

DEPARTMENT OF REAL ESTATE

STRATEGIC PLAN

2008/2009



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EXECUTIVE SUMMARY

This Strategic Plan has been prepared to help guide the Executive Management of the Department of Real Estate (Department) as they set the course for the future. In developing the Plan, Executive Staff integrated the needs of consumers and the real estate industry incorporating the core elements of performance based management.

The Plan contains three major goals upon which the Department will focus its efforts. To achieve these goals, specific objectives have been identified, which will be used to gauge success and provide accountability. In achieving these goals, the Department will continue to improve operating efficiencies, extend transparency of government, and ensure succession planning and skill replacement of the workforce. The Plan is primarily a one-year plan, with certain longer-term objectives identified for the following two years.

Challenges to accomplishing the Strategic Plan objectives include the continuing need to address a changing workload requiring support for the highest number of real estate licensees in our history. With the downturn in the real estate market and record numbers of foreclosures and real estate owned (REO) properties, the Department must be positioned to address an increasing number of complaints and enforcement cases, as well as a significant rise in the complexity of administrative and enforcement cases. Market transitions, reserve fund balances, evolving industry trends and demands, and legislative mandates will continue to have a strong influence on the Department's priorities as described in this Plan.

In summary, the Plan provides a blueprint for accomplishing objectives primarily during the 2008/09 fiscal year that are aimed at mitigating consumer risk, improving operational efficiency, increasing service levels to the real estate industry, and to the extent fundable, enhancing consumer protection for the growing and diverse population of California.

DEPARTMENT DESCRIPTION

The core functions of the Department of Real Estate are to administer license examinations, issue real estate licenses, regulate real estate licensees, and qualify subdivision offerings.

The Department is a special fund agency that derives virtually all its revenues from examination, license and subdivision fees. It has limited authority to fine and, as a result, regulatory related fines compose less than one percent of its budget. Fines collected by the Department are paid into the Recovery Account to help compensate victims of real estate fraud.

The Department of Real Estate maintains five offices: Sacramento, Oakland, Fresno, Los Angeles, and San Diego, and, as of June 30, 2007, has 342 authorized positions. Currently, there are approximately 544,000 real estate licensees in California.

The Real Estate Commissioner is the chief executive officer of the Department of Real Estate. It is the Commissioner's responsibility to determine administrative policy and enforce the provisions of the Real Estate Law for the protection of the public. The Commissioner is appointed by the Governor and reports directly to the Secretary of the Business, Transportation and Housing Agency.

The Department of Real Estate is divided into various divisions that are managed by program chiefs (Assistant Commissioners), who report directly to the Commissioner and the Chief Deputy Commissioner. These divisions are as follows: Licensing, Enforcement, Legal, Audits, Subdivisions, Legislation and Public Information, and Administrative Services, which consists of Information Systems, Fiscal and Human Resources.

DIVISION DESCRIPTIONS

LICENSING:

If a person wishes to engage in the real estate business and act in the capacity of, advertise as, or assume to act as a real estate broker or salesperson within California, a real estate license must first be obtained from the Department of Real Estate.

Before a real estate salesperson applicant may obtain a license, he or she must fulfill certain educational requirements before applying for and passing a real estate examination. A broker applicant, in addition to the required education, must have two years of licensed salesperson experience (or the equivalent) before applying for the exam. Broker and salesperson licenses are issued for a four-year period. In general, both types of licenses may be renewed by submitting the appropriate application and fee, along with evidence of completion of the required hours of Department-approved continuing education courses (including required courses in Ethics, Agency Relationships, Trust Fund Handling, Risk Management and Fair Housing).

Education and Research

Under the direction of the Assistant Commissioner for Licensing and Administration, the Education and Research Section reviews continuing education courses and approves examination qualification courses offered by private schools. In addition, this Section administers a research program authorized under Section 10451.5 of the Business and Professions Code, which makes funds available to be used by the Real Estate Commissioner for the advancement of education and research in the field of real estate.

ENFORCEMENT:

The Enforcement Section is the investigative division of the Department. The Real Estate Law provides that, either upon receipt of a verified written complaint, or on his/her own motion, the Commissioner may investigate, within the jurisdiction of the Department, the actions of any person acting in the capacity of a real estate licensee within California.

To investigate these complaints, the Department maintains five Enforcement offices: Oakland, Sacramento, Fresno, Los Angeles, and San Diego. Enforcement staff administers the law through the investigation of consumer complaints against licensees, the investigation of alleged subdivision violations, and the qualification of applicants for real estate licensure. Staff also conducts investigations of unlicensed persons who may be performing activities for which a real estate license is required.

The primary purpose of an investigation is to determine whether or not a violation of the Real Estate Law has occurred. If the evidence gathered by the assigned investigator indicates that a violation has occurred, a staff attorney will review the file for legal sufficiency in anticipation of filing an Accusation against the licensee. An Accusation is a formal accusatory pleading informing the licensee of the alleged violations and the intention of the Department to either suspend or revoke his or her license if the violations are proven at an administrative hearing.

Mortgage Loan Activities:

The Mortgage Loan Section monitors mortgage loan activity through required business and trust account reports submitted by real estate brokers who meet certain threshold criteria. Mortgage loan advertising is reviewed on a statewide basis in all media, and educational materials are prepared and made available by this unit to both brokers and consumers. Also, consumers are assisted with problems incurred with brokers in mortgage loan transactions and if violations are discovered, they are referred to the Enforcement Section for investigation.

The Mortgage Loan Section is the primary liaison with mortgage trade organizations and other state and federal agencies enforcing laws relative to mortgage loan brokerage activity.

AUDITS:

The mission of the Audit Program is to protect the consumer through financial compliance audits of real estate licensees and subdivision developments. The primary focus of an audit is the handling of trust funds by licensees and subdividers. Through the Audit Program, Department Auditors determine if the operations of real estate brokers or subdividers, as reflected in their business records, comply with the requirements of the Real Estate Law and the Subdivided Lands Law. In addition, the Audit Program reviews threshold mortgage loan broker annual and quarterly reports for possible trust fund handling violations, and is responsible for the internal audit function of the Department. It also acts as the Audit Resolution Liaison for all external audits of the Department by its control agencies; e.g., Department of Finance, State Controller's Office, Bureau of State Audits.

