
UNFINISHED BUSINESS

Bill No: SB 774
Author: Ashby (D)
Amended: 9/4/25
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 4/28/25
AYES: Ashby, Choi, Archuleta, Arreguín, Grayson, Menjivar, Niello,
Smallwood-Cuevas, Strickland, Umberg, Weber Pierson

SENATE APPROPRIATIONS COMMITTEE: 6-0, 5/23/25
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Dahle

SENATE FLOOR: 38-0, 5/29/25
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear,
Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez,
Grayson, Grove, Hurtado, Jones, Laird, McGuire, McNerney, Menjivar, Niello,
Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas,
Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Limón, Reyes

ASSEMBLY FLOOR: 62-0, 9/11/25 – Roll call vote not available

SUBJECT: Department of Real Estate and the Bureau of Real Estate Appraisers:
Bureau of Automotive Repair

SOURCE: Author

DIGEST: This bill makes various changes to the Real Estate Law and Real Estate Appraisers' Licensing and Certification Law (Appraisers' Law) stemming from the recent sunset review oversight of DRE and BREa and is the sunset bill for the Department of Real Estate (DRE or Department) and Bureau of Real Estate Appraisers (BREa or Bureau).

Assembly Amendments require DRE to accept military experience for broker licensees and report data to the Legislature; revise DRE applicant fingerprint requirements to comply with Federal Bureau of Investigation requirements; exempt DRE licensee and applicant email addresses from disclosure under the Public Records Act; implement a system to administer and make payments from the BREA Recovery Account; require BREA to conduct outreach and post specified information to its website about the Recovery Account; require BREA to collect data on Recovery Account funding levels and the number of applicants and payees and report to the Legislature on an annual basis; require BREA to conduct a study about the feasibility of mandatory licensing for all types of real estate appraisals; remove outdated references and make other technical amendments to the DRE and BREA practice acts; and extend the sunset date for a pilot project that permits remedial training for minor violations by Bureau of Automotive Repair (BAR) licensees to coincide with BAR's sunset review.

ANALYSIS:

Existing law:

- 1) Establishes the Real Estate Law to provide for Department regulation of real estate salespersons, real estate brokers, transactions associated with the purchase or lease new homes or subdivided interests, and the sales of timeshare interests to consumers in California. (Business and Professions Code (BPC) §§ 10000 et seq.)
- 2) Establishes the Department to administer the Real Estate Law. (BPC §§ 1004).
- 3) Establishes Division 4, part 1, within the BPC to provide for DRE regulation of real estate salespersons and real estate brokers. (BPC §§ 10000 et seq.)
- 4) Establishes Division 4, part 2, within the BPC to provide for Department administration of the Subdivided Lands Act and the Vacation Ownership and Timeshare Act of 2004. (BPC §§ 11000 et seq. and 11240 et seq.)
- 5) Requires the DRE to annually report information on military, veteran, and spouse licensure to the Legislature, as specified. (BPC § 10151.3)
- 6) Authorizes the Commissioner to require the fingerprints to be submitted either with the application to take the license examination or with the application for a real estate license. (BPC § 10152)
- 7) Establishes and implements a Real Estate Recovery Program to benefit consumers who obtains a judgement that includes a restitution order or

arbitration award based on a licensee who was found to be guilty of fraud, misrepresentation, or deceit, made with intent to defraud, or conversion of trust funds. (BPC §§ 10470 *et seq.*)

- 8) Establishes the Appraisers' Law to be administered and enforced by the Bureau and sets legislative review to be performed as if the Appraisers' Law were to repeal on January 1, 2026. (BPC §§ 11300, 11301)
- 9) Creates a Recovery Account within the Real Estate Appraisers Regulation Fund, establishes the Recovery Account as a continuous appropriation, and requires five percent of a license or certificate fee collected to be credited to the Recovery Account, effective January 1, 2003. (BPC § 11411)
- 10) Requires BREa, on or before January 1, 2002, to determine the number of complaint cases containing judicial findings of fraud that may be eligible for payment from the Recovery Fund and requires the director to determine whether a real estate appraiser Recovery Account is necessary or whether to recommend that it should be eliminated. (BPC § 11412(a))
- 11) Requires BREa, by January 1, 2004, to adopt Recovery Account regulations that include claims, funding, and administrative procedures closely analogous to those for the DREA Real Estate Recovery Fund. (BPC § 11412(b))
- 12) Provides for the regulation of automotive repair under the Automotive Repair Act, which outlines the licensure requirements, scope of practice, and responsibilities of individuals who, for compensation, engage in the business of repairing or diagnosing malfunctions of motor vehicles. (BPC §§ 9880 *et seq.*)
- 13) Establishes a citation system a process for an automotive repair dealer, upon successful completion of remedial training conducted by a certified provider to prevent disclosure of the citation on the internet as provided in BPC § 27 through July 1, 2026. (BPC § 9882(a)(2))

This bill extends the operations of the DRE by four years until January 1, 2030; sets the BREa's legislative review date as if the Appraisers' Law were to be repealed effective January 1, 2030; makes several policy reforms to enhance the DRE and BREa operations in meeting their consumer protection mandates; and extends the Bureau of Automotive Repair's (BAR) remedial training program to January 1, 2028, to coincide with BAR's next sunset review.

