

The 1990 "Mom-and-Pop" Office

In 1990, most California real estate offices were small, localized operations. They were easy to recognize: a storefront or converted house, a sign out front, listings taped to the window, and a broker who was physically present most days.

A typical office might include:

- One broker-owner
- A handful of licensed salespersons
- A receptionist or unlicensed assistant
- Paper files, file cabinets, and trust account ledgers

These offices often did a little bit of everything. In addition to sales, the broker might handle property management, broker mortgage loans, and sometimes operate or affiliate with an escrow. The structure was simple, but the scope of responsibility was broad.

Compliance Risks of the Era

Enforcement issues from the 1990s often reflected the intimate scale of these offices:

A typical office might include:

- Trust account shortages caused by sloppy bookkeeping
- Brokers failing to adequately supervise new or part-time agents
- Informal handling of agency disclosures
- Conflicts arising from loan brokering or escrow involvement
- Advertising that relied on custom rather than careful review

Problems were usually close at hand. The broker knew where the files were, knew who was involved, and often knew exactly when something had gone wrong – if they were paying attention.

The Mega-Brokerage of 2026

By contrast, the real estate "office" of 2026 may not exist as a physical place at all. Many modern brokerages operate as platforms, with:

- Hundreds or thousands of affiliated agents
- Team-based structures that resemble small businesses within larger ones
- Centralized compliance departments
- Transactions managed almost entirely online

A broker of record may be responsible for more licensees than an entire region once held. Supervision can often be mediated through software, dashboards, and written policies rather than day-to-day personal contact.

New Structure, New Risks

This scale creates compliance challenges that did not exist in 1990:

- Brokers who rely on automation without understanding how transactions actually flow
- Teams operating with significant independence and limited oversight
- Advertising and social media that obscure the identity of the responsible broker
- AI-generated listings or valuations that overstate or mischaracterize properties
- Unlicensed assistants performing licensed acts under new job titles
- Records stored electronically but not reviewed, organized, or retrievable

Layered onto this are **entirely new issues**:

- Questions about handling cryptocurrency or non-traditional consideration
- Data security and consumer privacy concerns
- The speed of transactions outpacing review and judgment

Where the 1990 brokerage struggled with informality, the 2026 brokerage often struggles with distance – the distance between broker and agent, between policy and practice, and sometimes between responsibility and control.

Old Problems, New Forms

Despite the dramatic differences in structure and technology, enforcement experience shows that many violations today echo those from decades past:

- Supervision that exists on paper but not in practice
- Trust fund problems that start small and go unchecked
- Disclosures treated as a formality rather than a duty
- Advertising that prioritizes attention over accuracy

What has changed is how quickly mistakes can spread. In a large, highly automated operation, a single flawed process can affect dozens – or hundreds – of transactions before anyone notices.

A Consistent Expectation

From the Department's early years to the present, one expectation has followed every version of the real estate office: the broker is responsible for how business is conducted.

In 1990, most California real estate offices were small, localized operations. They were easy to recognize: a storefront or converted house, a sign out front, listings taped to the window, and a broker who was physically present most days.

In 1990, that responsibility was exercised across a desk. In 2026, it may be exercised through systems and leadership groups, using established policies and practices.

But the obligation itself has not disappeared. It has become more demanding.

Closing Thoughts

The real estate business will continue to evolve, just as it has since 1917. Brokerages will grow larger, tools will become more powerful, and new forms of value and communication will emerge. The law will continue to respond.

What enforcement history suggests, however, is that size and sophistication do not eliminate risk - they change its shape.

Whether operating a small neighborhood brokerage or a brokerage with a statewide footprint, licensees who stay grounded in fiduciary duty, supervision, disclosure, and accountability tend to avoid the problems that have followed this industry for more than a century.

Although the practice of real estate has changed over the last four decades, at its core, the Real Estate Law has changed very little. Salespersons and broker-associates must affiliate with a broker and that broker remains responsible for supervising their affiliated licensees and monitoring their transactions. As was the practice in 1990, DRE continues in 2026 to investigate violations of the Real Estate Law and take appropriate license disciplinary action as warranted. [🏠](#)





Continuing Education for California Real Estate Licensees

Continuing education (CE) is essential for protecting consumers and upholding professionalism in real estate.