The Department has field auditors assigned to the Sacramento, Oakland, Fresno, Los Angeles, and San Diego offices. Audits performed are either investigative or routine. Investigative audits are initiated based on a complaint from the public or information received indicating probable violations by a licensee. Routine audits are performed, when resources allow, on randomly selected licensees engaged in real estate activities, primarily where the risk of financial loss to the public is high; e.g., mortgage loan brokers, property managers and broker escrows.

As to cost recovery, the Department charges for those audits that relate to substantiating trust fund mishandling by a real estate broker provided the violation is subsequently proven and results in some form of disciplinary action. The Department may also bill the licensee for follow-up compliance audits.

SUBDIVISIONS:

The principal State law regulating most sales (or leases) of subdivided land in California is the Subdivided Lands Law (Business and Professions Code Sections 11000 – 11200). The Vacation and Time-share Ownership Act of 2004 (Business and Professions Code Sections 11210-11288) regulates the sale of timeshares. These laws protect the public against fraud and misrepresentation in the sale or lease of subdivided land through the issuance of public reports, which are disclosure documents provided to prospective purchasers of subdivision interests. In this regard, the Real Estate Commissioner is charged with the responsibility for adopting regulations to oversee the creation and marketing of subdivision interests. These regulations are found at Title 10 California Code of Regulations Sections 2790 – 2817.

Technical Unit

The Technical Unit (located at the Sacramento Principal Office) processes complex subdivision filings, including timeshares and undivided interest subdivisions.

Budget Review Unit

Department staff review and analyze proposed homeowner association budgets pertaining to maintenance and operational costs relative to common areas and facilities of common interest subdivisions and timeshares.

LEGAL:

The primary duties of the Legal Section are to administratively prosecute violations of the Real Estate Law and the Subdivided Lands Law, file disciplinary actions, issue Desist and Refrain Orders, represent the Department in Administrative Procedure Act hearings, prepare and process regulations, and provide legal guidance and advice to Department staff regarding legal instruments and the law, including the Regulations of the Real Estate Commissioner and the provisions of the Real Estate and Subdivided Lands Laws.

Disciplinary actions are instituted by filing either a Statement of Issues to challenge an applicant's qualifications for licensure or an Accusation to seek the suspension or revocation of an existing license. These pleadings are then brought to trial in a formal adversary evidentiary hearing before an Administrative Law Judge. The hearings are conducted in accordance with the provisions of the Administrative Procedure Act. A Desist and Refrain Order is an administrative injunction issued to stop violations of either the Real Estate Law or the Subdivided Lands Law. Desist and Refrain Orders may be issued to any person, licensed or not.

Recovery Unit

The Legal Section also administers the Real Estate Recovery Account. Currently, 12 percent of all license fees are paid into the recovery account. This money is then used to reimburse "aggrieved" members of the public who have obtained a civil judgment, arbitration award or criminal restitution order, based on intentional fraud, deceit, misrepresentation or conversion of trust funds in connection with a transaction in which the licensee (judgment debtor or criminal defendant) was performing acts for which a real estate license was required, and have been unable to fully collect on their judgment or order. To be eligible for payment, applicants must be able to prove that they have satisfied the requirements set forth in the Business and Professions Code. Applications for payment from the Real Estate Recovery Account are filed with the Recovery Unit.

LEGISLATION AND PUBLIC INFORMATION UNIT:

The Legislation and Public Information Unit is the principal legislative advocate for the Department of Real Estate, and organizes and directs the legislative activities for the Department. It includes the Department media contact and public information program, and is responsible for the preparation and dissemination of the quarterly "Real Estate Bulletin" and other departmental publications, records management, department forms, and the website policies and content. The activities of the Information Security Officer and Privacy Coordinator are also assigned to this unit.

Information Security Officer (ISO) and Privacy Program Coordinator

The Information Security Officer (ISO) implements and maintains the information and computer security functions necessary to assist management in the protection of computer and network resources and the associated information assets against accidental or unauthorized modification, destruction or disclosure. The main responsibilities of the ISO include coordinating and overseeing department-wide compliance with State policies and procedures regarding the confidentiality, integrity, and security of DRE's information assets.

ADMINISTRATIVE SERVICES:

Administrative Services consists of the Fiscal (Accounting, Budget, Business Services) Section, Information Technology Section, and Human Resources. These units provide support services to each line program of the Department.

Human Resources

Human Resources provides administrative support to the line programs through support services such as recruitment and hiring, position classification, civil service examinations, employee discipline, labor relations, personnel transactions, employee benefits, training, employee counseling, and equal employment.

The Human Resources Section is located in the Sacramento Principal Office.

Information Technology Section

The Information Technology Section (ITS) has as its primary mission the identification and conduct of activities related to aligning the business direction of the Department with emerging and proven technology solutions.

ITS is a multi-functional entity that provides for the development, maintenance, operation, and administration of information technology solutions for the Department. This includes support of all information processing, telecommunication, and office automation system efforts.

ITS staff is located in the Sacramento Principal office.

Fiscal Section

Management oversight of Department budget resources is facilitated by a centralized procurement methodology. With this methodology in place, management ensures that all acquisitions are appropriately approved and justified, procurement rules are observed, purchases are directly tied to approved strategic objectives, and financial limits are adhered to.

All fiscal operations as described below are located in the Sacramento Principal Office.

- Budgets

The Department of Real Estate is administered in accordance with an authorized budget approved by the Administration and the Legislature. The Budget Section maintains individual Department program financial data that includes an itemized summary of expenditures and income for each fiscal year (July 1 – June 30) including monitoring the Real Estate Reserve Fund balances. Based on this information, and with the input from the Managers of the major operating units within the Department, fiscal projections and proposed budgets are developed.

