

BACKGROUND PAPER FOR The Department of Real Estate

Joint Sunset Review Oversight Hearing, March 4, 2025
Senate Committee on Business, Professions and Economic Development
Assembly Committee on Business and Professions
IDENTIFIED ISSUES, BACKGROUND AND RECOMMENDATIONS

BRIEF OVERVIEW OF THE DEPARTMENT OF REAL ESTATE

History and Function of the Department of Real Estate

In 1917, the Legislature passed the Real Estate Law and created the California Real Estate Commission. Following a lengthy constitutional challenge in the courts, the 1919 Realty Act created the State Real Estate Department, which became operational in November of 1919. The current Department of Real Estate (DRE or Department), the successor entity of that earlier department, is empowered to enforce the Real Estate Law (Business and Professions Code (BPC) [§ 10000 et seq.](#)), the Subdivided Lands Act (BPC [§ 11000 et seq.](#)), and the Vacation Ownership and Timeshare Act of 2004 (BPC [§ 11240 et seq.](#)). DRE regulations are found in Title 10 of the California Code of Regulations (10 CCR), [§ 2705 et seq.](#)

The Real Estate Law requires licensure of persons who: 1) represent sellers and buyers of real property or business opportunities; 2) represent tenants and landlords in the rental or leasing of real property or business opportunities; 3) assist persons involved in land transactions with the federal or state government; 4) solicit for, negotiate, or service mortgage loans; and 5) represent buyers and sellers in exchanges of real property sales contracts and provides services to those who are contract holders.

The Subdivided Lands Act protects consumers who purchase or lease new homes or subdivided interests in California. This law requires the developer of subdivided interests to seek and obtain a Subdivision Public Report from DRE. This report is designed by law to protect the public from fraud and misrepresentation by documenting the developer's commitments to consumers. The Vacation Ownership and Timeshare Act of 2004 provides parallel consumer protections relating to the sales of timeshare interests to consumers in California.

The Department's mission is:

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

To achieve its mission, DRE licenses 425,133 persons in California: 293,565 real estate salespersons and 131,568 real estate brokers, including corporate brokers and more than 26,000 mortgage loan originators.

DRE has voting privileges and may participate in the election of officers of the Association of Real Estate License Law Officials (ARELLO), which is an international organization comprised of government agencies and other organizations charged with regulating licensing real estate practice and enforcing real estate law. DRE also has voting privileges and may participate in the election of officers of the American Association of Residential Mortgage Regulators (AARMR), which promotes the exchange of information and education concerning the licensing, supervision, and regulation of the residential mortgage industry.

DRE participates on Education Endowment Committees in the University of California, California State University, and California Community College systems. The committees are focused on improving the quality and accessibility of real estate education and providing financial assistance to students in each school system.

DRE Enforcement Division staff regularly participates in task force meetings with district attorney offices, local real estate associations, and a number of law enforcement agencies. Discussion topics include real estate fraud, mortgage fraud, and financial/economic crimes, including wire fraud.

Fiscal, Fund and Fee Analysis

As a special fund agency, the Department receives no General Fund (GF) support, relying solely on license and renewal fees set by statute and collected from applicants. The Real Estate Fund is not continuously appropriated. The primary drivers of revenue are application, licensing, license renewal, and subdivision fees.

In Fiscal Year (FY) 2022-23, DRE projected a declining fund balance, as revenues were not keeping up with operational costs. In response, DRE conducted a fee study to assess the necessary fee amounts to support its operations and maintain current service levels, and estimate the cost of providing those services. The study showed that increased labor costs related to salaries and benefits, higher expenses for contracted services, and rising facility costs contributed to a budget imbalance. This imbalance created significant gaps between authorized expenditures and the fees required to cover operational costs.

In FY 2023-24, DRE requested an increase in its expenditure authority to address the funding shortfall and an accompanying increase in fees to meet current and projected future needs. This marked the Department's first statutory fee increase request in 27 years. The Legislature approved this proposal and the Governor signed it into law as part of the 2024-25 budget agreement (SB 164, Committee on Budget and Fiscal Review, Chapter 41, Statutes 2024). The fee range enacted included a statutory cap under which DRE may subsequently adjust fees through regulation to maintain solvency of the Real Estate Fund, provided the adjustments do not exceed the statutory maximum.

Statutory fee increases took effect on July 1, 2024, to prevent the Real Estate Fund from becoming insolvent. DRE reports that it is actively monitoring the revenue generated from the recent fee increase alongside operational needs and licensing volume to determine if further fee adjustments would be necessary. Revenue projections for FY 24/25 currently reflect a decline in new exam and license applications. This is concerning as licensing workload accounts for 80% of DRE's total revenue. DRE's objective is to operate with a prudent fund reserve and maintain a minimum reserve of three-month's worth of funds for economic uncertainties.

Fund Condition – 0317 Real Estate Fund						
(Dollars in Thousands)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25 ³	FY 2025/26 ⁴
Beginning Balance ¹	40,494	36,384	37,409	27,953	15,782	13,458
Prior Year Adjustment	(169)	1281	647	784	-	-
Adjusted Beginning Balance	40,325	37,665	38,056	28,737	15,782	13,458
Revenues and Transfers	54,261	60,085	54,054	51,488	64,758	64,758
Total Resources	94,586	97,750	92,110	80,225	80,540	78,216
Budget Authority	52,117	57,015	60,110	62,037	66,453	69,285
BU 2320 Expenditures ²	50,950	55,623	60,086	60,049	61,403	66,047
BU 0515 Expenditures	232	280	259	257	313	318
Pro Rata Expenditures	7,020	4,438	3,812	4,137	5,366	5,286
Loans to General Fund	0	0	0	0	0	0
Accrued Interest, Loans to General Fund	0	0	0	0	0	0
Loans Repaid From General Fund	0	0	0	0	0	0
Fund Balance	36,384	37,409	27,953	15,782	13,458	6,565
Months in Reserve	7.24	7.00	5.21	2.82	2.20	1.10

¹ Beginning balances include the prior year ending balance plus (or minus) any prior year adjustments.

² FY 24/25 expenditures based on current projections and FY 25/26 expenditures assumes projected savings

³ Current year values are estimates.

⁴ Estimates are based on the Governor's FY 2025/26 budget and are not forecasts based on past spending.

Fund Condition – 3294 Consumer Recovery Account						
(Dollars in Thousands)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25 ¹	FY 2025/26 ¹
Beginning Balance	4,633	4,379	3,908	3,326	2,599	2,006
Revenues and Transfers	55	0	0	0	0	0
Total Resources	4,688	4,379	3,908	3,326	2,599	2,006
Expenditures	309	471	582	727	593	634
Loans to General Fund	0	0	0	0	0	0
Accrued Interest, Loans to General Fund	0	0	0	0	0	0
Loans Repaid From General Fund	0	0	0	0	0	0
Fund Balance	4,379	3,908	3,326	2,599	2,006	1,372

¹ Projected expenditures based on a three year average

Fund Condition – 3295 Education and Research Account						
(Dollars in Thousands)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25 ¹	FY 2025/26 ¹
Beginning Balance	2,105	1,905	1,877	1,660	1,593	1,577
Prior Year Adjustment	0	200	0	0	0	0
Adjusted Beginning Balance	0	2,105	0	0	0	0
Revenues and Transfers	0	0	0	0	200	200
Total Resources	2,105	2,105	1,877	1,660	1,793	1,777
Budget Authority	200	200	200	200	200	200
Expenditures	200	200	188	52	200	200
Pro Rata Expenditures	0	27	29	15	16	16
Loans to General Fund	0	0	0	0	0	0
Accrued Interest, Loans to General Fund	0	0	0	0	0	0
Loans Repaid From General Fund	0	0	0	0	0	0
Fund Balance	1,905	1,877	1,660	1,593	1,577	1,561

¹ Projected

Over the past four fiscal years, the enforcement program accounted for an average of 21% of DRE expenditures, while licensing accounted for 16% and administration accounted for approximately 19% of the Department’s expenditures. Year over year, the Department’s expenditures increased from \$48,777,000 in FY 2020/21 to \$55,593,000 in FY 2021/22 to \$59,535,000 in FY 2022/23. In FY 2023/24, expenditures decreased due to cuts to travel, training, and general office equipment in response to directives associated with [Budget Letter 23-27](#), which reduced new expenditures to those that are mission critical; however, expenditures only decreased by \$567,000 (or less than one percent).

Expenditures by Program Component									(list dollars in thousands)
	FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		
	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	
Enforcement	9,003	1,193	9,992	1,209	10,933	1,364	11,388	971	
Examination ¹	0	0	0	0	0	0	0	0	
Licensing ¹	6,722	2,467	7,066	1,536	7,395	2,160	6,763	2,344	
Administration ²	7,255	4,612	9,784	6,018	5,368	1,864	5,096	1,365	
Audits	4,385	478	4,965	461	5,151	608	4,883	430	
Legal	5,197	1,563	6,572	1,192	6,849	1,676	6,916	2,030	
Subdivisions	5,208	694	6,052	656	6,508	711	6,485	671	
Executive ²	N/A	N/A	N/A	N/A	1,059	27	884	34	
Information Technology ²	N/A	N/A	N/A	N/A	4,190	3,167	4,863	2,921	
Communications and Publications **	N/A	N/A	N/A	N/A	492	24	505	41	
Legislation and Regulation ²	N/A	N/A	N/A	N/A	280	9	360	18	
Diversion (if applicable)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
TOTALS	37,770	11,007	44,431	11,072	48,525	11,610	48,143	10,825	

¹ Examination, Education & Research are included within Licensing.

