

Arizona Department of Real Estate (ADRE)  
Real Estate Advisory Board  
March 14, 2012  
Minutes

The Arizona Real Estate Advisory Board met on March 14, 2012 at the Arizona Department of Real Estate (ADRE), 2910 N. 44<sup>th</sup>. Street, First Floor Conference Room, in Phoenix, Arizona.

I. Call to Order

Chair Charles Bowles called the meeting to order at 12:54 p.m.

Members present:

Charles Bowles, Chair, Tucson  
Carla Bowen, Vice-Chair  
Kim Clifton, Member  
Frank Dickens, Member  
Kim Horn, Member  
Patti Shaw, Member  
Ann White, Member

Absent:

Jo Ann Sabbagh

ADRE Representatives present:

Judy Lowe, Commissioner  
Mike Wheeler, Assistant Commissioner – Real Estate Services  
Sarah Dobbins, Chief of Staff  
Carla Randolph, Education Division Manager

Public:

Connie Wilhelm

II. **Introductions & Welcome**

Chair Bowles called the meeting to order at 12:54p.m. Chair Bowles welcomed Sarah Dobbins, Chief of Staff, Mike Wheeler, Assistant Commissioner – Real Estate Services and Connie Wilhelm, President and Executive Director, Home Builders Association of Central Arizona.

Assistant Commissioner Wheeler, who was formerly Manager of the Enforcement and Compliance Division, spoke briefly. He provided the committee with information on his new duties as well as an update on the types of cases Enforcement and Compliance is seeing an increase in- cases involving property management companies as well as cases with trust fund deficiencies. Mr. Wheeler also provided the group with an overview of the various types of actions Enforcement and Compliance can take.

Commissioner Lowe briefly explained the new roles of the staff members present. Member White requested that Advisory Board Members be provided with an updated Organizational

Chart.

**III. Minutes**

Upon a motion by Carla Bowen; seconded by Kim Clifton, the Minutes of the January 11, 2012 meeting were unanimously approved.

**IV. Facilitator Report**

Member Clifton mentioned two calls she received regarding issues and concerns with appraisals. A discussion ensued; Member Clifton stated she has addressed the issue with the individual that contacted her. Commissioner Lowe stated that there will be a Broker Beware article in the next ADRE Bulletin that discusses appraisals.

Member Dickens mentioned that since he is conducting BPO courses, he is receiving consistent inquiries with regard to entering BPO's electronically. The individuals making the inquiries are expressing concern that there are no specific guidelines; they are asking what the Auditor will want to see when he/she visits. Member Dickens stated that, thus-far his direction to those inquiring has been to take a screen shot of the front page and have a summary BPO. Member Dickens requested clarification as to what a broker needs to keep in a BPO file in order to be prepared for an audit. He also inquired if the Broker should be signing off on every BPO. Commissioner Lowe will check on both of the items. Member Clifton requested that the information be sent to the full Advisory Board.

Member White had no calls to mention. She requested that ADRE check to see that her email address is listed correctly on the website. Sarah Dobbins will look into this matter and follow up with Member White.

Member Bowen mentioned that she did not receive any facilitator calls, however she did have other items to bring to the group. She mentioned a concern with companies that have agents renting 'off-site' suites. A discussion ensued regarding off-site offices. Commissioner Lowe stated that off-site offices are a violation; however ADRE would have to know about a particular case in order to investigate. Member Bowen stated another issue she is seeing is Country Clubs attempting to offer referral fees or incentives to agents who bring new residents/members to the Country Club. A discussion ensued, Member Bowen recommended that this topic be used for an ADRE Bulletin article.

There were no other Advisory Board Members with facilitator reports.

**V. Personnel Reform - Commissioner Lowe**

Commissioner Lowe provided an update on the proposed Personnel Reform, which is currently making its way through the legislative process. Commissioner Lowe informed the group that Personnel Reform is the Governor's third cornerstone of reform. The Governor believes that State Government should operate in a manner that is more like private enterprise. One of the items addressed in the proposed legislation is the transitioning of all State employees from 'covered' to 'uncovered'. The Commissioner stated that ADRE currently has 6 or 7 covered employees; with that she stated that the proposed reform will not have a major impact on ADRE. Commissioner Lowe also commented that the original proposal included a 5% across the board increase in pay for uncovered employees. This

percentage may change as the proposal makes its way through the legislative process. Commissioner Lowe stated that, at the current time, 75% of ADRE employees are eligible, or close to being eligible for retirement. ADRE is focused on how to counter the employee changes that will occur as retirements occur.