- Accounting

The Accounting Section utilizes the CALSTARS Accounting System (State computerized accounting network) in managing the bookkeeping involved with Department business transactions. This Section is responsible for the preparation of financial statements concerning Department assets and liabilities. In addition, the Accounting Section is responsible for cashiering all money receipts, dishonored checks and publication sales and for making travel arrangements for Department staff.

- Business Services

The Business Services Section manages the statewide business operations of the Department including: 1) purchase-related programs, 2) assets of the Department, 3) communications with control agencies, 4) mail and shipping operations, 5) facilities, fleet and telecommunications, and 6) periodic or special financial and procedure reporting.

- Contracts

The primary responsibilities for Contracts include ensuring contract procurement compliance and contract execution.

Real Estate Industry and Consumer Liaison

The Real Estate Industry and Consumer Liaison office provides outreach to other public/private agencies or businesses, as well as consumer organizations. Leadership activities require frequent interaction with a wide range of individuals and organizations including: all levels of government (federal, state, and local), public interest groups, financial institutions, associations, the public, licensees, volunteer organizations, and other groups connected to the real estate and consumer industries.

The primary focus of this position has been the direction of a series of mortgage foreclosure prevention town halls throughout the State. The town hall concept is a valuable component in California's efforts to promote sustainable homeownership. Pursuing the remedies identified have provided solutions for distressed borrowers, and reduced the economic impact of foreclosures on borrowers and neighborhoods.

STRATEGIC PLANNING CONCEPTUAL FRAMEWORK

Strategic planning is a long-term, iterative, and future-oriented process of assessment, goal setting, and decision-making that maps an explicit path between the present and the vision of the future. It includes a multi-year view of objectives and strategies for the accomplishment of Department goals as well as its Performance Improvement efforts, as determined through an interactive process with the Business, Transportation and Housing Agency.

Clearly defined action plans and monitoring performance are important considerations in all planning, resource allocation, and operating decisions. Through the strategic planning process, direction is set for all departmental operations.

METHODOLOGY STATEMENT

Department of Real Estate Executive Staff meets annually to develop the Strategic Plan over a period of three or four months. Open discussions of the existing environment, technology issues, current assumptions, projected challenges and desired outcomes lead to the final plan. Prior to the initiation of this process, each Program Manager polls his or her staff to ascertain internal assessments and direction for the future. Input is also sought from various industry trade associations with whom the Department interacts and the consumer perspective is captured through outreach and market events.

The Department of Real Estate includes the following considerations when assessing strategic and operational performance measures:

- Implementing updated, enhanced, and cost effective technology capabilities.
- Maximizing results through internal efficiencies and operational reforms.
- Managing workforce and workload to stabilize and improve processing timeframes.
- Maintaining a prudent fee structure and reserve fund balance.
- Striking a proper balance between consumer protection and regulation of business.
- Promoting effective communication and education.
- Exploring opportunities for collaborative initiatives with industry, business, and government partners to leverage cost and implement objectives.
- Responding to the needs of industry and consumers.

A successful strategic planning process provides benefits to the Department as well as those affected by its operations. The Strategic Plan is primarily a one-year plan with certain longer-term objectives identified for two years beyond.

MISSION

To protect and serve the interests of the public in real estate transactions and provide related services to the real estate industry.

PURPOSE

- To be an effective consumer advocate by monitoring and regulating industry practices while promoting public awareness.
- To be an effective customer-focused department providing timely and efficient services to licensees, subdividers and consumers.

PRINCIPLES

The governance of the Department of Real Estate is structured with core values that promote independence and balance between its two distinct mission responsibilities. These values preserve the integrity of operational obligations, ensure coordination and cooperation between the operating programs, engage Department stakeholders, and foster an environment that supports the professional development of its staff.

The primary responsibility of the Department of Real Estate is to the public as a consumer protection agency. As government is not able to guarantee a risk-free marketplace, the Department acts in concert with other governmental agencies, education providers, and community organizations to enhance its enforcement and consumer awareness efforts to lessen the risk of loss to consumers in real estate transactions. In this regard, consumer and licensee information as well as education are regarded as important operational elements. Through consumer outreach, the public is better able to make more informed decisions and protect themselves to the extent they are able. By educating its licensees, the Department helps ensure that they are aware of their legal responsibilities, as well as their obligations to their clients. By approaching these principal responsibilities from the multiple avenues of education and enforcement, the Department maximizes the effectiveness of its consumer protection efforts.

In its role as an industry service provider, the Department undertakes strategic planning disciplines that result in the identification of objectives intended to have a direct benefit to the consumer, the State, the real estate industry, subdivision development businesses, and timeshare commerce.

The Department of Real Estate, like all other State agencies, is challenged to manage its workload and responsibilities. To meet these demands, the Department continues to seek efficiencies in programs and activities, and to use technology, partnerships, and common-sense solutions to make doing business with the Department more transparent on all levels.

VISION

The vision of the future for the Department of Real Estate is focused upon adopting innovations that will create new standards of excellence in service offerings and enhance consumer protection by:

- Incorporating advanced technology in its processes to better serve the industry and the public.
- Improving the accessibility to information that is progressive and secure.
- Expanding the knowledge base of staff.
- Maximizing enforcement efforts to address violations of the Real Estate and Subdivided Lands Laws.
- Providing licensing, subdivision qualification and consumer-related services conveniently and timely.
- Promoting consumer outreach to facilitate the making of informed decisions in real estate transactions.
- Adapting to the changing business environments of the real estate industry.
- Providing leadership in housing issues in California.

PRIORITIES

The Department of Real Estate has established and approved business priorities that are articulated within the Plan. The following represent the top priorities upon which the Department is focused:

- Continue to address mortgage-related consumer issues and focus on mortgage fraud enforcement efforts.
- Pursue legislative changes that will support consumer protection and expand assistance.
- Continue progress on the three major information technology projects underway.