CE helps licensees stay current on California laws, regulations, and ethical standards, reducing the risk of mistakes, misrepresentation, or even unlawful conduct. By completing CE, licensees reinforce their fiduciary duties, maintain their skills and knowledge, and help preserve public trust in California's real estate industry. For these reasons, all California real estate licensees must complete CE to renew their license every four years.

Included below are the renewal requirements for salespersons and broker/officers renewing for the first time, as well as for subsequent renewals.

Salespersons renewing their license for the first time must complete 45 hours of DRE-approved CE, including:

- Four separate 3-hour courses on ethics, agency, trust fund handling, and risk management
- One 3-hour course on fair housing with an interactive component where you role-play as both a consumer and a real estate professional
- One 2-hour course on implicit bias training
- At least 18 hours of consumer protection courses
- The remaining hours can be either consumer service or consumer protection courses

Brokers/Officers renewing their license for the first time must complete 45 hours of DRE-approved CE, including:

- Five separate 3-hour courses on ethics, agency, trust fund handling, risk management, and management & supervision
- One 3-hour course on fair housing with an interactive component where you role play as both a consumer and a real estate professional
- One 2-hour course on implicit bias training
- At least 18 hours of consumer protection courses
- Remaining hours can be either consumer service or consumer protection courses

All Licensees for subsequent license *renewals* must complete 45 hours of DRE-approved CE, including:

- One 9-hour CE survey course covering ethics, agency, trust fund handling, risk management, management and supervision, fair housing, and implicit bias training, OR take individual courses in each of these subjects
- At least 18 hours of consumer protection courses
- Remaining hours can be either consumer service or consumer protection courses

Additional Information

DRE's Education and Research section is responsible for the review and approval of all real estate license continuing education course offerings. There are currently 63 continuing education course providers offering 525 approved courses. If you are a licensee looking to complete continuing education hours, DRE encourages you to visit www.dre.ca.gov for more information about DRE's education requirements and approved courses. 🏠





ADJUSTABLE-RATE MORTGAGES

An adjustable-rate mortgage, also known as an ARM, is a mortgage with an interest rate that changes, or “adjusts,” throughout the life of the mortgage loan, unlike a fixed rate mortgage where the mortgage payment remains unchanged over time. With an ARM, the interest rate and monthly payment may start out low, but the interest rate and the payment can increase very quickly. ARM products should only be offered if the Broker is able to reasonably determine that the borrower can sustain increases in monthly payments, even to the maximum amount.

ARMs typically have caps that limit how much the interest rate can change during the first adjustment period, in subsequent adjustments, and over the life of the loan. For example, a 2/2/5 cap structure means the rate cannot increase more than 2% on the first adjustment, 2% on each subsequent adjustment, nor 5% over the loan's lifetime.

Let’s compare an ARM to a fixed rate mortgage:

	ADJUSTABLE-Rate Mortgage	FIXED-Rate Mortgage
MONTHLY PAYMENTS	The monthly payments can change (either increase or decrease) after the initial fixed-rate period and once the borrower enters the adjustable period for the remaining life of the loan.	The monthly principal and interest payments remain the same throughout the life of the loan.
MARKET INTEREST RATE	ARM products are riskier because increases in the market interest rate could lead to an increase in the payment. Although they have limits (caps), increases could make the payment difficult to budget, plan, and afford.	Fixed rates protect borrowers from future interest rate increases in the market which makes it easier for the borrower to budget and plan.
ADVANTAGES	ARM products are advantageous if the borrower plans to sell or refinance before the initial fixed-rate period ends, or, for example if the borrower expects their income to increase.	Fixed rate products are preferred if the borrower is planning to stay in their home for an extended period and/or is seeking long-term stability.