VI. **2012 Legislative Update-**

Chair Bowles thanked Kim Horn and Frank Dickens for all their work on HB2357 Real Estate Broker's; Education. The Bill received Do Pass from the Senate Committee on Commerce & Energy earlier in the day.

Sarah Dobbins provided an oral update on the bills ADRE has been tracking:

**HB2026 Real Estate License Renewal** – Brokers may renew under a real estate salesperson license; language has been amended from the original proposal. They have removed language mentioning that the broker must pay all salesperson license fees. **Update:** The Bill has been through the House; on March 6<sup>th</sup>, at Senate rules it received an OK, the next step is consent.

**HB2195 Timeshares; Public Reports** – Developers must prepare a public report for use in the sale of timeshare interests; language has been modified to, amendments to timeshares; public reports. **Update: it is now called Timeshares; Amended Public Reports** – The Bill has been through the House. It received Do Pass from the Senate Commerce and Energy Committee on March 12<sup>th</sup>; received OK from Senate Rules and is scheduled for the Senate Consent agenda of 3/14/12.

**HB2357 Real Estate Broker's; Education** – Increases the number of credit hours of continuing education that real estate brokers must complete for license renewal to 30 hours from 24. It has been amended to include only Designated Brokers & others designated by the Designated Broker to review documents. **Update: The bill has been through the House; it was heard by the Senate Committee on Commerce & Energy on Wednesday, March 14 where it received a Do Pass.**

**SB1085 Real Estate Department; Continuation** – the statutory life of the Real Estate Department is extended 10 years to July 1, 2022. Retroactive to July 1, 2011.

**Update: on March 5, the Bill received an Ok from House Rules; it will now go to the House consent calendar.**

**SB 1299 Arizona Geological Survey** - In the bill, the Arizona State Land Department would no longer be required to provide ADRE with earth fissure maps and would require

the Arizona Geological Survey to provide the maps directly to the ADRE. **Update: on March 8<sup>th</sup> it passed through the House. It is ready for Governor Brewer's approval.**

Commissioner Lowe asked Connie Wilhelm, President and Executive Director of Home Builders Association of Central Arizona to give update on HB2611 Real Estate; Public Reports. Ms. Wilhelm explained, the bill states that, for the purpose of required real estate disclosures, a subdivider cannot be required to disclose items that are over one mile from the subdivision boundaries or items that are within foreign nations or tribal lands or on private property to which access is not granted to the general public. Additionally, the Real Estate Commissioner is authorized to contract with a private entity to examine a subdivision and make the findings public. In summary, it limits disclosures on subdivisions from a mile, it specifies tribal lands and foreign nations and provides language that allows developers to outsource inspections. This bill will be amended.

**VII. Pre-Licensing Education – Carla Randolph, Manager, Education Division**

Education Manager Randolph provided the following update with regard to Pre-Licensing Education:

- The testing vendor, Pearson Vue (PV), has been performing well. PV recently changed the platform for reporting. With the exception of a few glitches, the transition has been smooth. ADRE will now be able to receive examination score information in real time. PV is also making a transition to offer 'real time' on-line reservations. Many changes are being made in order to better utilize today's technology.
- PV is accommodating ADRE's new school reporting system. Education Manager Randolph will be meeting again in April with representatives from Pearson Vue and Subject Matter Experts.
- Education Manager Randolph announced that the Pre-Licensure Review Committee met on February 28, 2012.

**VIII. AMC Real Estate Committee – Cross Border Symposium**

Chair Bowles pointed out the flier for the AMC Real Estate Committee - Cross Border Symposium (see attached). Commissioner Lowe explained that the Arizona Mexico Commission has two large meetings per year. One meeting is held in Mexico and the other in Arizona. The day before the June event, which is being held in Tucson, the AMC – Real Estate Committee will be hosting a Cross Border Real Estate Symposium. Commissioner Lowe provided an overview of the topics that will be covered in the symposium.

**IX. Commissioner's Report-Judy Lowe, Commissioner**

Commissioner Lowe provided a report on active listing comparisons (see attached) Market Snapshot – Phoenix.

**a. Budget:**

Commissioner Lowe asked Business Services Manager, Michael Moan, to provide an update on the budget. Mr. Moan stated there is not a lot of new information to share at this time; he provided a review of the information presented at the January 11, 2012 meeting. He stated that the Governor's Office and the Legislature are currently in the negotiation process with the budget, however, ADRE is not privy as to the status of the negotiation. Mr. Moan has been in communication with the Governor's Office of Strategic Planning and Budgeting. We are at the stage of awaiting the outcome/ further information.