1. Continue to address mortgage-related consumer issues and focus on mortgage fraud enforcement efforts.	
Priority Objective	Status
<input type="checkbox"/> Advertising Campaign	The Strategic Plan will expand advertising review by developing an electronic submittal option.
<input type="checkbox"/> Staff Training	Extensive, statewide mortgage investigation, audit and legal prosecution training sessions have been conducted. The Department will continue these efforts by enhancing the statewide enforcement training program with activities identified within the Strategic Plan.
<input type="checkbox"/> Consumer Workshops/Town Halls	This priority objective is complete and is now operational with the Department’s delivery of a “Town Hall in a Box” concept that is being distributed upon request. Furthering the concept of consumer protection, the Department has incorporated into its Strategic Plan activities to develop and distribute public service announcements that address mortgage issues in this market. The Department will also continue to support local efforts and provide guidance as appropriate.
<input type="checkbox"/> Prioritize Prosecution	To capitalize further upon this priority objective, the Strategic Plan will expand its Audit risk assessment program, study the feasibility of establishing a statewide position to coordinate participation in various federal, state, and local real estate fraud task forces, study the feasibility of assisting district attorneys offices with establishing fraud units, and initiate a pilot program to introduce an interdisciplinary strike force team that can respond to emerging real estate business crises.
<input type="checkbox"/> Enforce Enhanced Mortgage Broker Disclosures	This priority has been completed. However, the Department has included within the Strategic Plan revisions to its web site and various publications to promote consumer awareness and protection. The Department has planned an update for the booklet, <i>Reverse Mortgages, Is One Right for You</i> , a pilot project to allow interaction with the Licensing section staff via email, and to review and implement improvements to the Department’s web site that will showcase a California Homebuyers Bill of Rights.

2. Pursue legislative changes that will support consumer protection and expand assistance.	
<input type="checkbox"/> Disclosure of license number	<p>The Department was able to secure approval and authors for these key legislative changes.</p>
<input type="checkbox"/> Increase Recovery Account limits	<p>Senate Bill 1491 would require all real estate licensees to place his or her license identification number on all first point of contact marketing (including business cards) or solicitation materials and on home purchase agreements which they negotiate. If passed, the bill would go into effect on July 1, 2009.</p> <p>Under current real estate law, the DRE administers a recovery account from which DRE can pay victims of fraud their actual and direct losses, if the fraud was committed by a real estate licensee while performing acts for which a license is required. Assembly Bill 2454 would increase the payout limits from \$20,000 to \$50,000 for any one transaction, and from \$100,000 to \$250,000 for any one licensee.</p> <p>The Strategic Plan calls for the identification of legislation affecting the Real Estate Law to ensure timely revision of the forms, internal operations, and computer-based systems necessary to implement these changes.</p>
3. Continue progress on the three major information technology projects underway.	
<input type="checkbox"/> Electronic Examinations Project – replaces pencil to paper exams, providing users with immediate results and allow for the issuance of a temporary license to successful candidates who have satisfied the license requirements.	<p>Included in the Strategic Plan is an objective task to support this project. Due to construction delays and cost impacts, this project will require a Special Project Report and Budget Change Proposal for funding. ELECTRONIC EXAMINATIONS PROJECT (2008-09 – 2012-13)</p>
<input type="checkbox"/> Interactive Voice Response System Upgrade – improves service delivery and expands the number of calls answered.	<p>Included in the Strategic Plan is an objective task to support this project. This project will be completed during fiscal year 2008/09 as scheduled and within budget. LICENSING IVR SYSTEM UPGRADE (2008/09)</p>
<input type="checkbox"/> Information Technology Infrastructure Replacement Project – replaces end of life technology while improving technical support.	<p>This project will be completed by June 30, 2008 and will transition into maintenance operations. Accordingly, there is no reference in this Plan for its ongoing support.</p>

The Department will continue to support these priorities with the work supported by the corresponding objective activities identified within its strategic goals.

INTERNAL/EXTERNAL ASSESSMENT

The assessment of internal and external factors that influence the Department of Real Estate helps it recognize current and future issues that may affect operations and results. This assessment pinpoints the major issues affecting the Department during this planning process timeframe.

EXTERNAL ENVIRONMENT:

FISCAL CONDITION

The Department of Real Estate is a Special Fund department that derives virtually all of its revenues from examination, license and subdivision fees. As the interest in real estate licensure began to sustain a significant increase in Fiscal Year 2002/03, the Department reduced all fees to 1982 levels effective August 1, 2003. With its current revenue flow and lowered reserve balances, the Department anticipates two years of conservative spending are imperative in order to continue its operations.

As to fiscal tracking, the Department monitors items of expense as well as revenue and reserve fund balances on an ongoing basis, providing reports to the Program Managers at monthly financial briefings. More detailed reports are provided to the Program Managers on a quarterly basis. Additionally, projected expenditures are analyzed and provided to the Assistant Commissioner of Administration, the Chief Deputy Commissioner and the Commissioner on at least a quarterly basis to ensure appropriate allocation of financial resources. Revenue and reserve analysis reports are also routinely provided to the real estate industry.

The Department anticipates fiscal challenges in balancing its fee structure and reserves as a result of hitting a license population plateau and as market conditions change, which affect both housing and the licensee population. Also, future repayment of all reserve funds, plus interest, that were previously loaned to the State's General Fund will need to be repaid as planned in order for the Department to function.

MARKET INFLUENCES and WORKLOAD

Several key economic factors are analyzed in order to project the future direction of the real estate market and the resulting impact on the licensee population and Department workload.

Due to a declining market, real estate licensure in California has reached a plateau and will likely decrease from that level over time. Once a license is issued, it is relatively inexpensive to maintain and most licensees will renew their licenses (lowest renewal rate was 70 percent during the late 90's) despite their relative inactivity in the industry. Even with the current market and presuming a long-term disinterest in real estate licensure, the Department projects its resources will be impacted for at least the next eight years as it will take two renewal cycles (four years each) before the population base potentially declines back to the level expected at the conclusion of this fiscal year. During this time, support of the licensee base will continue to impact Department workload and resources.

Throughout California, residential properties continue to be lost through foreclosure. Those houses that have completed the entire foreclosure process – as opposed to those still in pre-foreclosure status – are, in the current real estate market, usually taken back and “owned” by the lenders who held the mortgages on the homes.

Most lenders are eager to sell the properties (known as “Real Estate Owned” or the more widely used “REO”) that have reverted to them following foreclosure. REOs usually represent lost money to the lenders, and the lenders typically have no interest in owning the houses.