Mortgage Brokers are required to provide, and borrowers are entitled to receive, extensive disclosures about ARM loan terms such as:

- Principal loan amount
- Loan term (length of the loan)
- Initial or introductory interest rate
- Fully-indexed interest rate
- Maximum interest rate
- How often the interest rate and payments can change
- Maximum periodic change in interest rate and payments

These disclosures give borrowers an opportunity to compare different products, such as comparing an ARM vs. a fixed rate loan, and an opportunity to compare different Mortgage Brokers' costs and fees.

An Adjustable Interest Rate (AIR) Table is a separate table outlining the index and margin, potential rate increases, initial and maximum interest rates, adjustment frequency, and limits on interest rate changes. The AIR Table must be included if Brokers provide the borrower with a federal Loan Estimate form.

Pursuant to California Business and Professions Code Section 10240, Brokers are required to provide a Mortgage Loan Disclosure Statement (MLDS) to borrowers.

However, if the Broker chooses to provide the borrower with a Loan Estimate instead of the MLDS, the Broker should also include a Loan Estimate Addendum. For more information regarding the Loan Estimate Addendum, see the Licensee Advisory:

https://www.dre.ca.gov/files/pdf/adv/2015_2019/Advisory2015MLDS%20and%20Loan%20Estimate%20Advisory.pdf

Brokers will still be required to include the AIR Table whether they choose to use the MLDS or the Loan Estimate with Loan Estimate Addendum.



The California Department of Real Estate (DRE) has a sample Mortgage Loan Disclosure Statement available online. You can also find more information on ARM disclosures from the [Consumer Financial Protection Bureau \(CFPB\)](#), to include a sample Loan Estimate and AIR Table.

Here is an EXAMPLE of a mortgage loan set on an adjustable-rate mortgage (ARM).

The Loan:

- Principal loan amount: \$500,000
- Loan term: 30 years (360 months)
- Initial or introductory interest rate: 6.25%
- Initial interest rate fixed period: 3 years (36 months)

Adjustments to the Interest Rate:

- Adjustment frequency: Every 12 months after the initial fixed period
- Maximum increase at first adjustment: 2.00%
- Maximum increase at each subsequent adjustment: 2.00%
- Lifetime maximum interest rate: 12.50% (This means the interest rate will never exceed 12.50% over the life of the loan)

Payment Changes:

- First-year monthly payment (principal & interest) based on the initial interest rate would be approximately - \$3,079
- Increased monthly payment after first 2.00% adjustment - \$3,756
- Maximum potential monthly payment could be - \$5,351

Brokers are generally required to assess the borrower's ability to repay the mortgage loan based on its terms. Additionally, Mortgage Brokers licensed by the California Department of Real Estate (DRE) have a fiduciary duty to their borrowers, meaning they have a legal duty to act in the borrower's best interests. If a Broker breaches their fiduciary duty and/or fails to provide all appropriate disclosures, the Broker is subject to disciplinary action against their license.

Other information to discuss with your borrowers:

- How high can the payment go?
- How high can the interest rate go?
- How long is the initial principal and interest payment guaranteed?
- How are the interest rate and payment determined?
- What are the interest rate caps (the limits on interest rate changes)?
- How often do the interest rate and payment adjust?
- Is there a penalty if the borrower refinances or pays the loan off during the fixed rate period?
- Is the borrower prepared if something unexpected occurs, such as job loss or unanticipated medical costs?

Most borrowers are not professionals in the mortgage industry, so a Broker should do their best to explain ARM products in plain, simple terms and take time to answer all the borrower's questions thoroughly.

California law prohibits various predatory lending practices, such as frequent refinancing for excessive fees, selling additional products without informed consent, and charging excessive fees.

Understanding the terms, risks, and required disclosures of adjustable-rate mortgages helps borrowers make informed choices and avoid financial problems. Mortgage Brokers must explain how an ARM works, provide all required disclosures and make sure borrowers understand how their payments may change. Providing clear and complete information not only protects borrowers but also helps Brokers reduce the risk of disciplinary action against their license.