Mr. Moan also mentioned that it is important to note that the budget is independent of the Personnel Reform Bill.

Commissioner Lowe thanked Mr. Moan for all his work on the budget.

**b. Division Reports (See Attached)**

**c. Pending Issues**

Commissioner Lowe stated that she has just returned from Washington D.C. where she participated in a group as a representative for the National Association of Realtors. The group is charged with exploring how all real estate associations, including regulatory agencies, can build stronger partnerships. Commissioner Lowe reported that approximately 30 representatives participated in the meeting. They discussed political issues that need to be addressed for the industry as a whole. The big issue brought out in the meeting is the current shift among Americans from the "dream of homeownership" to the shift that it's "ok to rent". Commissioner Lowe stated that a focus needs to come back to the intrinsic benefits of homeownership and that over the next couple of years, she forecasts there will be a major campaign towards this effort.

**d. Other Matters**

Member Clifton requested that an item regarding auctions occurring on the "courthouse steps" and the potential for unlicensed activity be placed on the next meeting agenda.

Member Bowen commented on a major concern regarding fire hydrant inspections and water companies.

**e. Call to the Public**

Connie Wilhelm thanked the Commissioner and commented on what a pleasure it is to work with her. Ms. Wilhelm inquired as to whether or not others at the Washington, D.C. meeting commented on issues with HOA's. Per Commissioner Lowe, yes, concerns

with HOA's are coming from across the country.

**f. Next Real Estate Advisory Board Meeting: May 9, 2012**

**g. Adjournment**

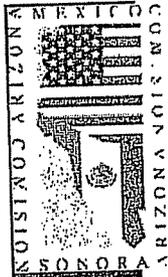
3:00pm, Motion to adjourn by- Chair Bowles  
Passed unanimously

Respectfully submitted this 9<sup>th</sup> Day of May, 2012  
Real Estate Advisory Board

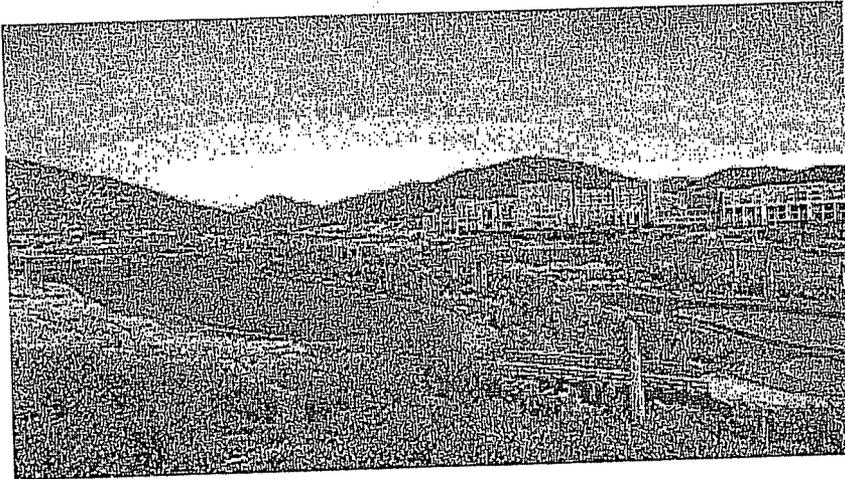
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Charles Bowles, Chair

**DRAFT**



*The Arizona-Mexico Commission Real Estate Committee  
Promoting Sonora and Arizona Region as  
the "Best Value"  
Cross Border Real Estate Symposium*



**MARRIOTT STARR PASS, TUCSON, ARIZONA  
JUNE 6, 2012, 9:00AM-3:00PM**

*Program Includes:*

- \* Benefits to International Relationship*
  - \* Understanding Real Estate Licensure in Arizona & Sonora*
  - \* Taxation of Real Estate - Arizona and Sonora*
  - \* State of the Real Estate Market - Arizona/ Sonora*
  - \* Continuing Education Hours to be applied for Arizona and Sonora*
- Cost—\$40.00 (includes lunch)*

**Don't Miss this Great Event!**  
**TO REGISTER CONTACT**  
Sarah Dobbins at [sdobbins@azre.gov](mailto:sdobbins@azre.gov)  
For information on the Arizona-Mexico Commission visit [www.azmc.org](http://www.azmc.org)

Sponsorships Available - For further information  
contact Sarah Dobbins, Chief of Staff, Arizona  
Department of Real Estate at [sdobbins@azre.gov](mailto:sdobbins@azre.gov)