While the REOs have been repossessed and are now owned by the lenders, the lenders did not occupy the properties and generally have no knowledge of their true condition. Foreclosed homes as a class tend to be in worse condition, insofar as repairs and maintenance, than those sold by private owners who still occupy or recently occupied the property at the time of sale. The lenders might or might not have any reports on the homes, and the lenders would like not to (if possible) expend any additional monies or to pay for inspections, home warranties, or any repairs. More often than not, lenders want to sell the foreclosed homes in an “as is” condition.

Subdivisions:

The UCLA Anderson Forecast (December 2007) calls for further decline in the real estate sector. Combined with factors such as rising oil prices and high consumer debt, the California and national economies will continue to struggle. While the forecast does not see the possibility of a recession, it is expected that housing starts will continue to decline in 2008.

The Department should see subdivision filing numbers return to pre-2001/02 levels. Subdividers will continue to create more development phases to offset a slower market. This reduces risk and minimizes the potential for standing inventory. While the number of original filings should continue to decline, amendment and renewal filings should remain at or increase over FY 2007/08 levels.

With the transformation of the real estate market and the demand for affordable housing, creative forms of ownership have developed that require the Department to adapt and expand its operations to more efficiently address more complex types of subdivision filings. Highly complex subdivision filings, such as condominium conversions, mixed-use projects, high-rise developments, hotel-condominiums and tenancy-in-common projects will continue to challenge subdivision staff. These filings may include complex components such as ground-lease arrangements and fractional interest (timeshare) features.

The Department currently meets with the California Building Industry Association (CBIA) and the American Resort Development Association (ARDA) to discuss subdivision processing plans, goals, procedures, trends, and processes. These meetings provide a beneficial forum to project future filings, address issues of mutual concern and explore new opportunities in subdivision development.

ENFORCEMENT/LEGAL/AUDITS:

A major trend in the real estate brokerage industry is increased concentration with corporate franchising, net branching, acquisition of related industries and the goal of “one-stop shopping,” which has changed the industry into a more centralized enterprise. This creates new regulatory challenges and the potential exists in this environment for consumers to be directed to the service providers that generate the greatest profit for the brokerage as opposed to those that offer the best

services at the most competitive rates. As the market continues to decline, there is increasing Enforcement focus on business downturns and failures. This is particularly true in the mortgage brokerage field, as many of the firms that flourished as a result of low interest rates, nontraditional and subprime loan products, and homeowner refinances are now struggling to remain in business. Other factors affecting department workload are issues associated with the expansion of eCommerce, which requires staff to be more technologically proficient in order to conduct investigations and audits. Additionally, the diversity of the State's population is a component that needs to be addressed through appropriate enforcement and education efforts.

With respect to subprime lending, loan defaults and foreclosures have dramatically increased, which has led to the need for the promotion of consumer information and assistance. This has been accomplished through extensive consumer outreach and enhanced disclosures required on loan documents. These protections will result in more knowledgeable consumers who can make better informed decisions when choosing a loan product. Also, with respect to regulatory activities, the Department is actively pursuing subprime lending complaints against mortgage brokers. From a workload standpoint, these investigations are quite complex, very time consuming, require a team of Enforcement resources and have resulted in the discovery of extensive real estate law violations and license disciplinary actions.

CUSTOMER SERVICE

Inasmuch as performance measurement is directly related to customer service standards and customer satisfaction, the Department will continue to make reasonable efforts in assessing clientele approval levels. These efforts include industry meetings, such as the Department of Real Estate Forums, and conferences wherein specific performance feedback will be received. The analysis of these indicators will be measured against the Strategic Plan objectives as a factor in determining their successful accomplishment

The Department of Real Estate is continually taking proactive measures to ensure consumer satisfaction by offering relevant industry information on the Department of Real Estate website – www.dre.ca.gov. Consumer information which includes but is not limited to home buying, using the services of a mortgage broker, and protecting one's self against predatory lenders is available in English, Spanish and Traditional Chinese. Instructions and forms for filing real estate complaints are also currently available in these three languages. In addition to the electronic information provided on the Department's website, outreach programs and community events such as Foreclosure Prevention Townhalls, are being held statewide. At these events, consumers are able to speak directly with DRE staff regarding possible real estate law violations. Potential victims of real estate law violations are provided the direction and forms necessary to file a formal complaint with the Department. Information and surveys gathered at these events will be used to determine the general needs of the public, monitor the results of the workshops and provide a gateway for follow-up with consumers who request such action.

INTERNAL ENVIRONMENT:

TECHNOLOGY

Technology enhancements have allowed the Department to offset a substantial portion of the Licensing resource needs associated with the increased licensee population. In furtherance of these

efforts, the Department continues to explore ways to enhance and expand its technology resources. In this regard, the Department is in the third year of the following multi-year technology projects:

Electronic Examinations

The Electronic Examinations System will automate the manual examination administration processes. This system will provide the Department with the capability to reduce the overall turnaround time for candidates to receive a real estate license while administering exams in a more efficient and effective manner. With Electronic Examinations, no examination booklets or answer sheets will be used. Candidates will be tested using computer equipment in one of the Department's examination centers. Significant improvements in examination security will be a feature of the new system. Examination grading will be performed automatically at the conclusion of the exam. Those examinees who pass the electronic exam and have satisfied all license requirements can be provided a temporary license.

DRE project staff have concluded the system design and are currently developing the customized modules. DRE, in working with the Department of General Services (DGS) to finalize the construction plans for the various DRE examination centers, has been informed that the construction work will not be completed within the project due dates and funding expectations. Therefore, a Special Project Report is required due to the extended renovation timeframes and increased costs. DRE is envisioning a phased implementation of the electronic examination system into these examination centers once renovated.

Interactive Voice Response (IVR) System

A new Licensing call center is being built that will improve the services provided by the Department while ameliorating the customer service and business problems associated with the existing telephone system. The new system will provide for an upgrade to the existing call center system that will expand the number of telephone calls answered, provide a more suitable method for mobile clients to obtain information, and provide appropriate service for callers. A new, optimally configured, IVR system will enable the Department to significantly improve service delivery and provide quality customer service.