² Prior to FY 22-23, the Executive, Administrative Services, Communications, Information Technology, and Legislative Division expenditures were all captured under the Administrative Services Division. Therefore, those expenditures cannot be separated out.

³ DRE was a bureau under DCA from FY 13/14 to FY 17/18. DCA Pro Rata charges ended in FY 17/18 when DRE became its own department beginning in FY 18/19

Prior to FY 22-23, the Executive, Administrative, Communications, IT, and Legislative program expenditures were all captured under the Administrative Services Division fiscal line item budget purposes. Therefore, specific expenditures related to business modernization cannot be isolated.

In FY 23-24, DRE launched the Portal Modernization Project (PMP), which aims to streamline the eLicensing program. The PMP will integrate multiple functionalities into a single online portal, where users can view their application progress status in real-time, modify licensee information, upload and modify documents, and remedy identified deficiencies within the portal. DRE is also developing a data warehouse to incorporate all DRE specific historic data to allow for enhanced reporting, data visualization, and analytics. Business modernization expenses for FY 22/23 were \$224,000, FY 23/24 were \$125,000, and projections for FY 24/25 are \$235,000. These costs include two primary contracts with two IT consulting firms, Prodigy and Trinity.

Between FY 2021/22 and FY 2024/25, the Department submitted eight Budget Change Proposals, which resulted in a total \$3,685,000 increase in spending authority and created 14 positions. Most recently, the Department submitted a BCP to increase spending authority by \$3,231,000 to address workload costs and avoid fund insolvency. No positions were created by this BCP, but personnel costs comprised \$695,000 of the request. The other \$2,536,000 went to fund OE&E.

Licensing

The Department issues two license types, real estate salesperson and a real estate broker/officer. Based on the past four years, the Department has averaged 333,665 active licensees, including 218,389 real estate salesperson licenses and 115,276 real estate broker/officer licenses. DRE issues a four-year license and the license population experienced a large increase from 205,596 salespersons in FY 2020/21 to 223,197 in FY 2021/22. Overall, the license population has remained fairly steady, currently at 334,852, which is only 4,032 fewer licensees than the FY 2021/22 peak of 338,884. Table 6. License Population can be found on page 23.

DRE’s performance targets/expectations for the Licensing Program include processing “complete” or “non-deficient” exam, license, and renewal applications in under 30 days. The target goal for completion of other licensing transactions is 20 business days. Historically, DRE has met these targets. However, from January 2023 through July 2024, DRE held several licensing positions open as a cost saving measure to remain within the Department’s budget authority. The vacant positions impacted the Licensing Division’s ability to process applications for examinations, licensure, and renewals, leading to a backlog and delay over DRE’s normal processing timeframes for some application categories.

Licensing Data by Type										
Salesperson License		Received	Approved/Issued	Closed ¹	Pending Applications			Application Process Times		
					Total (Close of FY)	Complete (within Department control)*	Incomplete (outside Department control)*	Complete Apps*	Incomplete Apps*	Total (Close of FY)
FY 2021/22	(Exam)	40,542	38,793	N/A	N/A	N/A	N/A	32	121	46
	(License)	30,310	30,670	N/A	3,360	N/A	N/A	8	63	21
	(Renewal)	57,364	58,248	N/A	1,444	N/A	N/A	4	77	6
FY 2022/23	(Exam)	33,033	30,565	N/A	N/A	N/A	N/A	40	101	48
	(License)	22,133	22,972	N/A	1,975	N/A	N/A	9	50	18
	(Renewal)	54,943	54,727	N/A	1,197	N/A	N/A	3	83	5
FY 2023/24	(Exam)	28,479	27,192	N/A	N/A	N/A	N/A	47	104	53
	(License)	21,933	21,604	N/A	1,808	N/A	N/A	11	41	16
	(Renewal)	50,527	50,021	N/A	1,090	N/A	N/A	3	75	5

* Optional. List if tracked by the Department.

¹ The Department does not close out incomplete applications. If an application with a deficiency is received, DRE communicates with the applicant how to resolve the deficiency, but the application remains incomplete in the licensing system if it remains incomplete.

DRE continuously assesses licensing application workload, as well as processing timeframes, and when numbers exceed acceptable department standards, action is taken to reduce these backlogs. This may include the redirection of staff, redirecting vacant positions from other divisions, overtime, and continuing to identify licensing processes that can be automated through DRE’s Online Exam License Application (OELA) and eLicensing system.

In June 2024, there were approximately 5,000 pending exam and exam/license applications. Processing timeframes for these applications exceeded eight weeks, twice the acceptable department standards. The high volume was, in a large part, due to an influx of applications submitted at the end of the year

stemming from statutory changes to license requirements that went into effect January 1, 2024, as well as several vacancies in the Licensing Division.

This backlog was generated in spite of the processing time efficiencies because not all applications are online. To address the backlog, DRE moved forward with approving overtime and redirected processing staff from other Licensing sections to assist with the workload. As a result, by August 1, 2024, the pending applications had been reduced by 50% to approximately 2,500, and processing timeframes returned to 4-5 weeks. To address its longer-term application processing needs, DRE has prioritized filling 14 Licensing Division vacancies, of which all were filled by August 2024.

In July 2024, DRE moved forward with approving overtime and continued to redirect processing staff from other Licensing sections to assist with this workload. As a result, by August 1, 2024, pending exam and exam/license applications had been reduced by 50%, and processing timeframes returned to 4-5 weeks. To address its longer-term application processing needs, DRE was approved for increased budget expenditure authority beginning FY 2024/25, and prioritized filling 14 Licensing Division vacancies, all of which were filled by August 2024.

DRE reviews all criminal convictions for substantial relationship and any aggravating circumstances such as prior DRE regulatory action or regulatory action by another agency. Additionally, the applicant is evaluated for evidence of rehabilitation to determine the applicant's fitness for licensure. If DRE has not made such a determination of rehabilitation and files a Statement of Issues to notice the applicant of an intent to deny an application, the applicant still has due process rights to an administrative hearing. If the Commissioner upholds a denial, the applicant still may pursue an appeal of the decision. Over the past three fiscal years, DRE has denied 191 applications where the applicant has a criminal history.

Applicants are required to submit copies of transcripts to show completion of required education. To verify statutorily required experience, broker license applicants must submit experience verification forms, which provide a description and details of the applicant's experience. Where the applicant claims experience as a salesperson, the applicant's previous broker of record must sign the verification form. Where the applicant claims equivalent experience rather than licensed experience, the applicant must submit an employment verification form that provides a description and details of the applicant's experience as it relates to real estate. Two individuals who can attest to the applicant's claims of experience must sign this form.

All applicants are fingerprinted using Live Scan. DRE also receives subsequent arrest records and files a Statement of Information to take appropriate disciplinary action when warranted.

The only national database related to this professional field is for Mortgage Loan Originators (MLOs), created by the federal SAFE Act. Under the SAFE Act, MLOs who are not employed by a depository institution, or a subsidiary of a depository institution, must be both licensed by their state and registered on the Nationwide Multistate Licensing System (NMLS). SB 36 (Calderon, Chapter 160, Statutes of 2009) empowered DRE and the Department of Financial Protection and Innovation (DFPI) to license MLOs consistent with both departments' existing law. DRE began issuing MLO license endorsements in March 2010 and in March of 2012, began uploading disciplinary actions taken against licensed MLOs into the NMLS databank. As of FY 2023/24, DRE had approximately 31,600 MLOs eligible for endorsement renewal. As of FY 2023/24, DRE has posted 712 regulatory actions in the NMLS databank.

With respect to arrest and conviction information, DRE obtains certified copies of court documents and police reports for use in cases that may lead to DRE’s formal denial of an application or disciplinary action against an existing license.

The examination and licensing process for out-of-state and out-of-county applicants is the same as that for applicants within the state. Each applicant for licensure must qualify for and pass the appropriate written examination in California and meet all other statutory requirements. DRE has no reciprocity with any other state or country to allow a waiver of any of the requirements to obtain a license. All exam centers are located in California.

The Department’s statutes do not require DRE to track how many times an applicant offers military experience to meet license criteria. General BPC sections that apply to military applicants or their spouses do not apply to the DRE, which has its own authorizing statutes as follows:

- BPC [§ 10150.6](#) authorizes qualifying military experience to be submitted as the equivalent to two years of salesperson license experience necessary to qualify to sit for the broker examination. Although the Department reviews applications that include military experience, DRE has not tracked this data.
- BPC [§ 10151.2](#) requires DRE to inquire on every application if the individual is or previously was a member of the Armed Forces of the United States. However, DRE does not have statutory authority to waive fees.
- BPC [§ 10151.3](#) requires DRE to expedite applications from spouses/domestic partners of active-duty military service members who hold a current real estate license in another state and report specified data to the Legislature.

Military Applications by Fiscal Year				
Fiscal Year	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Military Applicants	Not Provided	562	926	869
Military Experience	Not Provided	Not Tracked	Not Tracked	Not Tracked
Military Fee Waiver	Not Provided	N/A	N/A	N/A
Spouses/Domestic Partner Expedite	Not Provided	40	108	99

School Approvals

DRE does not approve schools, only courses, which are administered by private vocational schools. Schools that request course approval from DRE are required to provide evidence of approval from the Bureau for Private Postsecondary Education (BPPE) or provide evidence that the school is exempt from BPPE approval. DRE does not work with the BPPE in the course approval process. DRE does not have separate requirements for approvals of courses taught by international schools. As of FY 2023/24, DRE had approved statutory/pre-licensure courses at 164 schools.

Examinations

All salesperson and broker license applicants must pass a written examination to be issued the respective license. To pass the salesperson examination, a minimum score of 70% is required. To pass

the broker examination, a minimum score of 75% is required. DRE uses a California-specific examination instead of a national exam. The exam is not offered in a language other than English.