# **The Four Cornerstones of Reform**

## **Third Cornerstone of Reform: State Government - Personnel Reform**

### **Provisions of Personnel Reform Legislation**

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#### **Consolidate Personnel Systems**

- Nine of the existing personnel systems within the Executive Branch will be consolidated into one system called the State Personnel System. The systems that will be consolidated include:
  - Governor's Office
  - ADOA Personnel System, which includes 91 state agencies, boards and commissions
  - Arizona State Retirement System
  - Cotton Research Council
  - Department of Gaming
  - Department of Public Safety
  - Department of Tourism
  - Public Safety Personnel Retirement System
  - Secretary of State

#### **Transition to At-Will Workforce**

- Beginning September 29, 2012, the following individuals would become at-will uncovered:
  - New hires
  - Supervisors
  - Employees employed as attorneys
  - Employees employed in information technology positions
  - Employees in grade 19 and higher positions
  - A covered employee who voluntarily elects to become uncovered
  - A covered employee who voluntarily accepts a new assignment (e.g. promotion, transfer)
- A current covered employee that does not meet the criteria listed above shall remain covered as long as the employee continues in covered status without a break in service.
- Employees in positions that require full authority peace officer certification and employees in Correctional Officer I, II or III positions will retain their current covered/uncovered status unless the employee in the position elects to become uncovered.

#### **State Personnel Board**

- Increases the threshold for appealing suspensions from greater than 40 to greater than 80 hours.
- Modifies the Board's authority. The Board cannot modify or overturn decisions made by the agency and the Board cannot modify the penalty implemented by the agency.
- Modifies the compensation of the Board members from \$30/day to \$200/day.

#### **Law Enforcement Merit System Council**

- Replaces the current Law Enforcement Merit System Council with a five-member State Law Enforcement Personnel Board.
- Modifies the Board's authority.
  - Hears appeals for full authority peace officers at DPS (Covered civilian DPS employees may appeal to the State Personnel Board).
  - Authority to adopt rules, administer classification, compensation and performance management systems shift to the State Personnel System
  - Board cannot modify or overturn decisions made by the agency and the Board cannot modify the penalty implemented by the agency.
- Provides compensation of the Board members up to \$200/day.

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**Provisions of Personnel Reform Legislation**  
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**Reduction in Force**

- Retention will be based on employee's performance and not on seniority; prohibits an agency from adopting policies that provide retention based on tenure or seniority.

**Administrative Leave**

- Requires agencies to report to ADOA if an employee is placed on administrative leave with pay during any investigation if the leave totals 80 hours or more. Agencies must report on a weekly basis thereafter until the administrative leave is terminated.
- Requires approval from ADOA if administrative leave exceeds 30 days.

**Overtime/Compensatory Leave**

- Except for state employees engaged in law enforcement or probation officer activities, eliminates the requirement for employees exempt from the Fair Labor Standards Act (FLSA) to receive leave for each hour worked over 40 hours in a work week.
- Defines the state work week with specific provisions for the Department of Corrections.

**Hiring Practices**

- Requires ADOA to develop procedures and standard forms for all agencies to use to verify education and work history of applicants.

**Workers' Compensation**

- Requires employees that are injured on the job to seek care from a medical care network established by ADOA's Risk Management.

**Director Term and For Cause Provisions**

- With the exception of the DPS Director, eliminates agency director terms and removal for cause provisions.
- Allows current directors with term provisions to continue to serve until the expiration of their term.
- Modifies the term of the DPS Director; serves concurrently with the appointing Governor.

**Director Search Committees**

- Eliminates requirement for search committees of Cabinet Agency Directors.

**Third Cornerstone of Reform: State Government - Personnel Reform**  
**Provisions of Personnel Reform Legislation**  
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**Miscellaneous**

- Subject to ADOA approval, allows agencies to spend monies for travel expenses associated with interviewing out-of-state candidates and relocation expenses if an out-of-state candidate is appointed; agencies must report by September 1 each year to OSPB and JLBC if any monies are spent for this purpose.
- Repeals teacher/school staff salary study by ADOA (A.R.S. §15-1331).
- Amends the authority to appoint the Executive Director of Arizona State Parks and the Director of Industrial Commission to the Governor; both Director serve at the pleasure of the Governor pursuant to A.R.S. §38-211.
- Requires agencies to treat employees in accordance with guiding principles except those specifically exempted.
- Authorizes the reduction in state office hours to implement furloughs if necessary.
- Makes conforming changes to agencies' statutes that agency employees are subject to the new state personnel system article.
- Makes conforming changes to agencies' statutes that ADOA salary schedules are mandatory for all employees except those specifically exempted.
- Provides exemption from rule making requirements.
- Allows ADOA to expend up to the amount of revenues in the personnel fund for FY2013.





