

Department of Real Estate



Commissioner Doug McCauley

- **Background**
- **Programs**
- **Opportunities**
- **Q & A**

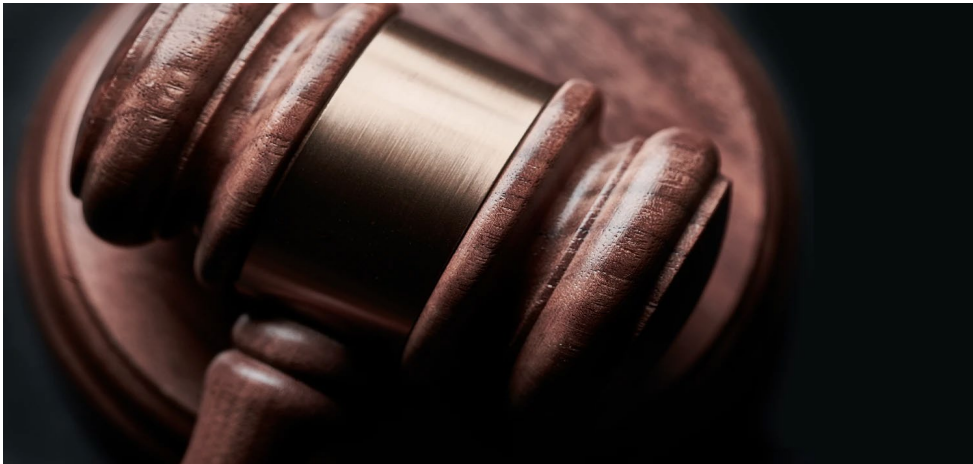
BACKGROUND

- **Profession**
- **Public Service**
- **Industry**

MISSION

“Protection of the public shall be the highest priority for the Department of Real Estate in exercising its licensing, regulatory, and disciplinary functions.”