To qualify for the real estate license examinations, all applicants must complete specific three-semester unit, or four-quarter unit, college level courses from an accredited college or university or from a private sponsor approved by the Commissioner. Course requirements for a real estate salesperson include: 1) Real Estate Principles, 2) Real Estate Practice, and 3) one additional course from an approved list, which can be found on page 28 of the DRE Sunset Report.

To qualify to take a real estate broker examination, an applicant must have completed each of the following: 1) Real Estate Practice, 2) Legal Aspects of Real Estate, 3) Real Estate Finance, 4) Real Estate Appraisal, 5) Real Estate Economics or Accounting, and 6) three additional courses from the approved list, which can be found on page 28 of the DRE Sunset Report. Broker license applicants must also provide evidence of two years, full-time, licensed real estate experience, completed within five years prior to the date of application, or an equivalent type of real estate-related experience.

The overall average pass rate for salesperson applicants for the past four fiscal years is 51% and the average pass rate for broker applicants for the past four fiscal years is 49%.

The above data are composed of a 63.1% pass rate for first time examinations and 19.6% of retakes who eventually pass the salesperson examination. The first time pass rate for the broker examination is 39.6% and 15.2% retakes.

DRE uses in-person computer-based testing for the real estate salesperson and broker examinations. The computer-based system allows examinees to take examinations electronically and receive their results immediately following completion of the test. In addition, qualified candidates who have submitted a combination examination and license application with no deficiencies, and who pass their exam, can be issued their license immediately upon passage. These successful examinees receive their license identification number as part of this notification, and DRE's website public license information is immediately updated.

Computer-based testing is available at all five DRE examination centers: Fresno, La Palma, Oakland, Sacramento, and San Diego. Examinations are administered Monday through Friday, and at some locations on Saturdays and evenings, based on demand.

Every five to seven years, the DRE embarks on a multi-year effort to update the state's real estate salesperson and broker exams to ensure they accurately reflect current industry practices and continue to be legally defensible. From start to finish, exam development consists of four phases that typically takes 18-24 months to complete: 1) occupational analysis; 2) item review; 3) gap analysis and item writing; and 4) implementation of new exams. DRE is currently undergoing this process, which began in June 2023.

The first phase of the process began in the summer of 2023 and consisted of nearly 30 subject-matter experts from across the real estate industry gathering in Sacramento to develop a job analysis survey. In-the-field experts participating in the EDP include the Multicultural Real Estate Alliance for Urban Change, the Association of Black Real Estate Professionals, and the Asian Real Estate Association of America.

Between February and June 2024, selected subject matter experts, DRE, and the third-party test developers reviewed thousands of exam questions from DRE's item bank to determine the accuracy

and relevancy to today's industry practices. The gap analysis and item writing components kicked-off in July 2024, and the implementation of the new exams is expected to occur in March 2025.

Continuing Education (CE)

During renewal, both real estate broker and salesperson licensees must complete 45 clock-hours of DRE-approved continuing education coursework that contain incremental questions and a final examination. Continuing education requirements are intended to ensure that licensees remain current on applicable laws and recent developments in the profession.

Beginning January 1, 2023, real estate licensees renewing for the first time are required to complete a two-hour DRE-approved course in implicit bias and a revised three-hour course in fair housing, which includes an interactive component, as part of their 45 clock-hours. For all subsequent renewals, licensees must complete either the new two-hour DRE-approved implicit bias training course and the revised three-hour course in fair housing, or a survey course which increased from 8-hour to 9-hours as part of their 45 hours of continuing education. The survey course will have elements of implicit bias and fair housing, as required by statute.

DRE conducts routine sampling of the CE course verifications submitted by licensees. Over the past four fiscal years, DRE completed 4,282 audits of licensee CE records for those licensees who renewed using the eLicensing system during the previous four years. This audit resulted in 160 licensees failing to submit requested documents or 3.7% of the total audit population. The remaining 96.3% had no errors.

At the conclusion of FY 2023/24, there were 68 continuing education course providers offering 556 approved courses. Criteria for course approvals are set forth in 10 CCR § 3006. An application for approval of a continuing education course must be made no less than 90 days before the proposed commencement date of the course and must include documents to support compliance with DRE approval criteria. Approval of a continuing education course is for a term of two years from the date of approval or as specified when approval is granted.

Enforcement

DRE is impacted by cyclical fluctuations of the real estate market as cycles of "boom" and "bust" place alternating demands on DRE's Enforcement Division. A hot real estate market, as in the mid-2000s, may generate a large influx of license applicants requiring background reviews. Market downturns, exemplified by the 2008 mortgage "meltdown," increase the number of unlicensed persons conducting mortgage loan originations, mortgage fraud, and subsequently foreclosure rescue and loan modification services fraud. Currently, some of the more common alleged violations include acting without a license/unlicensed property management, improper trust fund handling, misrepresentation by a licensee, fraud or dishonest dealing, false advertising, negligence, and improper broker supervision.

Each DRE district office manages their investigations to ensure investigations are performed expeditiously. Supervising Special Investigators assist and work closely with investigators to ensure complaint investigations are completed in a timely and thorough manner. District Office managers are tasked with establishing and maintaining appropriate case management strategies to ensure maximum public protection goals are achieved.

DRE's internal procedures set processing timeframe goals for complaint investigations at 180 days from receipt of the complaint to the completion of the investigation. Currently, DRE completes

approximately 69% of investigations within the 180-day timeframe goal. For complaints involving complex and multifaceted issues associated with fraud or large numbers of targeted victims, DRE’s goal is to complete the investigation within one year. By monitoring caseloads and investigative efforts, DRE consistently manages to complete approximately 83% of all complaint investigations in under a year.

Over the past three fiscal years, there has been a decrease in enforcement complaints, largely due to broader economic conditions, including inflation, high interest rates, low housing inventory, new building constraints, and housing affordability issues. These outside influences could continue to affect the licensee population going forward. There has been an increase in landlord-tenant complaints, as more individuals are entering the rental market due to the challenges of affordable homeownership compounded by high mortgage interest rates. Additionally, DRE receives a high number of complaints from government agencies, which are background investigations for mortgage loan originator license endorsement applicants that are received through a Nationwide Multistate Licensing System.

Complaint processing times appear high as DRE takes between 30 and 50 days to refer a complaint for investigation. DRE reports this is a function of its processes. When a complaint is received, DRE acknowledges receipt within an average 10-day timeframe. Complaint reviews are then performed by Special Investigators who perform preliminary investigations to ensure there is sufficient information to proceed with a formal investigation. The length in time is often due to that preliminary investigation - requesting information from the complainant, performing a preliminary background check, etc. DRE reports it has been working to reduce this time as demonstrated in this table.

Enforcement Statistics			
	FY 2021/22	FY 2022/23	FY 2023/24
COMPLAINTS			
Intake			
Received	6052	5003	5342
Closed without Referral for Investigation	2316	1918	2191
Referred to INV	3801	2862	2914
Pending (close of FY)	62	68	148
Conviction / Arrest			
CONV Received	1653	1587	1613
CONV Closed Without Referral for Investigation	977	1017	1095
CONV Referred to INV	616	537	510
CONV Pending (close of FY)	60	33	8
Source of Complaint			
Public	1554	1494	1564
Licensee/Professional Groups	206	169	142
Governmental Agencies	1660	1172	1166
Internal	936	488	488
Other	4	6	3
Anonymous	57	70	61
Average Time to Refer for Investigation (from receipt of complaint / conviction to referral for investigation)	54.7	48.4	38.3
Average Time to Closure (from receipt of complaint / conviction to closure at intake)	55.1	29.1	33.6
Average Time at Intake (from receipt of complaint / conviction to closure or referral for investigation)	54.8	42.3	37

INVESTIGATION			
All investigations			
Opened	4417	3399	3424
Closed	2917	2915	2587
Average days for all investigation outcomes (from start of investigation to investigation closure or referral for prosecution)	231	274	230
Average days for investigation closures (from start of investigation to investigation closure)	224	246	247
Average days for investigation when referring for prosecution (from start of investigation to referral for prosecution)	238	302	213
Average days from receipt of complaint to investigation closure	257	236	162
Pending (close of FY)	2208	2078	2185
CITATION AND FINE			
Citations Issued	408	772	350
Average Days to Complete (from complaint receipt / inspection conducted to citation issued)	533	471	319
Amount of Fines Assessed	\$697,750	\$989,725	\$656,000
Amount of Fines Reduced, Withdrawn, Dismissed	\$91,600	\$126,399	\$101,875
Amount Collected	\$445,875	\$707,576	\$431,750
CRIMINAL ACTION			
Referred for Criminal Prosecution	N/A	N/A	N/A
ACCUSATION			
Accusations Filed	416	367	306
Accusations Declined	22	25	14
Accusations Withdrawn	0	0	0
Accusations Dismissed	51	73	52
Average Days from Referral to Accusations Filed (from AG referral to Accusation filed)	N/A	N/A	N/A
DISCIPLINARY OUTCOMES			
Revocation	163	140	268
Surrender	52	60	37
Suspension only	428	151	139
Probation with Suspension	30	20	29
Probation only	97	99	86
Public Reprimand / Public Reproof / Public Letter of Reprimand	9	17	4
Other	24	23	31
DISCIPLINARY ACTIONS			
Proposed Decision	95	124	93
Default Decision	72	76	85
Stipulations	126	132	114
Average Days to Complete After Accusation (from Accusation filed to imposing formal discipline)	297	259	201
Average Days from Closure of Investigation to Imposing Formal Discipline	460	384	308
Average Days to Impose Discipline (from complaint receipt to imposing formal discipline)	503	456	304

* Table excerpt taken from the Department's Sunset Review Report. The full table can be found on pages 39-42 of that report.