The IVR project team has finalized the technical and functional requirements for the new Licensing call center, as well as the user interface and software design documentation for the customer application development. DRE engaged a State designated service provider to provide the IVR platform. The deployment of the new Licensing call center is scheduled for December 2008.

IT Infrastructure Replacement

The new IT infrastructure being installed statewide will ensure that the Department operates computer systems that are within current industry standards; control security both within and outside the organization; provide immediate and timely information to staff as well as to its customers; and promote knowledge, document management, and collaboration throughout the Department.

The project team has deployed user and data center replacement hardware and software in the production environment statewide, and are finalizing migration of all users to the new infrastructure.

The Infrastructure Replacement project is a 3-year project and DRE is currently in the final project phase.

E-Government

E-Government is important to the Department not only because it recognizes the valuable uses of the Internet to deliver government services, but also because it brings the Department closer to its customers and stakeholders while improving operational efficiency. The eLicensing system, which is an on-line, interactive system offered by the Department on its Web site, is instrumental in providing information to consumers and improved service offerings to the real estate industry, while protecting individual privacy. The Department will continue with its efforts to enhance and expand this system.

Also, the Department will continue to explore applicable advances in technology to improve its overall service and increase departmental efficiencies.

CONSUMER PROTECTION

The Department of Real Estate acknowledges the importance of enhancing its efforts to educate consumers on the home buying/selling and mortgage lending processes as well as to increase their awareness of inappropriate representation and real estate fraud. Towards this end, the Department explores methods to increase exposure of critical information to consumers, including the distribution of educational videos and guides, consumer brochures and information, enhancement of mortgage loan disclosures and expansion of the consumer educational materials that are posted on its website. Many of these offerings are available in a variety of languages, as the non-English proficient public is often the most vulnerable.

While the Department is dedicated to public education on real estate matters, it is limited by available funding. In addition to offering services and publications at its five regional offices across of the State and online, the Department has reached out further to meet with consumers in their own neighborhoods by providing town hall meetings in cities and counties hardest hit with foreclosures. These events are highly publicized in order to ensure that all homeowners are able to gain the resources and information they need with regard to their home mortgage situation.

ACCOUNTABILITY

The Executive Management of the Department has placed a strong emphasis on program assessments of reasonable performance targets through review of current department baselines, enhanced by new strategic objectives, and followed by periodic progress monitoring. With the development of each new Strategic Plan, the Department charges its programs to reassess and develop goals with specific targets and accountability for achieving the desired results. Each program has initiated ongoing processes to track performance beginning with the evaluation of existing, as well as the creation of new, performance metrics that are in line with the operational priorities of the Department and its Performance Based Management Program.

Also, as personal and public information is collected by the Department to accomplish its lawful purpose, the physical, electronic and procedural safeguards that are in place to protect that information are continually reviewed and updated. Annual training programs for staff are an integral part of that process.

WORKFORCE

The Department will continue to analyze its staffing and refine its workforce plan to address short-term needs as well as the long-term issues of losing experienced staff due to potential retirements. The workforce plan addresses the ongoing need for adequate staffing and training as well as succession planning.

STRATEGIC GOALS
(Goals are not in priority order.)

1. Enhance consumer awareness and protection.
2. Assess and improve services.
3. Promote workforce excellence.

The following are the department's outcomes, objectives, strategies and plans with respect to the aforementioned goals:

GOAL 1: ENHANCE CONSUMER AWARENESS AND PROTECTION

Outcomes	Objective	Strategy	Plan
More knowledgeable real estate practitioners.	By 2010, ensure 100% of the real estate salesperson and broker examination subject categories and sub-categories are applicable to identified current industry standards of practice.	Update real estate examination content	Perform a Job Analysis and Testing Procedures Study of the Department's Examination Program (2008/09 – 2009/10)
	By 2009, increase the effectiveness of the continuing education program.	Adopt regulations to formalize the CE course approval process to assist course sponsors, and put in place a program to monitor the approved courses for compliance by sponsors and licensees.	Reform continuing education policies. (2008/09)
	By 2013, transform the administration of 100% of real estate examinations scheduled at DRE examination center facilities from paper-based tests to an electronic examination delivery system.	Provide Electronic Examinations	Electronic Examinations Project (EEP) (2008/09-2012/13)
	By 2008, increase by 20% (compared to 2006 levels) the number of proactive audits related to high-risk mortgage lending activities, escrow handling and property management.	Monitor industry activities relating to mortgage lending practices	Audit Risk Assessment Program – Phase III (2008/09)
	By 2009, answer and resolve 89% of incoming Licensing telephone calls through the deployment of a new call center that includes self-service options to assist the licensee population in maintaining their license status and professional educational standards.		Licensing IVR System Upgrade (2008/09)
	By 2010, update 100% of the Subdivisions guidelines and publications referenced by the building industry as informational resources in the proper submittal of applications for standard and common interest subdivision public reports.	Increase industry access to information	Update the Reference Book – A Real Estate Guide (2008/09) Revision of the SPRAG Manual (2008/09 – 2009/10) Bulletin Redesign (2008/09)
Better informed public.	Through 2010, annually increase by at least a factor of one, consumer publications.	Publications	Update the 'Reserve Study Guidelines' publication to promote understanding of the reserve study portion of annual operating budgets (2009/10) Update the booklet, 'Reverse Mortgage, Is One Right for You' (2007/08)
		Public interaction and information	Review and implement improvements to the Subdivision website information to include a California Homebuyer's Bill of Rights. (2008/09) Public Service Announcements (2008/09)
Increase consumer protection.	By 2010, increase consumer protection by reducing the time to remedy an Enforcement action by 20%.	Work in concert with other agencies to enforce the laws in an effort to combat real estate fraud.	Study the feasibility of establishing a statewide position to coordinate DRE's participation in various federal, state and local real estate fraud task forces. Study feasibility of assisting District Attorneys Offices with setting up Real Estate Fraud Units in counties that do not currently have such units. (2008/09-2009/10)
		Reduce time it takes to complete all phases of the investigatory/disciplinary process.	Initiate a pilot program for DRE Inter-disciplinary Strike Force Teams. (2008/09)