Business & Professions Code Section 10050.1



OPERATIONS

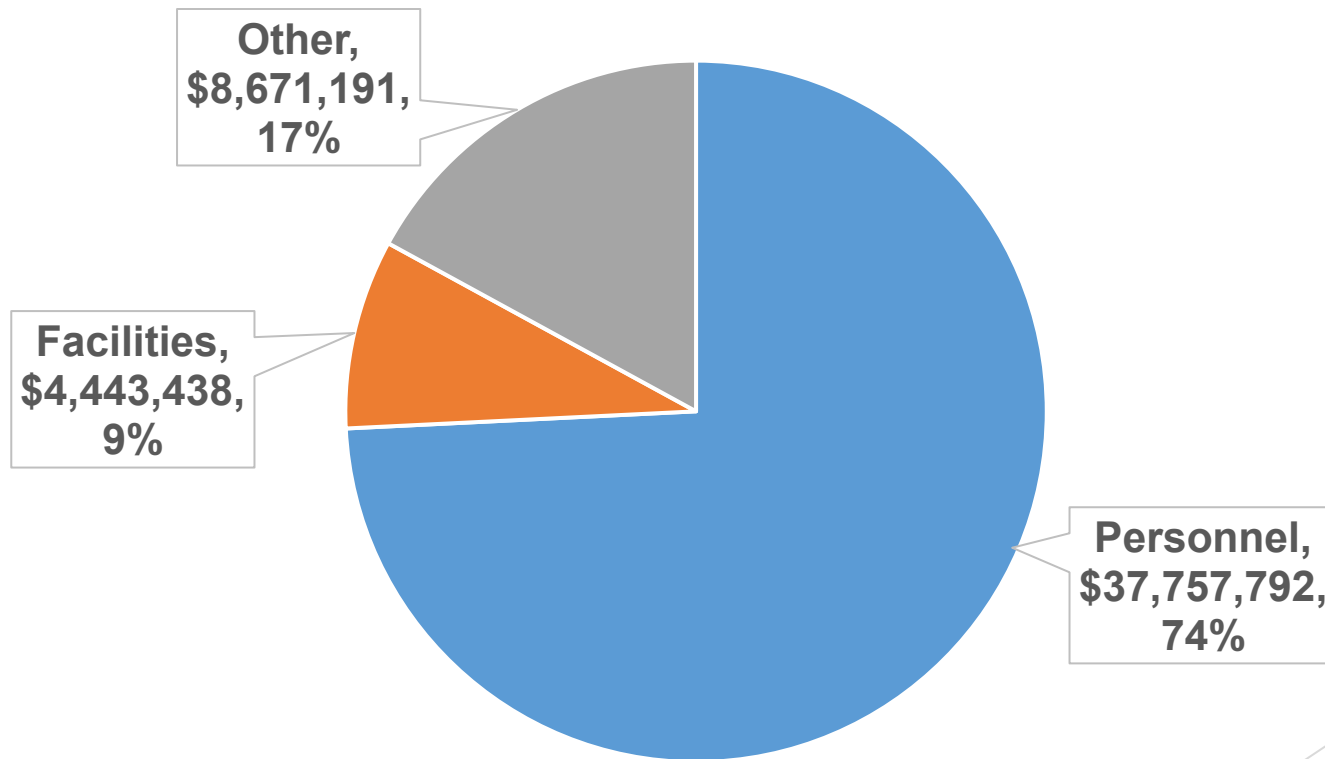
5 District Offices & 5 Exam Centers

- **Fresno**
- **Los Angeles (La Palma Exam Center)**
- **Oakland**
- **Sacramento**
- **San Diego**