To enhance DRE's complaint handling operations, DRE's Enforcement Division implemented internal organizational improvements. One such initiative is DRE's Complaint Resolution Program (CRP), which responds quickly and informally to concerns brought by consumers and members of the real estate industry to resolve conflicts and mitigate or prevent Real Estate Law violations. For the past

three fiscal years, CRP has handled over 155 cases, demonstrating success in alleviating the volume of formal investigations and enabling the Enforcement Division to allocate resources more efficiently. The CRP has contributed to improvements in overall enforcement timeframes and is a key component in the Enforcement Division's strategy to streamline processes, manage case backlogs, and improve overall performance.

To further aid with efficiencies, the Enforcement Division is moving toward a more streamlined approach with 100% electronic investigations. Historically, investigations have been a paper-based process as evidence gathered in real estate and related transactions was in paper form. As the industry has moved toward electronic processes and record-keeping, DRE has been doing the same with investigative work. Within the past two fiscal years, the Mortgage Loan Activities Section successfully piloted 100% electronic case submissions to the Legal Division. These measures are designed to bolster the Enforcement Division's capacity to manage the caseloads effectively, improve processing timeframes, and enhance overall enforcement efforts.

The statistics show an overall decrease in disciplinary action since last sunset review, which DRE reports is primarily due to a decline in consumer complaints. Disciplinary actions declined from 803 in FY 2021/22 to 594 in FY 2023/24. The number of disciplinary outcomes saw a similar decline from 1,553 in FY 2021/22 to 1,105 in FY 2023/24.

DRE's Enforcement Division continuously reexamines its priorities, workload, and productivity objectives in order to ensure it meets its statutory mandate for consumer protection. DRE uses the following categories when prioritizing cases:

- Urgent – Predatory criminal actions/lending issues, elder abuse, and "high profile" cases.
- Priority – Unlicensed activity, fraud and misrepresentation, trust fund handling and recordkeeping.
- Routine – License compliance, standards of practice, and advertising violations.

Staff prioritize complaints as they are received and initially reviewed, giving the highest priority to the cases involving the greatest potential or actual harm to the public, including those involving physical or financial harm.

DRE, the Department of Insurance, and the Department of Financial Protection and Innovation are required to notify one another of enforcement or disciplinary actions taken against a licensee related to escrow services, per BPC [§ 10176.1](#). The purpose of the notifications is to alert the departments of the action because the licensee may seek licensure through the other departments.

Licensees are required to self-report any felony indictment, misdemeanor or felony conviction, and when disciplinary action is brought by another state agency or a federal agency (BPC [§ 10186.2](#)). Brokers are required to report when a salesperson under their charge is terminated for failing to comply with the Real Estate Law (BPC [§ 10178](#)).

Brokers who provide private money loan services are required to notify DRE if their private money business levels meet specified volumes (BPC §§ [10232](#), [10232.2](#), and [10238](#)). These brokers are also required to submit quarterly and annual reports to DRE detailing loan and trust fund handling activity. Brokers who make, arrange, or service loans secured by a residential 1–4 unit property must submit an online Mortgage Loan Activity Notification to DRE within 30 days of commencing the activity (BPC

[§ 10166.02](#)) and submit a Business Activity Report for the broker’s fiscal year within 90 days of fiscal year end (BPC [§ 10166.07](#)).

Brokers who are exempt from the Escrow Law (California Financial Code [§ 17006](#)) and who engage in broker-controlled escrow activities for five or more transactions in a calendar year or whose escrow activities equal/exceed \$1,000,000 in a calendar year must submit an Escrow Activity Report to DRE.

The Department handles its own enforcement cases and does not rely on the Attorney General to enter into settlements with licensees. DRE may enter into a settlement or stipulation with a licensee after DRE has filed an Accusation against a licensee notifying of intent to pursue disciplinary action. Settlements allow for efficient resolution of investigations with an agreed-upon discipline that meets the consumer protection mission of DRE. Terms vary in accordance with the circumstances surrounding the case. Over the past four fiscal years, DRE settled an average of 64% of cases prior to a hearing, post the filing of a Statement of Issues or Accusation.

SOIs and Accusations Settled Prior to Hearing and During Hearing				
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Cases Filed with OAH	440	416	364	266
Settled Prior to Hearing	310 (70.5%)	312 (75%)	168 (46.2%)	162 (60.9%)
Settled via Hearing	130 (29.5%)	104 (25%)	130 (35.8%)	104 (39.1%)

For disciplinary action, BPC [§ 10101](#) requires an accusation to be filed within three years of from the date of occurrence of the alleged violation. For acts or omissions involving fraud, misrepresentation, or a false promise, DRE must file an accusation within one year of the date of discovery by the aggrieved party or within three years after the occurrence, whichever is later, up to 10 years after the violation.

Historically, DRE has received a large volume of complaints alleging individuals are engaged in the unlicensed practice of real estate. Since 2021, DRE has averaged about 387 actions per year against unlicensed individuals engaged in the unlicensed practice of real estate.

DRE also engages in proactive unlicensed activity enforcement, which begins with investigations that are often conducted jointly with local law enforcement and other state agencies. DRE special investigators identify unlicensed activity by monitoring the industry through field investigations, analyzing online activity, and reports of unlicensed real estate licensees from licensees. Once investigations confirm violations, DRE issues Desist and Refrain Orders and may also issue Bar Orders that prohibit unlicensed persons from working in real estate or related industries. All Desist and Refrain Orders filed against unlicensed persons are posted on DRE’s website in order to disseminate the information as widely as possible for consumer awareness and protection.

The Department may also issue a citation and fine for each unlicensed activity confirmed. These fines are typically issued at the statutory maximum of \$2,500 (BPC [§ 10080.9](#)) and multiple fines can be issued as a result of violations identified in a single investigation. In egregious cases of unlicensed activity, DRE has adopted a vertical prosecution model, where a DRE counsel, special investigator, and when appropriate, an auditor, work together from case set up to final prosecution.

Cite and Fine

From July 1, 2020 through June 30, 2024, DRE has issued 1,960 citations and assessed \$3,283,975 in administrative fines. Over the previous sunset review period, DRE issued 3,074 citations and assessed

\$2,573,550 in administrative fines. The Department states the decrease in the number of citations issued can be attributed to fewer complaints being received by DRE. Meanwhile, the increase in fine amounts is due to DRE emphasizing the importance of addressing unlicensed activity by issuing citations with maximum fines for each unlicensed act identified.

DRE leverages citation issuance as an opportunity to educate the cited person and to encourage compliance with the Real Estate Law. The most common violations for which DRE issues citations are: 1) trust account handling and recordkeeping violations; 2) unlicensed activity; 3) failure to comply with order to report arrest or conviction; 4) lack of broker supervision; and 5) other minor license compliance issues.

From July 2020 through June 2024, there were 299 requests for DRE's informal Citation Review Conference (CRC). Of the 299 requests, 275 were conducted with 47 citations cases affirmed, 112 modified, 116 withdrawn, and 3 pending (as of June 30, 2024). Of the remaining 21 requests where a review conference was not held, two notified DRE of an intent to appeal the citation through an administrative hearing and withdrew their request, while 19 were either cancelled, denied, or otherwise paid.

Of the citations/fines contested, the average fine pre-appeal was \$1,718, while the average post-appeal was \$478. Fines that were challenged in an information conference saw an average reduction of 72%:

Cost Recovery

The Commissioner may request recovery of investigative costs to be ordered in a judgement when a licensee is found to have violated the Real Estate Law by an administrative law judge (BPC [§ 10106](#)). DRE asks for cost recovery in almost all settlements/stipulations and cases that go to an administrative hearing. If a licensee does not pay investigative costs, the licensee's license can be suspended and will not be reinstated or renewed until the costs are paid. DRE does not track the amount of costs ordered, only the amount collected from cost recovery and also did not submit case information.

Restitution

There are several circumstances under which restitution may be ordered. While the complaint is with the Complaint Resolution Program (CRP), a licensee may agree to refund a deposit or reimburse fees collected. If a citation is issued, the citation may be accompanied with an order of correction requiring the licensee to make restitution to the victim. Additionally, if an accusation is filed, DRE may recover restitution for consumers by entering into settlements with licensees, or by asking the administrative law judge to order reimbursement, refund, or payment of damages to the victim(s).

DRE also administers the Consumer Recovery Account (CRA), which is funded by a portion of license fees and administrative fine assessments. A claimant/victim must obtain a restitution order as part of a criminal proceeding initiated by a District Attorney's Office or a civil judgment against the "bad-acting" licensee with a finding of intentional fraud or conversion before obtaining relief from the CRA. If this prerequisite is met, the claimant will be reimbursed from the CRA for their actual losses, provided the claimant/victim attempted on their own to recover, but were unable to do so. The Department also suspends the license of the "bad-acting" licensee until they repay the CRA plus interest. Since the account's inception in 1964, DRE has paid over \$65,000,000 to members of the public from the CRA.

PRIOR SUNSET REVIEW: CHANGES AND IMPROVEMENTS

The Department was last reviewed by the Legislature through sunset review in 2020. During the previous sunset review, 17 issues were raised. In January 2025, DRE submitted its required sunset report to the Committees. In this report, DRE described actions it has taken since its prior review to address the recommendations made. The following are some of the more important programmatic and operational changes, enhancements and other important policy decisions or regulatory changes made. For those which were not addressed and which may still be of concern to the Committees, they are addressed and more fully discussed under “Current Sunset Review Issues.”