GOAL 2: ASSESS AND IMPROVE SERVICES

Outcomes	Objective	Strategy	Plan
Increased number of online services and information.	Through 2010, annually increase by five (5) the number of online service offerings that, by quality and design, will leverage the Internet to provide one-stop access to services and transactions.	<p>Conduct management analysis to determine most beneficial services</p> <p>Consider expanding services to include mandatory reporting submittals, and email communication capabilities for licensees and the public.</p>	<p>Promote the use of the Internet (2008/09-2009/10)</p> <p>Study the feasibility of electronic submission of timeshare applications (2009/10)</p> <p>Develop a process for brokers to electronically submit MLB advertising for review and approval (2008/09-2009/10)</p> <p>Initiate a pilot project to allow the Department's clients and the public to communicate with the DRE's Licensing Section by email. (2008/09)</p>
Improved departmental access to information.	<p>Through 2010, improve operational efficiency and accessibility to information by reducing 70% of the labor hours associated with remedy and help desk trouble tickets associated with routine information technology user support issues.</p> <p>Through 2010, improve record file access and information management by providing 100% electronic sources and routing for fiscal processes, personnel action requests, and enforcement administrative action approval by converting current paper-based tracking processes into electronic management systems.</p> <p>By 2010, complete the automation of 100% of the audit working paper directory by implementing the remaining 2 (two) audit working papers.</p>	<p>Complete second phase of IT project</p> <p>Expand electronic access to and protection of DRE reference information and internal technology services.</p>	<p>Enhance DRE's technology infrastructure (2008/09-2009/10)</p> <p>IT Infrastructure Upgrade Project (2008/09)</p> <p>Design and implement a DRE digital library (2008/09)</p> <p>Improve operations through the use of automation and technology for the daily reconciliation of the credit card process, invoice process for book orders, subpoenas and chargeable audits (2008/2009)</p> <p>Automate the Personnel Action Request Process (2008/09)</p> <p>Research barcode equipment and software for a solution to the equipment inventory requirements. (2008/09)</p> <p>Chargeable audits and audit-related costs-tracking/follow up system and "cost" study. (2008/09)</p> <p>Develop a more automated tracking method for budget line item expenditures. (2008/09)</p> <p>Update and automate the New Employee Orientation Handbook (2010/11)</p> <p>Conversion of licensee files to imaging platform in response to disaster recovery requirements. (2008/09)</p> <p>Revise and implement computerized Residential Resale Audit Working Papers (2009/2010)</p> <p>Revise and implement computerized Broker Escrow Audit Working Papers. (2008/09)</p>
Expanded Performance Management System.	<p>By 2009, to ensure consistent and effective department-wide performance management, expand the reported performance measures to meet 100% of the reporting requirements identified in the internal Performance Management Plan.</p> <p>By 2010, upon completion of the financial analyses of specific business processes, establish an appropriate fee structure for 100% of the departmental services.</p>	<p>Publish and expand measures</p> <p>Evaluate and modify business practices</p>	<p>Continue to enhance and automate department-wide Performance-Based Management (2008/09)</p> <p>Improve the department's contracts management function by finding more effective tools and approaches to meeting contract execution and tracking requirements. (2008/09)</p> <p>Conduct an appropriate fee study (2009/10)</p>
Promote Economic Growth	By 2010, 100% completion of the review and amendment, as appropriate, of regulations that affect California businesses.	Reform regulations to streamline procedures and practices.	<p>Review/Revise Subdivision Regulations (2009/10)</p> <p>Revise Expedite Amend Use Restrictions (2008/09-2009/10)</p> <p>Identify Legislation affecting the Real Estate Law to ensure timely revision of procedures, forms and EIS. (2008/09)</p>

GOAL 3: PROMOTE WORKFORCE EXCELLENCE

Outcomes	Objective	Strategy	Plan
<p>Workforce of employees who are competent, caring and committed to the mission of the department.</p>	<p>By 2010, reduce the time to recruit qualified, entry level auditor and deputy commissioner candidates by 20 days as a result of targeting recruitment goals through workforce planning, aligning employment classification specifications with current requirements, as well as improving hiring examination content, test delivery methods, results-notification processes, and establishment of list eligibility.</p>	<p>Recruit qualified and capable employment candidates</p>	<p>Workforce Planning Update (2008/09)</p> <p>Update the Deputy Real Estate Commissioner Specifications (2008/09)</p> <p>Review existing Deputy Real Estate Commissioner examination (2008/09)</p> <p>Update the Managing Deputy Real Estate Commissioner specifications (2008/09)</p> <p>Review existing Auditor I examination (2009/10)</p> <p>Revise/streamline existing recruitment process to shorten time required to fill vacancies. (2008/09)</p> <p>Review HR policies and procedures and update with current civil service rules and bargaining unit contract provisions. (2009/10)</p>
	<p>By 2010, expand internal training programs by 50% to include key modules critical to departmental business functions.</p>	<p>Develop training programs</p>	<p>Develop a DRE Management Training Program (2008/09)</p> <p>Statewide Enforcement Deputy Training Program (2008/09-2009/10)</p>
	<p>Through 2009, finalize procedures manuals resulting in documenting 80% of the critical business functions that have been identified through workforce management endeavors as high-priority succession planning tasks.</p>	<p>Provide employees with reference information as part of succession planning</p>	<p>Update internal Accounting Section Procedure Manuals (2008/09)</p>

MONITORING PERFORMANCE

To monitor overall progress and performance, the Commissioner and the Chief Deputy will conduct meetings, quarterly and as necessary, with each of the Program Managers who are responsible for carrying out the stated objectives.

PROJECT MANAGEMENT METHODOLOGY

The project management methodology employed by the Department is a disciplined, structured approach to managing projects. It addresses all phases of project management from conceptualization to completion. This methodology integrates scope, quality, time, costs, risk, human resources, contracts and communications with comprehensive guidelines for effective project management and administration, while providing sufficient flexibility to meet the needs of individual projects and project managers.