Authorized Positions: 369

2019-20 FISCAL YEAR*

Budget \$55,883,000
Expenditures \$50,872,421*

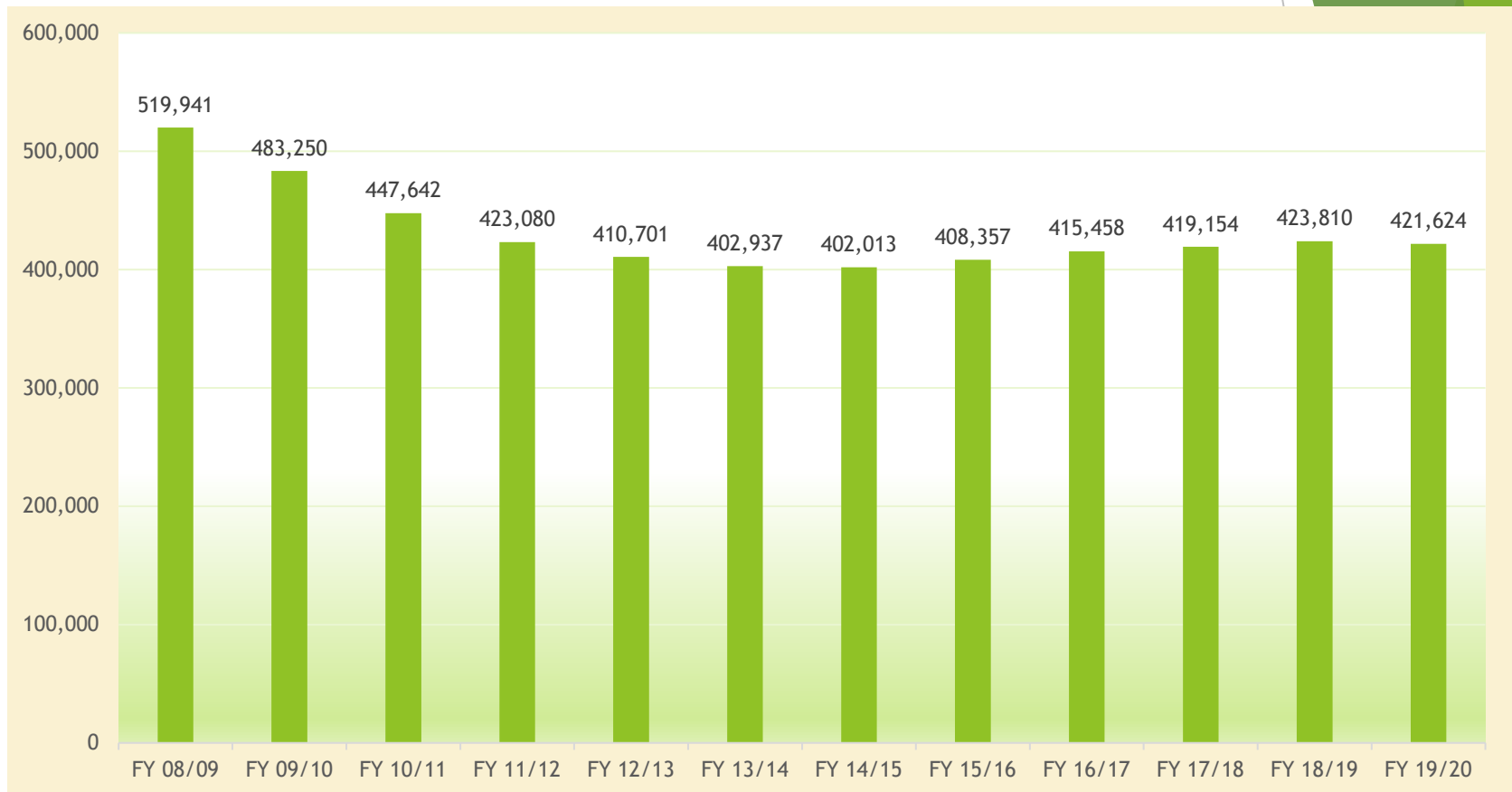


*FY 2019-20 not yet closed, estimated figures

PROGRAMS

- **Licensing**
- **Exams**
- **Enforcement**

LICENSE POPULATION 2008-09 TO PRESENT



LICENSING WORKLOAD

Exams Scheduled	FY 2018-19	FY 2019-20
RES	50,179	41,429
REB	5,179	4,442
New Licenses		
RES	23,648	17,396
REB	4,619	3,911
Renewals		
RES	53,442 (80%)	51,107 (79%)
REB	28,622 (93%)	26,913 (92%)
Total Licenses		
	423,810	421,624
Total MLO's		
	26,237	26,840

IT UPDATES

- **Successful exam candidates can print a license application on eLicensing**
 - added January 2020
- **Online submittal of exam and license applications**
 - tentative Winter 2020
- **Second phase of SOPRAS**
 - tentative Winter 2020
- **Website redesign**
 - tentative Winter 2020

EXAMS

Changes to Exams

- Effective January 27, 2020

Broker Exam	Salesperson Exam
Time allotted for completion of reduced from 5 hours to <u>4 hours</u>	Time allotted for completion reduced from 3 hours and 15 minutes to <u>3 hours</u>
Reduced from two sessions to <u>one session</u>	

- Exam content, number of questions, and pass rates remain the same

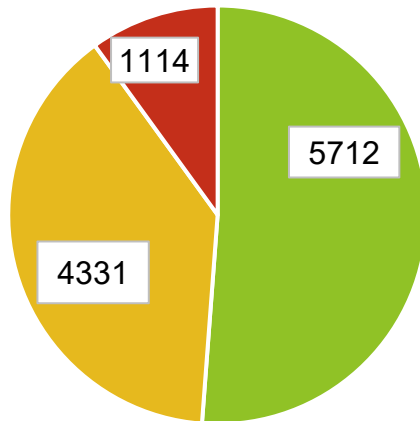
ENFORCEMENT

- **Revocation**
- **Surrender**
- **Bar Order**
- **Restriction**
- **Suspension**
- **Desist and Refrain Order**
- **Public Reproval**
- **Cite and Fine**
- **Corrective Action Letter**