- **eLicensing system has created efficiencies.** In 2021, DRE launched OELA, which allows for the electronic submission of salesperson and broker real estate exam and exam/license applications through the eLicensing system. OELA eliminates the need to print and mail a paper application and supporting documents. It also provides step-by-step instructions to guide users through the application process and requires that an application be fully complete before it can be submitted. If a deficiency in the application is identified during processing, DRE will email applicants with information about how to resolve the issue electronically, significantly reducing mail and processing time. Users can also check the status of their application online from the time they begin the electronic application through to when DRE has processed and approved it. Once DRE approves an application, the applicant will receive an email message that they can use eLicensing to schedule their real estate exam. Since OELA’s official launch, the volume of paper applications received by DRE has decreased by over 90%. In addition, the number of applications with deficiencies or missing information has sharply decreased. This new streamlined process allows DRE staff to focus on processing applications, thus reducing both processing timeframes and the time an otherwise eligible applicant must wait to schedule and take their real estate exam.
- **DRE has undertaken efforts to reduce and eliminate inequalities experienced by licensees and applicants from California’s most vulnerable communities.** Some examples include:
 - successfully implementing statutory education requirements established by SB 1495 (Committee on Business, Professions and Economic Development, Chapter 511, Statutes of 2022) and SB 263 (Rubio, Chapter 361, Statutes of 2021) that are designed to ensure that applicants for licensure, as well as existing licensees, increase their awareness of implicit/explicit bias and to abide by fair housing laws.
 - recruiting subject matter experts who participate in each phase of the Exam Development Process and represent different parts of the real estate industry and the diverse regions of our state. This helps to ensure future real estate licensing exams reflect our state’s diverse marketplace.
 - participating in Endowment Committees for the UC, CSU, and CCC systems that among other things, advance DEI principles within the real estate profession and industry; and provide financial assistance to students enrolled in real estate programs at UC Berkeley or UCLA who are from economically or socially disadvantaged communities.
 - prioritizing complaints alleging discriminatory conduct by licensees, working closely with the California Civil Rights Department to ensure those complaints are thoroughly

investigated and all applicable actions are taken to address violations, as well as educating property managers, landlords, and tenants on fair housing requirements and best practices.

- **Technological platform survey was conducted.** In 2023, professors from California Polytechnic State University – San Luis Obispo’s College of Business (Cal Poly) conducted a study of the emerging topic of technological platforms (Prop Tech) and its impact on the real estate profession’s future, real estate education and licensing requirements, and DRE’s regulatory and consumer protection efforts. The research was funded by grants from DRE’s Real Estate Education and Research Account and the California State University (CSU) Real Estate and Land Use Institute (RELUI). The research project was completed in January 2024, and is titled, “Agent-Next: PropTech and the Future of Real Estate Intermediation.” (cf., Section 11, Attachment C)
- **New leadership.** Chika Sunquist was appointed the 25th Commissioner of DRE by Governor Gavin Newsom on November 28, 2023. She assumed office on January 3, 2024, and was confirmed by the Legislature on June 24, 2024.
- **Internal reorganization has assisted in processes.** In 2020, DRE completed a reorganization of the Administrative Services Division. This reorganization included: 1) fully staffing the Human Resources Office by adding a Performance Management/Labor Relations Manager and a Special Projects Unit, who are tasked with bringing and keeping DRE in full compliance with administrative directives and policies; 2) forming a new Training Program that ensures DRE staff are compliant with training mandates and which provides additional training resources to staff; and 3) establishing a new division, the Information Technology Division (ITD) to address needed technology upgrades, implement a strategic information technology vision, and maintain responsiveness to customers and clients. The reorganization also included transitioning 18 positions back to DRE from the Department of Consumer Affairs. Among other things, the reorganization also allowed DRE to rebuild the Accounting/Budget Unit, add staff to the Legislation and Communications Divisions, and hire both an Information Security Officer (ISO) and Equal Employment Officer (EEO).
- **Headquarters and examination center locations were combined.** DRE was selected to consolidate government facilities into a new state of the art DGS-owned and managed campus called the May Lee State Office Complex (MLSOC) located in the River District of Sacramento. DRE relocated its Sacramento headquarters to this new location on July 8, 2024. This new facility also includes DRE’s Sacramento examination center which holds nearly 70 examinees. The new exam center features state-of-the-art technology and a modern interior designed to ensure the highest standard for exam administration.
- **A new strategic plan is in play.** DRE adopted a post-pandemic [2022-2025 Strategic Plan](#) focusing strategic goals that form a vision to guide DRE operations, priorities, and initiatives through customer-centric service, healthy organization, innovative operations, and resourceful stewardship.
- **Partnership with UC is still working.** DRE Renewed an agreement with the University of California Real Estate Education Endowment Fund, which focuses on research and education in California real estate matters; advances DEI principles within the real estate profession and industry; and invests in improving the quality of education for students.

- **Staff training has been enhanced.** DRE acquired a Learning Management System named Cornerstone, which provides staff with access to over 4,300 courses for training and self-development purposes, as well as custom training courses and materials uploaded by DRE.

CURRENT SUNSET REVIEW ISSUES

The following are unresolved issues pertaining to DRE or areas of concern that should be considered, along with background information for each issue. There are also recommendations Committee staff have made regarding particular issues or problem areas DRE needs to address. DRE and other interested parties have been provided with this Background Paper and DRE will respond to the issues presented and the recommendations of staff.

DRE ADMINISTRATIVE ISSUES

ISSUE #1: (DATA TRACKING) Should DRE submit requested data to the Committees as part of the sunset review oversight process?

Background: In the staff background paper for the Department’s previous sunset review, the Committees wrote in the New Issues section, “DRE does not track applicants offered military education, training, or experience toward meeting licensing or credentialing requirements. It is possible that some military experience will qualify as equivalent to the two years of salesperson experience necessary for the broker examination, but that information is reviewed on a case-by-case basis.” The Committees made a recommendation that, “DRE should inform the Committees of why it does not track applicants offered military education, training, or experience toward meeting licensing or credentialing requirements.”

In its response, DRE stated, “DRE has not received any broker exam applications where the applicant specifically requested to receive credit for military education, training, or experience as equivalent experience in lieu of the statutorily required two years’ experience as a licensed salesperson. Should DRE receive such a request, it would be reviewed in accordance with the applicable statutes and regulations, and if deemed acceptable, the education and/or experience would be applied towards licensing requirements, and this information would be tracked in our database.”

The Department could have reported that it received zero applications requesting to use military experience to meet licensure requirements. Instead, in its 2025 sunset report update to prior issues, the Bureau provided the same response, nearly verbatim.

Unfortunately, the lack of reported military data is not an anomaly. The Department also did not report multiple data sets and in some cases, used incorrect tables. Following are the data categories *not* provided by the Department in their sunset report and the response given instead:

- Table 2. Fund Condition – the projected fund condition for FY 2025/26 was not submitted.
- Fund condition tables for the Consumer Recovery Account and the Education and Research Account were not submitted.
- Table 3. Expenditures by Program Component – the “Examination” line item was not included on the table. Thus, no examination-specific expenditures were reported.
- Question 18 asked for a breakdown of each instance of license denial and the acts the Department determined were substantially related. DRE submitted, “As each application denial is unique, a detailed breakdown as requested would be voluminous.”

- Table 7a. Licensing Data by Type – several data points that were not provided. It appears an old template table was used that does not include a breakout of examination processing timelines. DRE also submitted N/A for the number of pending applications at the end of each fiscal year and the total average processing times.
- Table 7b. License Denial. For the average days to file a Statement of Issues (SOIs) and the number of SOIs declined, DRE provided N/A even though other SOI data is provided.
- Question 21 requested the number of applicants offered military education, training or experience toward license requirements. DRE reported that it does not track this data.
- Table 8. Examination Data – an old template of the table was used, which does not include overall pass rates.
- Question 31 requested the number of applications received for CE providers and courses. DRE provided data only for FY 2023/24.
- Table 9. Enforcement, all data – FY 2020/21 was not included in the submission. It also was not included in the Department’s follow up submission.
- Table 9. Enforcement, Accusation section asks for the average days from referral to accusations filed (from AG referral to accusation filed). DRE responded “N/A” with an asterisk stating DRE does not separate conviction/arrest pending cases from other accusation pending cases.
- Table 9. Enforcement, Disciplinary Actions section requests the number of proposed/default decisions and timeframes for stipulations. DRE submitted “N/A” with an asterisk stating DRE does not track

proposed/default decisions, nor does it separate timeframes for stipulations. These timeframes are included among the timeframes posted under accusations.

- Table 9. Enforcement, Probation section requests probation data. DRE submitted “N/A” with an asterisk stating “DRE does not use probationary licenses” even though the category was for disciplinary cases in which probationary conditions were placed on a license. DRE implies in its response to question 47 that it imposes probationary conditions on a license.
- Question 37 asks for the number of cases, post-accusation, that the Department settled for the past four years, compared to the number that resulted in a hearing. DRE submitted “DRE does not track this information, only final disposition results”;
- Question 37 also asks for the overall percentage of cases for the past four years that have been settled rather than resulted in a hearing. DRE submitted “DRE does not track this information, only final disposition results.”
- Question 38 asks how many cases have been lost due to statute of limitations. DRE responded, “DRE does not have statistical information on the number of cases that have been lost due to statute of limitations.”
- Question 47 asks for the number of Department orders for revocations, surrenders and

probationers and how much restitution was ordered. DRE responded, “The tracking of cost recovery is conducted on an individual basis. The amount ordered for revocations, surrenders, and probation through a settlement varies widely and depends of many factors.”