# Education Division Statistics - FY 2012

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	6 month	Year-end
<b>APPLICATIONS</b>														
Applications Received *	87	147	137	79	95	145	152	200					1042	1042
Pending Applications	6	19	30	14	30	49	47	58					273	273
Applications Processed	117	135	127	94	75	116	163	195					40	40
School	5	5	4	1	1	9	6	9					370	370
Course	35	49	46	27	26	39	63	85					67	67
Distance Learning	9	6	7	8	6	11	15	5					501	501
Instructor	61	71	67	56	40	45	74	87					44	44
Owners ST of Qualifications	7	4	3	2	2	12	5	9						
<b>PROCESSING TIME</b>														
Original Approvals	9	5	7	9	9	9	15						63	63
Expedited Approvals	1	1	1	1	1	1	5						11	11
Complex	27	27	24	24	24	23	30						179	179
Average age of pending applications	9	5	7	9	19	9	16						5	6
<b>STATUS REPORT</b>														
Pending School Applications	0	0	0	0	1	0	0	1					0	0
Pending Course Applications	3	5	8	2	8	12	5	5					12	0
Pending Instructor Applications	1	11	13	9	17	26	10	3					26	0
Pending Distance Learning Applications	2	4	10	4	4	14	1	7					14	0
Pending Owner/Administrator Applications	0	0	2	0	0	2	1	5					2	0
Pending School Renewal Applications	0	0	0	0	1	2	1	2					2	0
Pending Course Renewal Applications	0	2	0	0	2	7	13	7					7	0
Pending Instructor Renewal Applications	0	0	0	0	3	2	2	0					2	0
Pending Distance Learning Renewal Applications	0	0	0	0	1	2	1	23					2	0
Pending Expedited Course Applications	0	0	0	0	0	0	0	0					0	0
Pending Expedited Instructor Applications	0	0	0	0	7	1	13	5					1	0
Number of Schools- Active Status (Includes Branches) *	238	241	242	239	240	234	233	233						0
Number of Active-Status Courses *	3635	3640	3676	3661	3680	3690	3713	3694						0
Number of Instructors *	1246	1248	1242	1234	1231	1227	1228	1225						0
<b>EDUCATION DIVISION</b>														
Education Audits Conducted	0	1	2	4	0	10	0	0					17	17
Volunteer Monitor Assignments	0	1	9	27	12	14	10	17					90	0
Number of 14 Day Course Notices Entered (not online)	60	63	0	0	0	0	0	5					128	0
Processing Time - Waivers	10.5	16	14	5	3	6	10	3					9	6
<b>STAFF AND CONTACTS</b>														
Number of Staff	3	3	3.5	3.5	3.5	2.5	3	3					25	25
Walk-Ins	20	14	9	2	4	7	5	2					63	63
Phone Calls	388	721	701	395									2205	2205
E-Mails	357	426	350	163	170	95	342	458					2361	2361
<b>EXAMS AND SALES</b>														
Exams administered *	494	558	508	504	447	471	463	507					3952	3952
Broker *	56	67	53	51	62	60	71	44					464	464
Sales *	424	482	444	449	379	405	384	456					3423	3423
Other	14	9	11	4	6	6	8	7					65	65

## Auditing & Real Estate Investigations Division Statistics - FY 2012

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	6-month	Year-end
<b>REAL ESTATE INVESTIGATIONS</b>														
New Cases Received *	94	69	58	53	55	44	66	57					496	496
Cases Completed *	123	97	60	63	51	31	48	50					623	523
Cases Pending	126	98	96	89	94	99	124	130					99	0
Caseload per Investigator*	42.0	33	33	30	31	33	41.0	43.0					286	286
Completed Cases per Investigator	41	32	20	22	17	10	16	16					174	174
Cases sent to Enforcement & Compliance	16	25	9	20	9	2	13	7					101	101
Letter of Concern	10	7	2	5	2	1	4	6					37	37
Closed by E&C	0	0	0	0	1	0	1	0					2	2
Case Closed - Insufficient Evidence**	40	30	29	21	25	14	18	17					194	194
Average # of days from open to completion/transfer *	153	126	44	67	43	34	78	84					629	629
Average age of pending cases (in days) *	146	96	117	110	117	137	115	107					121	79
<b>AUDITING</b>														
Broker Audit Declarations Received (ALL)	179	347	226	241	35	238	259	283					1266	1808
Number Received Online	168	331	221	229	29	229	255	235					1207	1697
Percentage Received Online	94%	95%	98%	95%	83%	96%	98%	98%					110%	63%
Incomplete Broker Audit Declarations	17	16	17	16	5	69	67	42					140	249
Broker Audit Declarations Processed	179	347	226	241	35	188	193	241					169	1631
Electronic Broker Audit Reviews Processed	9	4	11	12	5	2	3	9					43	55
Auditing Cases Pending	33	50	54	40	45	37	37	37					37	0
Auditing Cases Closed	12	25	23	19	13	11	12	4					103	119
Auditing Cases Sent to E & C *	5	3	3	4	6	1	6	8					22	36
Field Audits Completed *	0	2	4	6	3	2	8	9					17	34