ENFORCEMENT

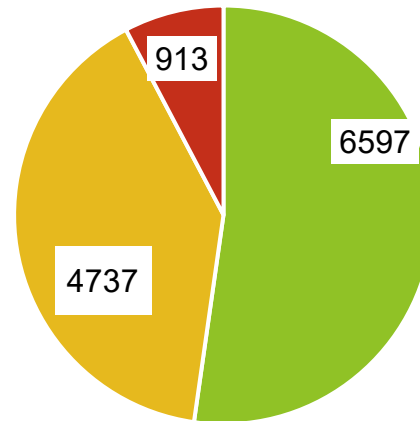
Complaints, Investigations and Referrals to Legal

FY 2018-19



■ Complaints ■ Investigations ■ Legal

FY 2019-20



■ Complaints ■ Investigations ■ Legal

LICENSE DISCIPLINE PROCESS

- **Complaint filed with DRE**
 - Initiated on DRE's Own Motion
 - Receipt of Verified Third Party Complaint
- **Complaint Investigated**
 - Enforcement Section
 - Audit Section
- **Legal Section Prosecutes Disciplinary Action**
 - Preparation and filing of Operative Pleading(s)
 - Limited Discovery

LICENSE DISCIPLINE PROCESS

➤ Outcome

- Hearing before an Administrative Law Judge
 - ❖ Issuance of Proposed Decision
- Settle Action via Stipulation
- Dismiss Action

➤ Commissioner Action

- Adoption/rejection of Proposed Decision
- Approval/rejection of Proposed Stipulation

➤ Request for Reconsideration (Optional)

➤ Petition for Writ of Mandate

ENFORCEMENT FIELD PROGRAM

- **Proactive Broker Office Surveys**
- **Proactive Field Investigations**
- **Monitor Restricted Licensees and Disciplined Licensees**
- **Proactive Outreach Initiatives**

CHANGES IN REAL ESTATE

- **“Team Names” and “Mega Teams”**
- **Virtual Real Estate Brokerages**
- **iBuyers**

ENFORCEMENT SUPPORT OFFICE (ESO)

- **Petition Intake**
- **Cite & Fine**
- **Statistical Data**

CITATIONS & FINES

- **\$2,500.00 Maximum**
- **Order of Correction**
- **Since 2014:**
 - ✓ **Over 3,200 citations**
 - ✓ **\$2.8M in fines**

DISPOSITION OF CASES

Category	FY 2019-20
Application Denials	70
Bar Orders	4
Case Dismissals	60
Desist & Refrain Orders	18
License Denials and Restrictions	43
License Revocations	162
License Surrenders	62
License Suspensions	87
Public Reprovals	8
Stipulations & Waivers/Agreements	164
Total	678