- Table 11. Cost Recovery requests data for potential cases for recovery, cases recovery ordered, and amount of cost recovery ordered. DRE submitted “N/A” even though Table 9 shows disciplinary action statistics, i.e. there *are* potential cases for cost recovery. Table 11 also included “N/A” for the Total Enforcement Expenditures line item, Cases Cost Recovery Ordered, and Amount of Cost Recovery Ordered.
- Table 12. Restitution – data points for amount of restitution ordered and collected .DRE submitted “N/A” with an asterisk that says, “DRE does not track restitution data,” although the paragraph immediately preceding the table discussed multiple methods the Department can use to order restitution.

Budget, licensing, and enforcement data are integral to the Committees’ ability to evaluate program performance.

It is reasonable that DRE may have different reporting capability than the Department of Consumer Affairs (DCA). Additionally, DRE’s transfer from a bureau under the DCA to a standalone department may have left gaps in authority and reporting requirements. However, these data were requested during the Department’s previous sunset review. At that time, the Department gave the same responses as above, but since that time, has not made any adjustments to its processes so that data could be provided and has not identified gaps in law.

Staff Recommendation: *DRE should inform the Committees when it plans to track applicants who offer military education, training, or experience toward meeting licensing or credentialing requirements. The Department should update its business practices to allow data collection and as part of its business modernization project, implement data reporting capability to meet requirements of sunset review. The Department should also work with the Committees before the next sunset review to identify data that are not applicable to DRE and those that should be reported.*

ISSUE #2: (DISASTER RESPONSE) Does the Department have necessary authority to meet enforcement demands when a disaster is declared?

Background: California continues to experience severe weather events that result in damage to residential property. Disaster response is a priority for the state and is becoming more important to consumer protection each year as disasters – which can take years to recover from – compound. In 2023, the Governor closed 34 declared states of emergency that were issued between 2017 and 2022 in response to natural disasters. The closed declarations included 27 for fires impacting 25 counties, six for storms and earthquakes impacting 38 counties, and one for statewide fire weather.

Since 2023, the Governor has made multiple declarations, the most recent in response to a series of fires that destroyed more than 15,000 structures in southern California and is projected to be the most costly disaster in California history at \$250-\$275 billion. Insurance is not anticipated to cover all of the costs of rebuilding and those impacted by the fires may, instead, choose to sell their property.

The Governor issued Executive Order N-7-25 on January 6, 2025, in which he states having heard from individual homeowners, faith leaders, and business property owners who have received unsolicited offers to purchase their property, “which in many instances represent their life savings and family legacies, for amounts far less than fair market value prior to this emergency.” People who lose their home, business, or community due to a disaster are often vulnerable to predatory practices of those seeking to profit from victims’ uncertainty and desire to return to normal.

To curtail predatory activity, the EO prohibits making any unsolicited offer to purchase or otherwise acquire any interest in the real property for an amount less than the fair market value of the property or interest in the property to an owner of real property located in the affected areas for three months from the date of the order. The EO also orders the Department, in consultation with other agencies and departments, to determine the nature and scope of any unlawful, unfair, or fraudulent practices being used to take advantage of property owners. The Department is also required to notify the public of the nature of these practices, their rights under the law, relevant resources that may be available, and contact information for authorities to whom violations may be reported.

Because natural disasters are becoming increasingly prevalent and costly, SB 641 (Ashby of 2025) was introduced to codify provisions in the EO to prohibit making any unsolicited offer to an owner of real property located in impacted fire areas to purchase or otherwise acquire any interest in the real property for an amount less than the fair market value of the property or interest in the property.

Staff Recommendation: *The Department should inform the Committees of its licensees’ role in disaster recovery. The Department should discuss actions it has taken, or plans to take, to implement Executive Order N-7-25 to ensure that consumers are protected from predatory buyers during the rebuilding/selling process after a disaster, including outreach, licensee notifications or education, etc. The Department should inform the Committees of the lessons learned from its consultations with other agencies and departments to determine the nature and scope of unlawful, unfair, and fraudulent practices used to take advantage of property owners. Finally, the Department should discuss whether it is prepared to take enforcement action (e.g. citations, disciplinary action, or criminal referrals) against those who take advantage of those who are victims of a disaster after a disaster, relevant data about actions already taken, and whether the Department needs statutory authority to increase its effectiveness in protecting consumers after a disaster beyond those already included in SB 641.*

ISSUE #3: (EMPLOYEE FINGERPRINT AUTHORITY) Does the Department need amendments to the Real Estate Law to enable DRE to receive backgrounds for prospective employees and contractors?

Background: In conjunction with the Federal Bureau of Investigation (FBI), the federal Department of Justice (DOJ) informed DRE that the statutory authority used to process fingerprint-based background checks for state employees in the Government Code no longer qualifies for access to federal criminal history information pursuant to [Public Law \(P.L.\) 92-544](#).

In response, multiple state departments have sought legislation to resolve this issue. Most recently, AB 179 (Committee on Budget, Chapter 997, Statutes of 2024) amended codes regulating the process for submission and review of fingerprints and criminal history information by the Department of Consumer Affairs, the State Department of Developmental Services, the Department of General Services, the Department of Health Care Access and Information, the Public Employees’ Retirement

System, the State Department of Public Health, and the State Department of Social Services.

DRE also sought amendments through SB 152 (Committee on Budget and Fiscal Review, Chapter 198, Statutes of 2023), which contained amendments to align DRE’s statutory authority with P.L. 92-544. This bill grants DRE authority to submit fingerprint images to the DOJ for employees, prospective employees, contractors, subcontractors, and volunteers whose duties include access to criminal offender record information. Unfortunately, DRE has recently been informed by the DOJ and FBI that BPC § [10073.5](#) does not comply with P.L. 92-544 due to a drafting error that requires the contractor “to agree to perform criminal background checks on its employees and subcontractors”. The language should have instead only required the contractor to agree to criminal background checks, not agree to perform them. DRE was also informed of concerns regarding the term "would include" in Section 10073.5(a). DRE seeks to resolve these concerns and bring BPC § 10073.5 into compliance with P.L. 92-544.

Staff Recommendation: *The Department should consult with at least one of the entities impacted by AB 179 to determine whether that bill has proven effective for their employee fingerprinting program. The Department should review amendments made by AB 179 to determine whether additional amendments may be required to bring BPC § 10073.5 into compliance with P.L. 92-544. The Department should also inform the Committees of its effort to gain approval from the DOJ of its proposed language. Finally, the Department should report its findings to the Committees and provide Committee staff with proposed language to effectuate compliance.*

DRE BUDGET ISSUES

ISSUE #4: (FUND CONDITION) What cost savings measures has the Department taken to avoid insolvency?

Background: The Department receives the majority of its funding from license fees. Because the licensee population fluctuates with the health of the housing market, the Department faces continual budget management challenges. In a matter of three years (FY 2020/21 to FY 2023/24), Table 3. Expenditures by Program Component, as shown on page 5 of this background paper, shows expenditures increased by \$10,191,000. Administrative costs continue to soar while revenue decreases, creating a structural imbalance of DRE’s fund and decreasing reserves. At the close of FY 2023/24, DRE’s reserve balance is projected to be down to 2.82 months of operating expenses from 5.21 months the previous year.

On December 12, 2023, the Department of Finance issued [Budget Letter 23-27](#), which directed all entities under the Governor’s direct executive authority to take immediate action to reduce current-year General Fund expenditures. Although the Department is a special fund program with the majority of its funding coming from license fees, the Budget Letter also directed “all Departments to take measures to ensure more prudent spending from other state funds given the fiscal outlook.” The Budget Letter instructed all state entities to take immediate action to reduce expenditures by eliminating new purchases except those that are mission critical and directed entities to re-evaluate expenses related to current IT projects. Each entity is to report achieved savings to the Department of Finance and the Governor’s office on a monthly basis. [Budget Letter 24-01](#) subsequently set the reporting period to be December 12, 2023 through June 2024, the first of which was due to be submitted February 15, 2024, then on a monthly basis until July 15, 2024.

In a year that should have had a sizable cost savings from eliminating discretionary spending for half of the fiscal year, the Department only realized an expenditure decrease of \$567,000, or only less than 1%, according to Table 3. Expenditures by Program Component on page 5 of this background paper.

The Department was a bureau under DCA from FY 2013/14 to FY 2017/18. In the final year within DCA, expenditures were \$50,121,000, which include DCA pro rata charges of \$5,827,000. When DRE became its own department beginning in FY 2018/19, pro rata ended and created a cost savings for the Department. However, DRE spending surpassed spending while under the DCA umbrella by FY 2021/22 when expenditures reached \$55,593,000.

For FY 2024/25, the Department submitted a budget change proposal to address workload costs and fund solvency in the amount of \$3,231,000, of which \$2,536,000 was earmarked for OE&E. This BCP did not create any PYs, but included an increase for personnel spending of \$695,000. In addition, SB 164 (Committee on Budget and Fiscal Review, Chapter 41, Statutes of 2024) implemented a fee increase to pay for the increased spending authority. The fee increases include the licensing, examination, subdivision, and timeshare-related fees, among others that are levied by DRE and took effect July 1, 2024. In addition to increasing existing fees, SB 164 established a cap for each fee that may be reached via regulation. Despite this fee increase, DRE's reserves are projected to decrease again by year end FY 2024/25 to and again in FY 2025/26.

Staff Recommendation: *The Department should inform the Committees of what cost savings measures it took to comply with Budget Letter 23-27 and what steps are being taken to continue a policy of fiscal conservancy. The Department should discuss its contingency plan should another structural imbalance be imminent. Finally, the Department should inform the Committees of the causes of continued increased spending since DRE regained status as a department.*

ISSUE #5: (STAFFING ISSUES) How does DRE plan to address its Licensing and Enforcement staffing challenges while also observing fiscal conservancy?