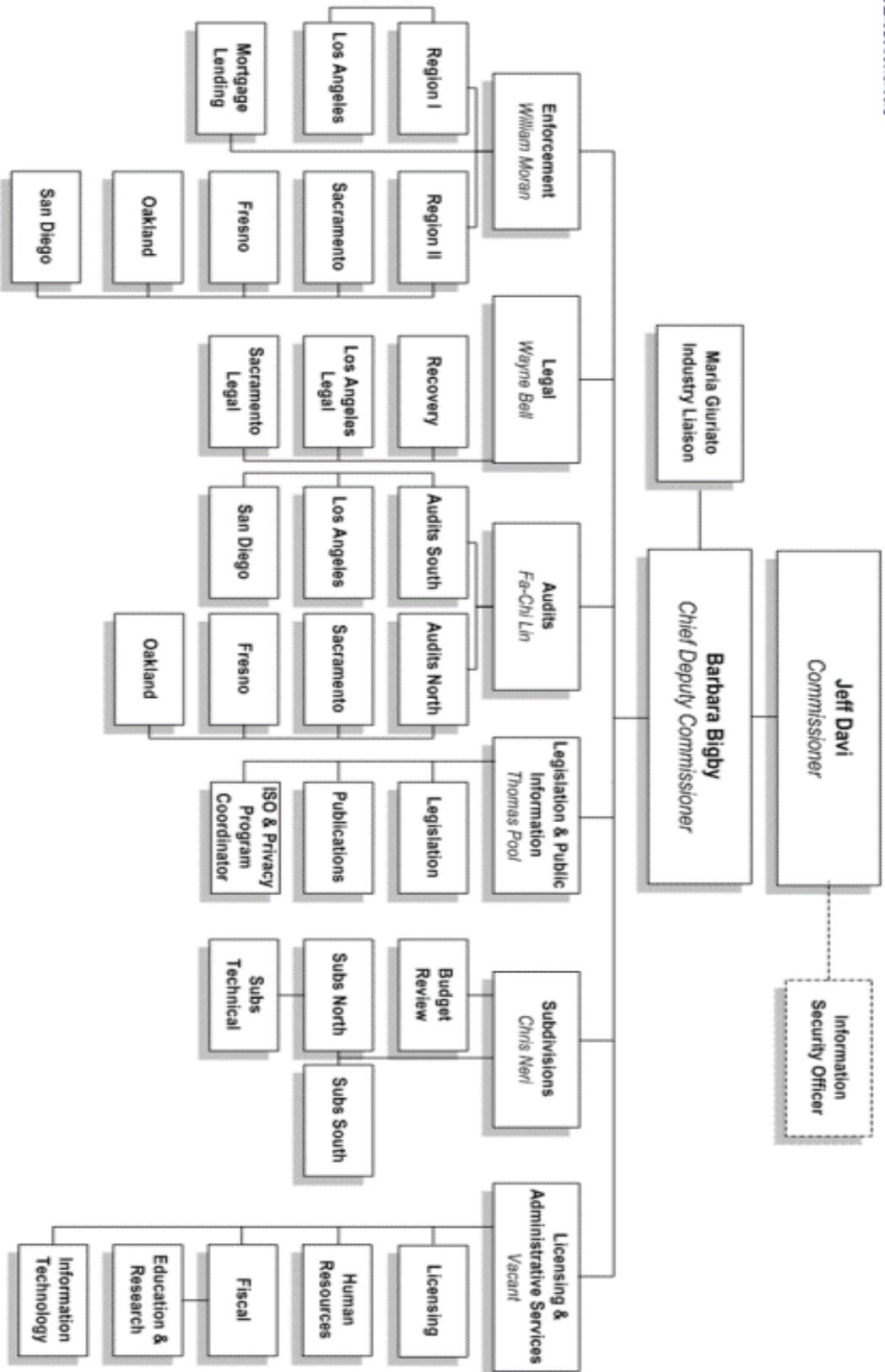
The system development methodology is folded into the project management methodology. The system development methodology follows the best practices of both the Project Management Institute's Project Management Book of Knowledge (PMBOK) and proven project management disciplines such as the Oracle CASE Method framework with which the Department has proven success. These practices cover the complete system lifecycle. The use of methodologies such as these is critical because it provides a framework by which complex problems can be attacked systematically by a group of technical experts consistently over the life of a project and into the system maintenance cycle. This process covers the Planning, Requirements Definition, Design, Build, Testing, Transition, and Production stages. This approach seeks to minimize mistakes to the maximum extent possible, adapts easily to anticipated change, and ensures that flexibility is designed into the structure of the system. Also, this methodology has defined benchmarks that are monitored and controlled as part of the project management effort.

These best practices, in addition to the State guidelines, generate a blended strategic approach to Project Management that are validated by the Department's performance management metrics. With the introduction of business intelligence tools and technology into the Department, management can gather, store, and analyze data differently to make better business decisions. The dynamic changes in the real estate market coupled with the drain of funding resources demands an increased frequency in decision making that will be served by time-based analysis.

APPENDIX



Department of Real Estate



APPENDIX B

RESOURCE ASSUMPTIONS

Depending on the impact of outstanding loan balances and lower revenue projections during this down market cycle, specific action plan items listed for fiscal years 2008/09, 2009/10, and 2010/2011 may be accomplished within existing or projected resources. The Department will develop contingency spending action plans that will be immediately invoked as conditions warrant.

APPENDIX C

FINANCIAL AND FULL-TIME EQUIVALENT (FTE) POSITION INFORMATION

EXPENDITURES:

2006-07 Actual	\$40,515,207
2007-08 Estimated	\$47,251,000
2008-09 Projected	\$44,833,000

POSITIONS (PY'S):

2006-07 Actual	318.2
2007-08 Estimated	341.0
2008-09 Projected	336.0

REVENUES:

2006-07 Actual	\$40,245,857
2007-08 Estimated	\$33,989,000
2008-09 Projected	\$32,989,000

APPENDIX D

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