Background

Oversight Hearings and Sunset Review of Licensing Boards and Programs. In March 2024, the Senate Business, Professions and Economic Development Committee and the Assembly Committee on Business and Professions (Committees) began their comprehensive sunset review oversight of ten regulatory entities, including DRE and BREA. This bill and the accompanying sunset bills are intended to implement legislative changes as recommended by staff of the Committees, and which are reflected in the Background Papers prepared by Committee staff for each agency and program reviewed this year.

Background on the Department. DRE administers the following Acts: 1) Real Estate Law; 2) Subdivided Lands Act; and 3) Vacation Ownership and Timeshare Act of 2004. The Department issues approximately 430,000 licenses to those who: 1) represent sellers and buyers of real property or business opportunities, 2) represent tenants and landlords in renting or leasing 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.

DRE Consumer Recovery Account Claim Evidentiary Standard. 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. 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. *This bill codifies a preponderance of the evidence burden of proof for consumers who file a recovery claim and removes automatic license suspension.*

Complete Data Reporting to the Committees. The staff background paper for the Department's previous sunset review stated 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.” This bill requires the DRE to collect and annually report relevant military data to the Legislature. This bill also requires the DRE to post information for applicants with military experience to its website and update its application to include a question of whether the applicant has served in the military and intends to apply that experience toward licensure.

Background on BREa. The Bureau administers the Appraisers Law by issuing approximately 8,800 trainee, residential, certified residential, and certified general licenses. The Bureau is also responsible for approval of educational courses and providers for real estate appraisers, which include more than 1,800 pre-licensing and continuing education courses offered by approximately 70 Bureau-approved schools that provide appraisal education.

Real Estate Appraisers Regulatory Fund – Recovery Account. BPC § 11410 establishes the Real Estate Appraisers Regulation Fund (Fund). This Fund is to be comprised of separate accounts intended to fund the costs of Bureau administration and an account intended for recovery. “Recovery” in this case refers to a final judgement from a court of competent jurisdiction or an arbitration award that has been confirmed and reduced to judgement that orders restitution payment to a consumer by a licensee defendant based upon fraud, misrepresentation, or deceit made with intent to defraud, arising directly out of any transaction performed under the scope of the defendant’s license.

BPC § 11412 requires the Bureau, by January 1, 2002, to determine the number of complaint cases containing judicial findings of fraud that may be eligible for such a payment to inform regulations that would implement recovery payments similar to the recovery fund administered by the DRE as described by BPC § 10470 et seq. BPC § 11412 (b) requires the Bureau to adopt regulations analogous to those adopted for the DRE Real Estate Recovery Fund by January 1, 2004. However, the account was never created nor regulations adopted. This bill adopts language that is closely analogous to that which implements the DRE Recovery Account for BREa. This bill also requires BREa to provide information about the Recovery Account to complainants and post information, including eligibility criteria, to its website. Additionally, this bill requires BREa to report to the Legislature complaint, payment, and account balance data on an annual basis.

Declining License Population. The Bureau’s license population has steadily decreased since its peak of 20,080 in 2009. In addition to a stagnant housing market, real estate appraisers are only required to be licensed to conduct an appraisal for federally related transactions. Appraisal activity that does not require

a licensed appraiser include: assessing property value for tax purposes or a tax appeal; conducting an assessment as part of an insurance claim; preparing the property for development or redevelopment; due diligence ahead of an enterprise merger or acquisition; assessing property value as part of a divorce settlement or probate; and eminent domain cases. While this list demonstrates appraisal activity not captured by the Bureau's jurisdiction, it is not comprehensive. Several states regulate these type of appraisals, others only require licensure for FTRs like California, and others are "mandatory" states that require a license while including some exemptions. This bill requires the Bureau to conduct a one-time study on the feasibility of mandatory licensing for real estate appraisers in California.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: Yes

According to the Assembly Committee on Appropriations, the bill will result in ongoing costs of approximately \$69.9 million annually to support 386.7 positions for the continued operation of DRE's licensing and enforcement activities through January 1, 2030 and ongoing costs of approximately \$6.7 million annually to support 28.8 positions for the continued operation of BREAs licensing and enforcement activities through January 1, 2030. BREAs estimates minor and absorbable costs to submit the Recovery Account report to the Legislature as well as one-time cost pressures over a two-year period of an unknown amount, potentially in the tens-of-thousands of dollars, to conduct a feasibility study on mandatory licensing for real estate appraisers and to report findings and recommendations to the Legislature by December 1, 2028. BAR anticipates minor and absorbable costs from the extension of the citation and remedial training programs for automotive repair dealers. The total cost to establish and implement the program was approximately \$150,000 in 2021, including one-time costs. Ongoing costs to maintain the program are likely in the tens-of-thousands of dollars annually.

SUPPORT: (Verified 9/10/25)

None received

OPPOSITION: (Verified 9/10/25)

None received

Prepared by: Yeaphana La Marr / B., P. & E.D. /
9/11/25 11:04:15

**** END ****