Background: DRE has reported difficulty retaining and recruiting certain staff in its Licensing and Enforcement Divisions, which is caused by different reasons, but both with significant impact to the Department's fund condition.

Licensing staff in the Information Section, which operates as a call center to the public has a reported high rate of turnover due to employees promoting out of the position. These staff members are Program Technician IIs, which are entry level, low paying positions. It is typically difficult to retain these employees at *any* program once they are eligible to promote. However, DRE sought a pay differential for this unit during bargaining, which was accepted as a concept to move forward by CalHR; however, this proposal was ultimately not included in the negotiations. DRE reports plans to re-submit the pay differential proposal with additional data in the next bargaining cycle. While discussing this issue with DRE, no evidence was presented to justify a higher rate of pay, such as needing an increase in pay to correspond to the duties performed by the staff. The only justification was the high turnover rate.

In addition, DRE is working on corrective action plans regarding reclassifying misallocated positions with its Subdivisions Division. Essentially, before the Department was placed under the DCA umbrella, enforcement staff were classified as Deputy Commissioners. Since then, there was movement toward recruiting Special Investigators, which make more money and have more difficult

minimum requirements for the applicants to meet than a Deputy Commissioner classification. While the work did not change, the Department began recruiting Special Investigators for its open Deputy Commissioner positions. Because there was no update to the duties of the positions, this left some employees making less money for performing the same work.

Staff Recommendation: *The Department should inform the Committees of what strategies it considered and the steps it took to retain staff in its Information Section before considering a pay differential, especially in light of the Department’s fiscal concerns. DRE should inform the Committees of whether telework is offered to these staff and whether that improved its ability to recruit and retain staff. Regarding enforcement staff, the Department should inform the Committees of its plan to recruit, hire, and pay the staff for a position that is commensurate with the duties actually performed. Finally, the Department should explain how each of these issues are to be addressed without causing further fund condition issues or requiring another BCP.*

DRE LICENSING ISSUES

ISSUE #6: (EXAMINATION CENTERS) Has the Department considered outsourcing examination administration to a third party?

Background: All salesperson and broker license applicants must pass a written California-specific examination to be issued a license. To qualify for the real estate license examinations, applicants must complete specific license requirements to qualify to take the examination and those qualifications are reviewed by Licensing Division staff.

While the Department has had challenges operating within its budget authority, it operates five examination centers, including a Sacramento location that can accommodate up to 70 examinees at a time. Computer-based testing is available at all five examination centers, which are located in Fresno, La Palma, Oakland, Sacramento, and San Diego. Examinations are administered Monday through Friday, and at some locations on Saturdays and evenings, based on demand.

The Department has an online exam scheduling system that allows examinees to schedule themselves into any available examination date, including exams the next day. However, the average time to process examination applications has increased over the three fiscal years. From January 2023 through July 2024, the Department reports several Licensing Division positions were held open to achieve savings necessary to remain within DRE’s approved budget authority, which led to a backlog compared to DRE’s typical processing timeframes for examination applications, among others. However, the delay is not known because the Department did not submit a correct Table 7a. Licensing Data by Type, which breaks out examination application processing times.

Several licensing programs with practice acts contained in the Business and Professions Code have outsourced examination administration to a third-party with successful results. This practice provides several benefits, including: 1) cost savings from leases that are no longer necessary; 2) the ability to redirect examination administration staff to other positions in the Licensing Division; and 3) increased accessibility to test takers as third parties that operate more facilities throughout the state and country, operate longer hours, and are open more days of the week. Said another way, outsourcing has proven to save programs money while decreasing examination processing timelines and expand access for examination candidates.

Outsourcing also provides an opportunity to achieve additional efficiencies. Because Department regulations charge a separate fee for each license type's licensure examination ([10 CCR § 2716.1](#)), payment could be made directly to the third party, thereby saving the Licensing Division additional payment processing workload. However, the costs of a third party administrator would need to be evaluated to ensure a third party could offer examination services without requiring an increased fee and that costs do not outweigh the benefits.

Staff Recommendation: *The Department should inform the Committees of whether it has considered closing the examination centers and outsourcing examination administration. The Department should estimate the cost savings that could be achieved by taking such actions and report that to the Committees. If the Department is not considering outsourcing examinations, it should inform the Committees of the rationale for that decision in the context of its recent budget issues, increased spending, and increased license fees.*

ISSUE #7: (EXAMINATION PASS RATES) What are the causes of low examination pass rates and how can the low pass rates be addressed while preserving consumer protection?

Background: The average pass rate for first time salesperson applicants for the past four fiscal years is 63.1%, and a 19.6% pass rate for applicants who retake the exam. Meanwhile, the average pass rate for first time broker applicants for the past four fiscal years is 39.6%, and 15.2% for retakes. The Department states these rates are consistent with historical averages. While the salesperson exam pass rates are within acceptable ranges, the broker exam pass rates deserve review. The last occupational analysis was in 2023 and the next analysis is not scheduled.

The examination is only offered in English. However, [BPC § 10153](#) requires a candidate for any licenses to have appropriate knowledge of the English language, including reading, writing, and spelling and of the arithmetical computations common to real estate and business opportunity practices. Therefore, the Department has no plans to offer the examination in another language.

BPC § 10153 also requires all candidates to demonstrate knowledge in the following areas: 1) principles of real estate and business opportunity conveyancing, the general purposes and general legal effect of agency contracts, deposit receipts, deeds, mortgages, deeds of trust, chattel mortgages, bills of sale, land contracts of sale and leases, and of the principles of business and land economics and appraisals and 2) a general and fair understanding of the obligations between principal and agent, of the principles of real estate and business opportunity practice and the canons of business ethics pertaining thereto, of the provisions of parts 1 and 2 of the Real Estate Law and its implementing regulations.

Additionally, broker education requirements include eight three-unit semester courses (or the quarter equivalent), which cover the following subjects:

- Real estate practice, which must include a component on implicit bias, including education regarding the impact of implicit bias, explicit bias, and systemic bias on consumers, the historical and social impacts of those biases, and actionable steps students can take to recognize and address their own implicit biases and a component on federal and state fair housing laws as those laws apply to the practice of real estate.
- Legal aspects of real estate

- Real estate appraisal
- Real estate financing
- Real estate economics or accounting
- Three additional three-unit semester courses (or the quarter equivalent) of 11 pre-approved elective subjects. (BPC § [10153.2](#))

It is remarkable that the broker examination, which requires an applicant to successfully pass eight classes to qualify to take, has such a low pass rate when compared to the salesperson examination, which only requires three prerequisite courses. DRE reported partnering with schools to identify which of their courses qualify a student to take the real estate exam. Additionally, the Department states it is “committed to working with private course providers, as well as California Universities and Community Colleges, to ensure students are aware of the most current real estate examination requirements, license requirements, and associated licensing processes.” While students may qualify to sit for the examination and may be made aware of license requirements, there appears to be a knowledge gap that leads to a high fail rate on the broker examination.

Staff Recommendation: *The Department should inform the Committees of the causes of lower pass rates for the broker license examination. Are the required courses ineffective in teaching the content required of a broker or is the examination not relevant to the profession? Should the list of electives be narrowed to improve the chances of passing the examination? The Department should analyze its course criteria to determine whether changes should be made to ensure the content being taught adequately prepares brokers to work in the real world. The Department should discuss additional strategies to improve pass rates for the broker examination, keeping in mind the next occupational analysis is likely to occur after the Department’s next sunset review.*

ISSUE #8: (LICENSEE FINGERPRINTING) Should the Department proactively amend the Real Estate Law in anticipation of not being compliant with P.L. 92-544?

Background: Every applicant for an initial real estate license is required to be fingerprinted prior to being issued a real estate license and fingerprints may be submitted either with the application to take the license examination or with the application for a real estate license (BPC § [10152](#)). Current law, BPC § 10152, also provides that the Commissioner require petitioners for reinstatement of their licenses or a reduction of a penalty to submit fingerprints with the petition application. Statute also requires applicants for a prepaid rental listing service license to submit fingerprints (BPC § [10167.4](#)).

In light of FBI and DOJ informing DRE and other programs that the statutory authority used to process fingerprint-based background checks for state employees in the Government Code no longer qualifies for access to federal criminal history information, the Department wishes to be proactive in ensuring its licensee fingerprint authority also complies with P.L. 92-544.

The Real Estate Law is currently silent regarding authorizing the California DOJ to provide fingerprint history information, including FBI response information, to DRE for applicants and those petitioning for license reinstatement or penalty reduction. P.L. 92-544 outlines the criteria the FBI requires in state statutes for state entities to access federal criminal background check information. DRE is proposing to amend statute to comply with those criteria to ensure it remains authorized to receive state and federal level fingerprint-based background check information from the DOJ for real estate license applicants, those petitioning for reinstatement of their licenses or a reduction of a penalty, and prepaid rental listing service license applicants.

Staff Recommendation: *The Department should conduct a comprehensive review of its fingerprint requirements to determine if any amendments are needed to implement the Department’s intent for applicant and licensee fingerprinting to comply with P.L. 92-544. The Department should provide the Committees with proposed amendments necessary to ensure it continues to receive criminal reports and subsequent arrest records for all applicants and licensees to which the requirement applies.*

DRE ENFORCEMENT ISSUES

ISSUE #9: (EMERGING TECHNOLOGY) Is the Department prepared to address the impacts of emerging technology, such as AI, on DRE’s operations and the real estate profession?