# Development Services & Investigations Division Statistics - FY 2011

Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12 Mar-12 Apr-12 May-12 Jun-12 6-month Year-end

## DEVELOPMENT SERVICES

Case Numbers														
Number of Applications Received *	5	13	7	12	14	15	13	13					92	92
Regular Subdivision	1	3	0	12	2	3	2	5					28	28
Expedited Subdivision	4	10	7	12	12	12	11	8					76	76
Amendments	0	0	0	0	0	0	0	0					0	0
Public Reports Issued *	42	40	35	27	31	31	40	29					275	275
Regular Subdivision	2	3	4	3	1	1	2	4					20	20
Expedited Subdivision	10	9	3	11	14	11	14	9					81	81
Amendments	30	28	28	13	16	19	24	16					174	174

Inspections														
Out-of-state Inspections	N/A					0	0							
In-State Inspections	N/A					0	0							

Pending Applications														
Unassigned Regular Apps	0	1	0	0	0	0	0	0					0	0
Unassigned Expedited Apps	0	1	0	0	0	0	0	0					0	0
Unassigned Amended Apps	0	14	0	16	0	0	0	0					0	0
Assigned Regular Apps	7	7	3	3	4	6	3	10					6	0
Assigned Expedited Apps	0	3	6	9	12	11	4	4					11	0
Assigned Amended Apps	16	7	14	2	30	24	21	25					24	0
Total # of Pending Applications	23	33	23	30	46	41	28	39					41	0

Subdivision Audits														
Audits Conducted	N/A					0	0							

Exemption Requests	11	17	20	8	6	6	6	7					81	81
Exemptions Issued	3	16	28	11	11	4	12	11					94	94
Conditional Sales	2	1	3	3	4	1	2	4					20	20
Lot Reservations	1	3	8	2	3	0	9	2					28	28
Subsequent Owner Exemptions	7	16	15	10	11	4	12	2					77	77

Administrative Review	13	17	38	26	47	39	28	38					246	246
Improved Lot Subdivision (regular)	0	5	3	3	4	7	3	9					34	34
Improved Lot Subdivision (expedited)	3	3	6	9	12	7	4	4					48	48
Exemptions	10	9	16	15	4	2	0	9					65	65

Customer Service Surveys														
Excellent	N/A					0	0							
Good	N/A					0	0							
Fair	N/A					0	0							
Poor	N/A					0	0							

All Cases														
New cases opened *	7	12	5	0	4	1	6	6					41	41
Cases completed and sent to E&C	2	3	1	0	2	0	0	1					9	9
Cases closed *	12	8	3	4	3	0	6	3					39	39
Average # of days from open to close/completion	185	187	548	97	158	N/A	12	278					1465	1465
Pending Investigations *	27	27	27	24	23	26	25	27					26	0
Average # days open (pending cases only)	560	512	480	558	578	550	599	542					540	365
Average Number of Investigators	1	1	1	1	1	1	1	1					1	1

Illegal Subdivision Cases														
New cases opened	1	3	2	0	0	0	0	1					7	7
Cases completed and sent to E&C	1	2	0	0	0	0	0	1					4	4
Cases closed	1	1	0	0	0	0	0	0					2	2
Pending Investigations	13	13	14	14	14	14	14	14					14	0

New cases opened	6	9	3	0	4	2	6	5					35	36
Cases completed and sent to E&C	1	1	1	0	2	0	0	0					5	5
Cases closed	9	7	3	4	3	0	6	3					35	35
Pending Investigations	14	14	13	10	9	12	11	13					12	0