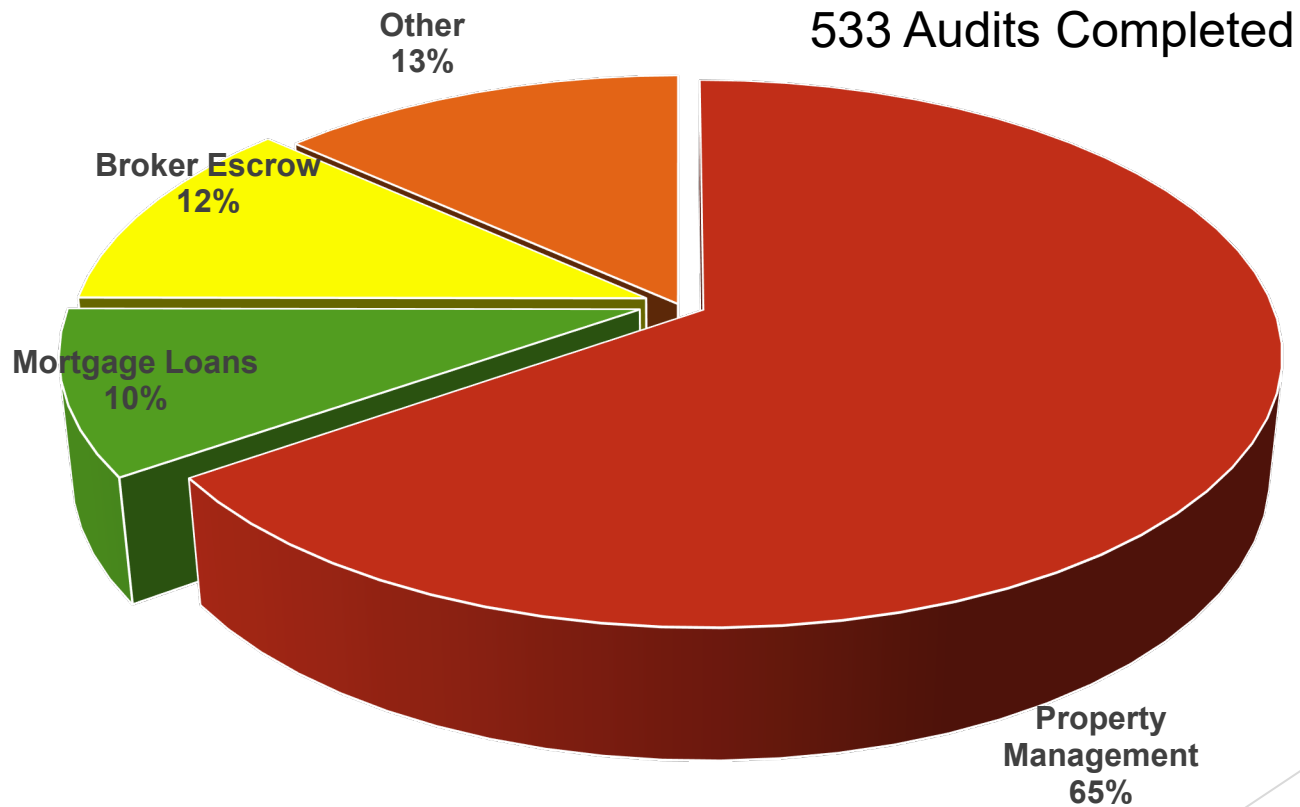
MOST COMMON VIOLATIONS

- 1. Trust Fund Record Keeping**
- 2. Trust Fund Shortages**
- 3. Failure to Supervise**
- 4. Unlicensed Activity**
- 5. Misrepresentation**
- 6. False/Misleading Advertising & Advertising Compliance**