The [Real Estate Business Resource](#) section on the DRE website offers a variety of information for both borrowers and licensees, including publications such as Guidance on Nontraditional Mortgage Product Risk and Avoiding Predatory Lending, along with other materials. 🏠





ARTIFICIAL INTELLIGENCE IN CALIFORNIA REAL ESTATE: OPPORTUNITIES, RISKS, AND COMPLIANCE CONSIDERATIONS FOR LICENSEES

Artificial intelligence (AI) is rapidly transforming how real estate services are delivered—whether through automated marketing, analytics, or workflow tools. In California, real estate licensees incorporating AI into their practices must do so in a manner consistent with existing legal duties under the California Business and Professions Code (Bus. & Prof. Code)[1], the California Code of Regulations promulgated by the Department of Real Estate (DRE), and fair housing, fair lending, and consumer protection laws.

This article identifies common uses of AI in the real estate context and outlines concrete steps licensees should take to remain compliant with California real estate law when adopting and using these technologies.

What is Artificial Intelligence

AI is a system capable of simulating human intelligence to perform complex tasks, such as writing, learning, reasoning, problem-solving, perception and decision-making. AI systems learn from data to improve performance over time and range in use from narrow AI (specialized for one task) to Generative AI (capable of creating new content), to Agentic AI (executing multi-step workflows with minimal human supervision).

[1] All statutory references are to California code sections unless otherwise indicated.

Common Uses of Artificial Intelligence in Real Estate

AI tools are diverse but current use generally falls into the following categories in real estate practice, though some of these may conflict with existing law and regulations:

1. Marketing and Advertising

Drafting listing descriptions, generate social-media content, and create promotional material, including AI-enhanced imagery.

2. Lead Generation and Customer Interaction

Using AI-powered chatbots and automated lead scoring to help manage inquiries and prioritize follow-up.

3. Property Valuation and Market Analytics

Synthesizing market data for automated valuation models (AVMs) and dynamic pricing tools.

4. Supporting Transaction and Document Review

Summarizing documents, tracking deadlines, and identifying potential errors or non-compliance.

5. Property Management

Tenant screening (subject to fair housing scrutiny), rent optimization, and maintenance prediction.

6. Mortgage Servicing

Using AI tools for predictive analytics, including analyzing borrower behavior, historical data, and macroeconomic factors, to reduce defaults.

Legal and Regulatory Considerations

Broker Supervision and Licensee Responsibility

The use of AI in the real estate practice does not alter three fundamental principles: First, only persons or corporations licensed by the DRE are permitted to perform real estate licensed activities. Second, brokers must reasonably supervise the activities taking place under their license. Finally, brokers and their affiliated licensees owe fiduciary duties to their clients. California law, under Bus. & Prof. Code sections 10177(h) and 10159.2 and Regulation section 2725, places responsibility on brokers to supervise the activities of their affiliated licensees and the operations of the brokerage. Bus. & Prof. Code section 10131 outlines the activities that require a real estate license, and brokers must be aware of the activities any unlicensed assistants take in carrying out the operations of a brokerage. A broker's supervisory obligation extends to the tools used to conduct licensed or unlicensed activities, including AI-powered software. If an AI tool generates inaccurate information, misleading advertising, or improper communications with consumers, responsibility under current law rests with the licensee and their responsible broker, not the technology provider.

For these reasons, licensees have a duty to use AI responsibly and should treat AI as a support tool rather than an independent decision-maker. Using AI tools to conduct licensed activity may be equivalent to asking an unlicensed assistant to do licensed activity, which is a violation of California real estate law. DRE already has information available on its website to assist licensees in understanding what unlicensed assistants are permitted to do (see https://www.dre.ca.gov/files/pdf/faqs/guide_unlic_asst.pdf). Professional judgment must be exercised at all times, and AI outputs should be reviewed for accuracy and approved by the licensee before being relied upon in transactions or consumer communications. As set forth in greater detail below, failure to review AI output could subject a real estate licensee to disciplinary action for breaching fiduciary duties, negligence, making substantial misrepresentations, and/or failing to make required disclosures. Licensed real estate brokers also could face disciplinary action for failing to reasonably supervise their affiliated licensees.