# Enforcement & Compliance Division Statistics - FY 2012

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	6-month	Year-end
<b>ENFORCEMENT</b>														
New Cases Received *	37	33	23	65	41	43	19	21					282	282
Cases Closed *	50	39	39	44	62	49	24	46					353	353
Cases Closed (By Number of Respondents)	67	54	48	76	88	69	40	46					488	488
Total Cases Pending *	254	252	243	264	242	234	229	205					234	0
<b>Licensing/Disciplinary</b>														
Open Cases	235	233	225	249	235	223	218	195					223	0
Closed Cases	45	43	37	38	59	47	24	44					47	0
<b>Subdivisions (Illegal)</b>														
Open Cases	14	13	11	10	7	6	6	6					6	0
Closed Cases	4	9	2	1	3	1	0	0					1	0
<b>Subdivisions (violations)</b>														
Open Cases	5	7	7	5	5	5	5	3					5	0
Closed Cases	1	0	0	2	0	1	0	2					1	0
Caseload per Settlement Officer	19	18	12	19	19	18	17	12					134	134
Completed Cases per Settlement Officer	20	19	15	29	20	20	15	12					150	150
Settlement Conferences held	1	2	2	6	5	3	5	7					31	31
Cases assigned to AGO (new)	10	17	10	15	8	10	3	8					81	81
Cases assigned to AGO (total) *	210	217	219	221	204	198	195	179					198	0
Hearings held	1	2	2	2	5	1	0	5					18	18
Cases at hearing where Dept prevailed	0	2	2	0	5	1	1	0					11	11
<b>Case Outcome</b>														
Commissioner's Final Orders	8	6	4	8	13	8	1	16					48	5
Cease & Desist Order	0	2	0	2	2	3	1	1					11	1
Summary Suspension Order	3	0	0	0	0	0	0	3					6	1
Consent Orders	10	5	8	4	13	4	14	7					65	5
Accelerated Settlement Agreements	21	10	16	21	23	16	10	15					132	11
Advisory Letter of Concern	5	4	4	14	2	3	0	0					32	3
Closed by E&C (Administrative Closure per Respondent)*	20	27	20	27	37	35	14	4					184	15
<b>Civil Penalties</b>														
Number of Civil Penalties *	30	15	24	23	40	21	18	25					153	196
Amount of Civil Penalties (in thousands) *	24.0	24.4	23.0	16.4	97.5	30.0	24.2	34.7					215	274
<b>Education Fund</b>														
Number of Education Fund Grants	0	0	0	1	0	0	0	0					1	0
Amount of Education Fund Grants (in thousands)	0	0	0	0.5	0	0	0	0					1	0
<b>Time</b>														
Average # of days from open to close	167	245	150	125	284	272	216	311					1770	148
Average age of pending cases	294	304	332	316	320	315	346	352					2579	215
Telephone Calls (Incoming to E&C)	413	636	516	406									1971	1971
<b>COMPLIANCE</b>														
New cases received	19	7	13	8	17	12	10	14					98	98
Cases closed	19	27	12	11	19	12	8	8					116	116
Total Cases Pending	233	213	214	209	207	207	209	215					207	0
Cases referred for further action (non-compliance issues)	8	6	4	5	0	5	4	4					36	3
Cases referred for collection (non-compliance-civil penalty)	0	1	0	0	0	0	0	0					1	0

