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## Newsletter Archives

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## About Pam Strickland

Pam is a Real Estate Broker from Santa Barbara with over 42 years' experience in Real Estate and Mortgage Lending.

Past-President, CAMB (California Association of Mortgage Brokers). Selected Mortgage Broker of the Year in 1992 by the CAMB and in 1993 by the NAMB (National Association of Mortgage Brokers).

Past Member, SAFE MLO National Test Maintenance Committee.

Past Member, California Mortgage Review Committee for the SAFE Act Mortgage Test.

Past Member, National Legal Review Committee for the SAFE Act Mortgage Test.

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Any recommendations contained in this message are based on Pam's many years of personal experience and research in the Real Estate industry and must not be considered legal advice. Please consult with appropriate legal counsel for further clarification.

Contact Pam at:

[pam@pamstrickland.com](mailto:pam@pamstrickland.com)

**If you aren't prepared for a DRE audit (which can happen anytime) or a DRE investigation (which can also happen anytime) you are potentially in a world of hurt!**



## Application Fees

If you are conducting property management activities and are taking application fees for screening of tenants, those fees are trust funds and must be deposited into your trust account. This has been the DRE rule for many years (see the Spring 2014 Real Estate Bulletin for more information [https://dre.ca.gov/files/pdf/reb/rebspring\\_14.pdf](https://dre.ca.gov/files/pdf/reb/rebspring_14.pdf)), even though it has not been a big issue in audit examinations. However, this has now come to the forefront and is, indeed, a huge issue with audits. Make sure you are handling these fees correctly.

## Receipt of Funds

On the same topic of application fees (and any other receipt of funds, such as rent payments), the DRE does not accept all methods of receipt for these funds. For example, as of this writing, PayPal and Venmo are not acceptable for monies received into the broker's trust account. Those are just two examples, but unless the DRE has reviewed and accepted the method of receipt, there could be many other methods of receiving payments that can cause a violation to be cited in an audit. There is no "list" of acceptable payment processing vendors, so it is difficult to tell who has and who hasn't been vetted by the DRE. I wish I had a definitive way for you to know for sure whether your method of receiving rent, application fees, etc., is acceptable to the DRE, but unless your payments are being paid directly to your company or through your accounting software (i.e. AppFolio), reach out to me and I will see if I can help you determine if you are in compliance. [pam@pamstrickland.com](mailto:pam@pamstrickland.com)

## Written Policies & Procedures

It has always been a DRE requirement that a broker has written policies and procedures. Recently, however, this has become more of an issue in an audit or an investigation. The auditors and Special Investigators want a copy of them. Make sure yours are in writing and up to date.

## Management of Owned Properties

Brokers have long considered that if they are the owners of real property and are conducting the property management activities, this does not fall under the purview of the DRE and there is no need for a trust account. However, be very careful about the method of ownership. If your properties are owned in an LLC and there are other owners/members involved, you could be conducting property management activities without knowing it. Own a property with your brother and you are receiving a fee for management? You are in the property management business and need a trust account. Manage a property for your parents, but receive a fee? You are in the property management business and need a trust account. Manage properties for an LLC or corporation where you are only a partial owner/member? You are in the property management business and need a trust account. Let me know if you want to discuss your situation and what

is needed to bring you into compliance with the DRE rules and regulations.

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## Compliance Consulting

For a thorough evaluation of your company's compliance with the multitude of regulations that pertain to the real estate industry, Pam is available for private, confidential remote consulting. She can also help you prepare for and get through a DRE audit or office survey and make sure you know what reports you and your company are required to file. For more information, see her website at [www.pamstrickland.com](http://www.pamstrickland.com).

To arrange your consultation, send an e-mail message to Pam at [pam@pamstrickland.com](mailto:pam@pamstrickland.com).