Background: The rapid advancement of technology, and in particular, Artificial Intelligence (AI), has created opportunities to automate routine and common tasks that once needed humans to complete. As AI has incorporated increasingly complex algorithms that allow machine learning, the possibility of replacing less routine or mundane tasks has become an option. Consequently, proliferation of AI could lead to disruptions to industries that rely on analyzing data, such as activities conducted by real estate agents and brokers.

On September 6, 2023, the Governor issued Executive Order N-12-23, to address challenges and opportunities arising from the advancement of AI, which the order references as generative artificial intelligence (GenAI). Among the reasons for the state to take action, the EO states (in part):

GenAI can enhance human potential and creativity but must be deployed and regulated carefully to mitigate and guard against a new generation of risks; and

[T]he State of California is committed to accuracy, reliability, and ethical outcomes when adopting GenAI technology, engaging and supporting historically vulnerable and marginalized communities, and serving its residents, workers, and businesses in a transparent, engaged, and equitable way; and

[T]he State of California seeks to realize the potential benefits of GenAI for the good of all California residents, through the development and deployment of GenAI tools that improve the equitable and timely delivery of services, while balancing the benefits and risks of these new technologies...

The Governor’s Executive Order includes direction for various state entities, including, “Legal counsel for all State agencies, departments, and boards subject to my authority shall consider and periodically evaluate for any potential impact of GenAI on regulatory issues under the respective agency, department, or board’s authority and recommend necessary updates, where appropriate, as a result of this evolving technology.”

In 2024, the Department commissioned a report to study the impacts of AI on the real estate industry and make recommendations to DRE. The report, *Agent-Next: PropTech and Future of Real Estate Information*, defines “Property Technology” (PropTech) as “the innovative integration of various information technology tools—including hardware, software, and data analytics—into the real estate sector.” The study identifies benefits and issues resulting from the use of PropTech and makes recommendations for DRE to respond to issues before they significantly disrupt the real estate industry.

Benefits of incorporating AI into real estate operations are identified by the study and include that the use of AI may, “enhance operational efficiency, lower expenses, and deliver enhanced customer experiences. Moreover, PropTech can democratize the real estate industry, reduce barriers to entry, and make it more accessible to a broader spectrum of individuals.”

The study also identifies several potential issues, including:

- Algorithms based on biased or limited data that result in redlining practices that perpetuate existing inequalities;
- Reliance on automated decision-making processes that reduces human oversight; and
- Replacing human agents with digital platforms, causing unemployment for some licensees and a reduced license population.

The study evaluates various roles of a real estate agent and AI’s potential impact on each. For example, AI is expected to impact property showing responsibilities by replacing them with virtual showings, pricing models could replace advice from agents, and online platforms that expand an agents marketing reach. The study also identifies consumer protection concerns that would result from misuse of AI tools. These issues include, “data privacy, fairness and biases, misleading information, digital redlining, and model transparency.”

The study predicts that new technology will enable DRE to regulate licensees and the real estate industry, but could create legal challenges concerning enforcement when used by licensees. Regardless of the benefits or downsides of using AI to complete real estate related work, the study makes several recommendations so the Department is enabled to meet future challenges. Recommendations include educating DRE employees and stakeholders, conducting a review of its regulatory framework, requiring online platforms to include consumer disclosures, integrating PropTech into licensing examinations and continuing education, and developing guidelines on ethical practices, among others. However, the Department did not propose addressing any of the recommendations (or AI issues in general) in its 2025 Sunset Report.

Staff Recommendation: *The Department should inform the Committees of whether it is equipped to investigate misuse of AI or other technology. The Department should discuss actions it has already taken, if any, to protect consumers, update regulations, and enable proper enforcement in cases using AI, while simultaneously keeping up with changes in real estate practices. Finally, the Department should inform the Committees of whether it needs legislative authority to address any concerns stemming from the use of AI in real estate transactions or to implement any recommendations from the study.*

ISSUE #10: (CONSUMER RECOVERY ACCOUNT CLAIMS) Should consumers who file a claim against the Consumer Recovery Account be held to a clear and convincing evidentiary standard?

Background: DRE administers the Consumer Recovery Account (CRA), a fund that provides compensation to consumers defrauded by real estate licensees who are unable to pay judgments. Before filing an application with DRE for CRA payment, consumers must first obtain a final judgment or criminal restitution order against the licensee. The Commissioner determines if the criteria set by

statute for payment are satisfied and issues a written decision granting or denying each application. Since 1964, the Commissioner has paid over \$65 million to victims of real estate fraud.

In 2019, the appellate court in *Demoff v. Bell, et al.* found that DRE violated a licensee's due process rights when it automatically suspended the licensee's real estate license following payment from the CRA pursuant to BCP [§ 10475](#), which requires automatic suspension of a license effective on the date of payment from the CRA. Because the standard of proof in the civil fraud actions is preponderance of the evidence, unless there is a special finding supporting an award of punitive damages. Consequently, the resulting suspensions are also largely being based upon a preponderance of the evidence standard.

Although the court in *Demoff* had no constitutional concerns with the CRA statutes or DRE's procedures for processing CRA applications, the court held that the Legislature cannot constitutionally authorize the imposition of professional discipline for fraud (i.e. suspension of a real estate license in CRA proceedings) when the consumer established fraud in the civil matter only by the preponderance of the evidence burden of proof. In other disciplinary cases, the Commissioner may only suspend a license if the applicant proved the licensee's fraud by clear and convincing evidence (a comparatively higher evidentiary standard). This is consistent with due process requirements for professional license suspensions.

The *Demoff* decision has impacted DRE's processing and approval of CRA applications, delaying or denying relief to consumers. Due to *Demoff*, the Commissioner must apply the clear and convincing evidence standard of proof to issue funds because it is attached to the standard required for suspending a license. This results in some consumers not receiving payment from the CRA when they likely would have been eligible before the *Demoff* decision.

Following the *Demoff* decision, DRE must undertake a greater fact-intensive review of CRA applications and supporting documentation to meet this higher evidentiary standard. Until *Demoff*, DRE's policy was to grant payment based upon a judgment if the underlying complaint alleged the licensee's fraud and the applicant's detailed narrative statement of facts did not contradict the civil complaint. Since *Demoff*, the Department must request and weigh additional documentary evidence from CRA applicants and licensees. However, only a very small percentage of judgments are rendered by a court trial where the burden of proof was higher than a preponderance of the evidence. Also, many CRA applicants never received transaction documents from their agent or are unable to locate the transaction documents. Without sufficient documentary evidence, applicants are unable to meet the higher evidentiary standard and no longer qualify for payment from the CRA. This undermines the very purpose for the CRA and its consumer protection function.

By imposing the additional burden on the consumer to prove fraud by clear and convincing evidence, the *Demoff* decision affects consumers' ability to recover from the harm perpetrated by a licensee. The appellate court in *Demoff* recognized in its decision that its ruling may place additional burdens on CRA applicants, but noted it was up to the Legislature to decide if the CRA statutes should be changed to permit payment using a preponderance of the evidence burden of proof.

Should the Legislature concur with DRE's recommendation and create different evidentiary standards for payment and suspensions, other elements of the law surrounding the CRA would need conforming changes. One such change would be to clarify that findings of fraud meeting the applicable evidentiary standard are conclusive for subsequent proceedings involving the same parties and facts. . This lack of clarity exists in instances where the consumer appeals a payment denial from the CRA by DRE and the consumer then refiles their case (known as an application) in court. It also occurs when a licensee appeals a license suspension related to a CRA payment and subsequently files a writ of mandamus

(called a writ) in court. If statute is not changed, it leaves the door open to additional litigation regarding matters that previously were settled.

Without statutory changes, consumers will continue to have limited access to financial support from the CRA in the aftermath of real estate related fraud. This hurts consumers who have already been victimized. This is especially timely as southern California rebuilds from the wildfires of early 2025 and preventing harm from real estate fraud is a top priority in this state.

Staff Recommendation: *The Department should inform the Committees of how many consumers were denied CRA payments due to the higher evidentiary standard imposed after the Demoff decision and the total payments that would have been made had the standard not changed. The Department should also provide Committee staff with proposed language to address all issues relating to disbursing CRA funds as intended when the account was created.*

DRE TECHNICAL CHANGES

ISSUE #11: (TECHNICAL CHANGES MAY IMPROVE EFFECTIVENESS OF THE LAW AND DRE OPERATIONS) Are there technical changes that may provide operation efficiencies of the license laws administered by the Department?

Background: There may be a number of non-substantive and technical changes to the real estate salespersons and real estate brokers that are needed to correct deficiencies or other inconsistencies in the law. Because of numerous statutory changes and implementation delays, code sections can become confusing, contain provisions that are no longer applicable, make references to outdated report requirements, and cross-reference code sections that are no longer relevant. The Department's sunset review is an appropriate time to review, recommend, and make necessary statutory changes.

Staff Recommendation: *The Committees may wish to amend the law to include technical clarifications.*

CONTINUED REGULATION OF THE PROFESSION BY THE DEPARTMENT OF REAL ESTATE

ISSUE #12: (CONTINUED REGULATION BY DRE) Should the Department continue licensing and regulating Real Estate Salespersons and Real Estate Brokers?

Background: The welfare of consumers is best preserved under the presence of a strong licensing and regulatory structure to oversee the real estate industry that can sustain its existence through license fees and other forms of revenue. Operating within its budget authority is imperative for any state agency and should be among the highest priorities for any entity at the department level of state government. The Department should also continue to advocate for a well-trained workforce that contributes to the equitable and fair treatment of the public and update its data collection and reporting tools.

Staff Recommendation: *The DRE should be continued, and reviewed again on a future date to be determined.*