Misrepresentation, Disclosure, and Advertising

All real estate advertising in California must be truthful, accurate, and not misleading, regardless of whether it is generated by a human alone or generated by a human with the assistance of AI. Bus. & Prof. Code section 10176 authorizes disciplinary action for substantial misrepresentation, false promises, or deceptive practices. Licensees who rely on AI to draft listing descriptions, marketing emails, or online advertisements must independently verify factual claims, including claims involving property features, pricing, availability, and potential uses. Inaccurate information or other deceptive practices may be deemed a violation by the licensee, and use of an AI tool will not excuse the violation.

In addition, advertising content generated by AI must comply with statutory disclosure requirements. Under Bus. & Prof. Code section 10140.6, licensees are required to include their name, license identification number, and responsible broker's identity on solicitation materials that constitute the first point of contact with consumers. Licensees must still comply with these requirements when using AI-generated content.

As of January 1, 2026, licensees must also comply with Bus. & Prof. Code section 10140.8 when using digitally altered images in real estate advertising. This statute requires a clear disclosure when images have been digitally modified in a way that changes the appearance of the property, including modifications created or enhanced by AI. Licensees must also make the original, unaltered image available to consumers. Failure to review AI-generated images for compliance may result in violations even if the alteration was unintentional.

Fair Housing, Fair Lending, and Discrimination Considerations

AI tools often rely on large data sets to make predictions or recommendations. If those data sets reflect historical patterns of discrimination or bias, the resulting output may create fair housing concerns.

The California Fair Employment and Housing Act (FEHA) prohibits discrimination in housing-related transactions and advertising based on protected characteristics under Government Code sections 12955-12956.1 and the California Housing Financial Discrimination Act (the Holden Act) prohibits discrimination in residential financing (i.e., loans used to purchase, construct, improve or repair homes). Moreover, DRE regulations section 2780 prohibits advertisements that indicate a preference, limitation, or discrimination based on listed characteristics.

When AI is used for targeted advertising, tenant screening, lead prioritization, or pricing recommendations, licensees should be particularly cautious. Even neutral-appearing criteria may result in discriminatory outcomes or indirect discrimination. The use of AI does not shield a licensee from liability under the real estate law, FEHA, the Holden Act, or other fair housing and lending laws. Licensees should ensure that AI tools are not used in a manner that excludes or disadvantages protected classes, whether intentionally or inadvertently.

Privacy, Data Security, and Consumer Information

Many AI platforms require access to consumer data, including names, contact information, financial details, and transaction histories. Licensees must ensure that the collection, disclosure, consent, use, and sharing of such data complies with applicable privacy laws, including the California Consumer Privacy Act under Civil Code sections 1798.100-1798.199. Before using an AI tool, licensees should understand what data the tool collects, how long it is retained, whether it is shared with third parties or is available to the general public, and what safeguards are in place to protect consumer information.

Licensees should avoid inputting confidential or sensitive client information into public or unsecured AI platforms and should take reasonable steps to ensure that consumer data is handled responsibly and lawfully.

Unauthorized Practice of Law and Reliance on AI-Generated Legal Content

Some AI tools offer to generate contract language, explain legal rights, or interpret disclosure documents. Licensees must exercise caution when using such tools. A licensee who provides legal advice or legal interpretations beyond the scope of what their real estate license permits may constitute the unauthorized practice of law, which is a crime under Bus. & Prof. Code sections 6125-6126. AI-generated explanations or document summaries should not replace attorney advice, statutory disclosures, or a licensee's obligation to recommend that consumers seek legal counsel when appropriate.

Responsible Use of AI in Real Estate Practice

To integrate AI responsibly, licensees should approach AI as an assistive technology rather than a substitute for legal and professional responsibility.

This includes understanding the capabilities and limitations of each tool, maintaining active oversight over AI-generated content, and ensuring that brokers establish clear policies and training regarding acceptable AI use within their brokerages and then monitoring compliance with those policies. Documentation of review, training, and compliance practices may also help demonstrate good-faith efforts to comply with the law if questions arise.