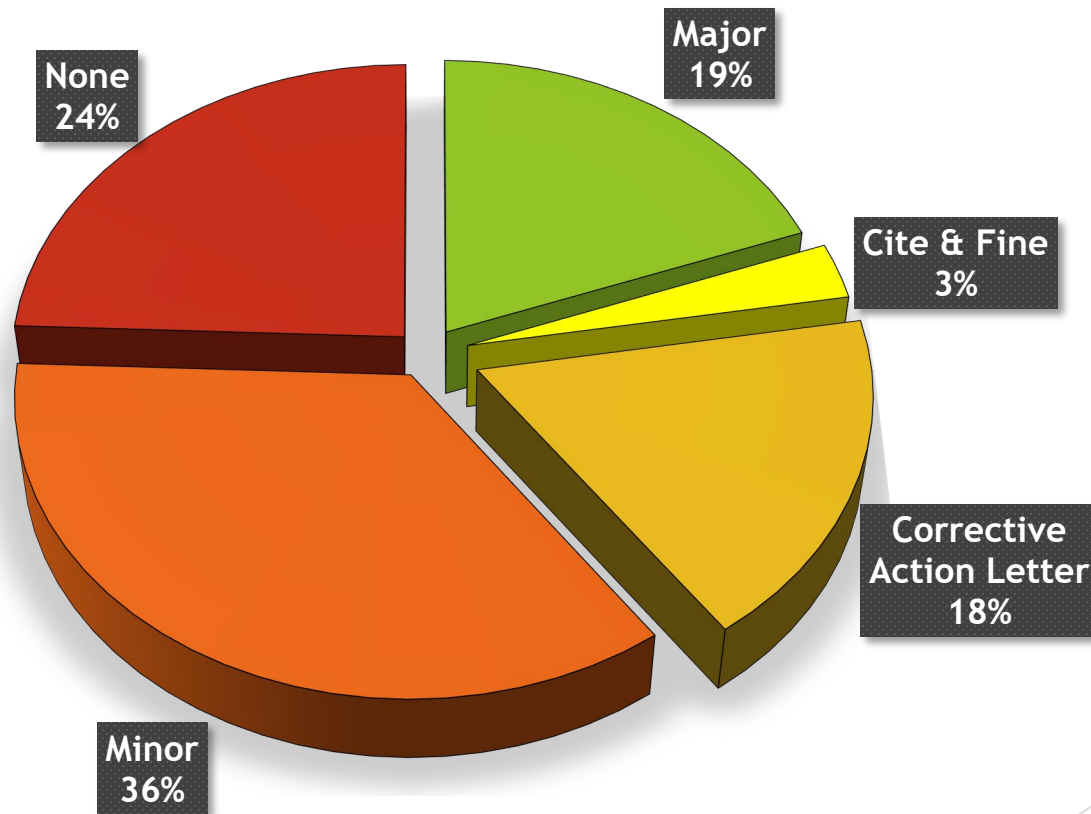
RESOURCES FOR LICENSEES

- **Advertising Manual (RE 27) – NEW!**
- **Broker Compliance Evaluation Manual (RE 5)**
- **Broker Self Evaluation (RE 540)**
- **License Disclosure Requirements for Advertising (RE 559)**
- **Mortgage Loan Broker Compliance Manual (RE 7)**
- **RE Bulletin Articles (typically these are hot issues)**
- **Trust Funds Guide (RE 13)**

AUDITS CLOSED BY ACTIVITIES STATEWIDE FY 2019-20



FINDINGS OF AUDITS CLOSED FY 2019-20



COMMON AUDIT FINDINGS

- **Trust fund shortages on property management and broker escrow audits**
 - ❖ **\$5 million in shortages**
 - ❖ **31.1% of audits had shortages**
- **Lack of broker oversight**
- **Broker-controlled escrow activities and failure to report to DRE**
- **Delays in providing records**

CONSUMER RECOVERY ACCOUNT

FY 2019-20

Category		Total
Claims Filed		40
Disposition of Claims	Paid	41
	Denied	9
Amount Paid		\$947,411

CONSUMER RECOVERY ACCOUNT HISTORICAL

Year	Claims Filed	Total Claims Paid	Total Amount Paid
FY 2014-15	159	119	\$4,898,912
FY 2015-16	76	81	\$3,396,293
FY 2016-17	70	89	\$2,022,602
FY 2017-18	66	39	\$1,424,559
FY 2018-19	160	68	\$3,216,957
FY 2019-20	40	41	\$947,411

Since 1964, DRE has paid approximately \$66 million to victims.

OPPORTUNITIES

Exams

- **Survey says ...**
- **The plan**
- **Above average**
- **We want you!**

SUNSET REVIEW

Oversight

- **Bureautized**
- **We're pleased to report ...**
- **The good, the bad, and the ugly**
- **Opportunity knocks**
- **See you next year**

BAD APPLES

Unlicensed Practice

- **High stakes**
- **Location, location, location**
- **Tools of the trade**
- **Eyes and ears**

Department of Real Estate



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