Best Practices for Responsible AI Use

- Understand AI Limitations

Evaluate how the AI tool works, what data it uses, and how it generates results.

- Maintain Human Oversight

Always review and verify AI outputs for accuracy and legal compliance before publication or use in client interactions.

- Implement Written Policies and Training

Brokers should adopt policies governing AI use and ensure all affiliated licensees are aware of such policies and trained in compliance obligations.

- Document Compliance Steps

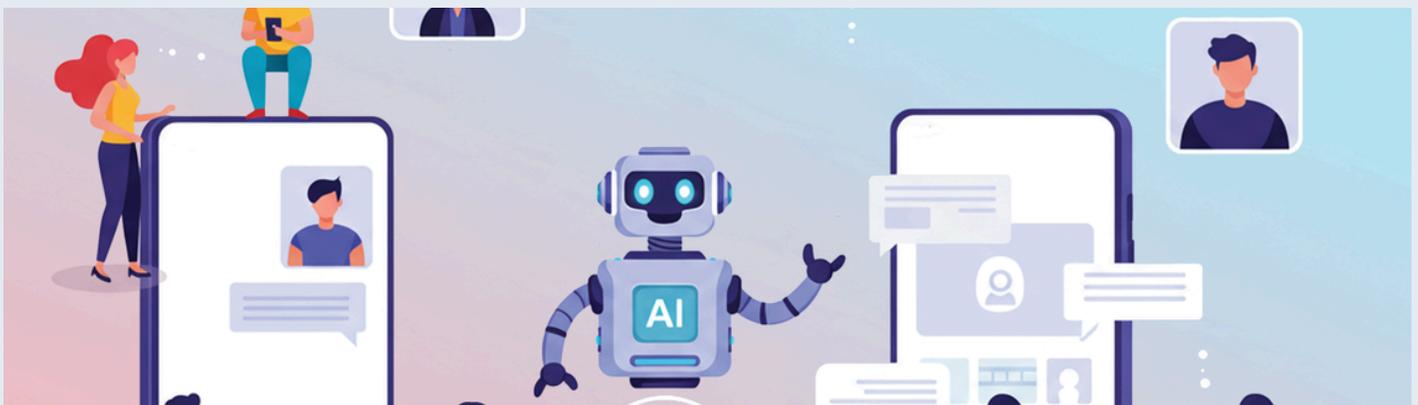
Keep records showing how AI outputs were reviewed and verified for accuracy and compliance with law.

- Stay Informed of Evolving Law

Monitor legislative and regulatory developments affecting AI use, including changes to disclosure obligations and fair housing enforcement trends.

Conclusion

Artificial intelligence offers real estate professionals powerful tools for enhancing service delivery, efficiency, and customer engagement. However, the legal duties under California real estate law remain firmly rooted in consumer protection, fiduciary duty, licensee responsibility, accurate advertising, consumer protection, and fair housing compliance. Licensees should adopt well-documented practices, retain human oversight over AI content, and ensure their use of AI tools supports, not undermines or violates, their legal obligations under California law. 🏠



Test Your California Real Estate Knowledge

1

How many employees initially served under the first Real Estate Commissioner Freeman Henry Bloodgood (1917-1918)?

- A. 5 B. 11 C. 15 D. 21



2

Who was the only person ever to serve as California Association of Realtors (C.A.R.) president, National Association of Realtors (N.A.R.) president, and California Real Estate Commissioner?

3

Which California Governor appointed Clark E. Wallace as Real Estate Commissioner?

- A. Edmund G. "Jerry" Brown
B. George Deukmejian
C. Pete Wilson

Q3: C. Pete Wilson

Commissioner (1991-94)

Q2: Clark Edwin Wallace, C.A.R. president (1978-79), N.A.R. president (1986), and Real Estate

Q1: 11 (6 surveyors and 5 clerks)

ANSWER KEY

Department of Real Estate Exam Center



DRE MISSION

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