\* Jan 2012 Surrenders - 1

# Business Services Division Statistics - FY 2012

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	6-month	Year-end
<b>HUB</b>														
<b>Calls Received</b>														
771-7799 - HUB	2,232	3,249	2,839	1,870	1,154	6,261							17,605	17,605
771-7760 - Commissioner's Office	287	423	463	229	199	432							2,033	2,033
771-7700 - Licensing	641	1016	798	604	378	1706							5,143	5,143
771-7730 - Investigations	78	151	119	68	51	93							560	560
<b>CE Deficiency Process</b>														
Letters Mailed *	348	104	150	58	72	106	144	106					838	1,088
Referred to E&C *	16	15	16	16	9	9	5	5					81	91
<b>Complaints</b>														
Received	87	79	86	53	55	45	42	46					405	493
Processed/Opened	87	79	86	53	51	48	42	45					404	491
Pending	0	0	0	0	3	0	0	1					3	4
<b>MAIL ROOM</b>														
Received	806	935	801	767	626	661	690	628					4,596	5,914
Sent *	1,168	964	842	876	678	697	754	726					5,225	6,705
Certified Mail Sent	59	111	54	66	40	27	35	50					357	442
Interagency Mail Runs	4	5	3	4	1	4	4	3					28	28
<b>PUBLIC RECORDS REQUESTS ASSISTANCE BY BUSINESS SERVICES</b>														
New Requests	18	19	22	21	12	11	9	13					125	125
Number of files Redacted	0	0	2	3	1	1	1	0					450	11
Scanned/Copied	10	13	13	17	6	5	26	16					106	106
Pending this month	7	13	5	2	8	7	2	11					55	55
Pending previous months	2	3	0	1	0	2	0	0					8	8
<b>DISCLOSURES</b>														
Disclosures Received *	40	57	54	51	44	44	37	43					290	370
Disclosures Processed	57	39	40	45	32	59	34	33					339	339
Disclosures Pending Previous Month	15	19	34	47	12	10	16	13					10	0
Disclosures Pending Same Month	1	28	24	22	12	0	3	23					0	0
<b>APPLICATION PROCESSING</b>														
License Certifications Received	26	57	48	46	40	33	21	34					305	305
License Certifications Processed	26	56	49	46	40	33	21	34					305	305
License Certifications Pending	0	1	0	0	0	0	0	0					0	0
Broker Verifications Received	10	25	11	20	33	24	37	44					123	204
Broker Verifications Processed	10	24	11	20	33	22	37	42					199	199
Broker Verifications Pending	0	1	0	0	0	2	0	2					2	0
<b>RECOVERY FUND</b>														
New cases received	4	4	1	0	1	0	2	1					13	13
Cases closed	2	1	7	0	0	1	0	0					11	11
Total Cases Pending	8	11	5	5	6	6	8	9					6	0
<b>Recovery Fund Payouts</b>														
Number of Recovery Fund Payouts	0	0	0	0	2	1	0	0					3	3
Amount of Recovery Fund Payouts (in thousands)	0.0	0.0	0.0	0.0	45.1	29.8	0.0	0.0					74.9	74.9
<b>Potential Liability</b>														
Number of Potential Liability Cases	7	7	5	6	4	4	6	7					4	0
Amount of Potential Liability Cases (in thousands)	201.0	236.1	170.4	215.5	84.8	110.2	150.2	175.6					110	0
Cases referred for investigation	0	1	0	0	0	0	0	0					1	1
Cases referred for collection (non-compliance-restitution)	0	0	0	0	0	0	0	0					0	0

\*Condo Fund Application for \$87.8 of total potential liability

**Arizona Department of Real Estate  
Licensed Individuals & Entities**

March 8, 2012

	Active	Inactive	Total Current	In Grace Period	Current + Grace Period
<b>Individuals</b>					
Broker	12,627	1,818	14,445	895	15,340
Salesperson	35,582	20,463	56,045	8,022	64,067
<b>Total Individuals</b>	<b>48,209</b>	<b>22,281</b>	<b>70,490</b>	<b>8,917</b>	<b>79,407</b>
<b>Last month</b>	<b>48,937</b>	<b>23,105</b>	<b>72,042</b>	<b>7,239</b>	<b>79,281</b>
<b>% change from last month</b>	<b>-1.49%</b>	<b>-3.57%</b>	<b>-2.15%</b>	<b>23.18%</b>	<b>0.16%</b>
<b>Same month last year</b>	<b>51,084</b>	<b>25,129</b>	<b>76,213</b>	<b>1,727</b>	<b>77,940</b>
<b>% change from last year</b>	<b>-5.63%</b>	<b>-11.33%</b>	<b>-7.51%</b>	<b>416.33%</b>	<b>1.88%</b>
<b>Entities</b>					
Branch, corp	285	157	442	195	637
Branch, liability	307	182	489	88	577
Branch, Partnership	3	2	5	1	6
Branch, Self-Employed	34	26	60	18	78
Corporation	1,303	350	2,153	214	2,367
Limited Liability	3,067	541	3,608	416	4,024
Partnership	41	8	49	4	53
Self-Employed Broker	2,889	242	3,131	427	3,558
<b>Total Entities</b>	<b>8,429</b>	<b>1,508</b>	<b>9,937</b>	<b>1,363</b>	<b>11,300</b>
<b>Last month</b>	<b>8,487</b>	<b>1,723</b>	<b>10,210</b>	<b>1,043</b>	<b>11,253</b>
<b>% change from last month</b>	<b>-0.68%</b>	<b>-12.48%</b>	<b>-2.67%</b>	<b>30.68%</b>	<b>0.42%</b>
<b>Same month last year</b>	<b>8,738</b>	<b>1,916</b>	<b>10,654</b>	<b>251</b>	<b>10,905</b>
<b>% change from last year</b>	<b>-3.54%</b>	<b>-21.29%</b>	<b>-6.73%</b>	<b>443.03%</b>	<b>3.62%</b>
<b>Individuals &amp; Entities</b>					
<b>Total - this month</b>	<b>56,638</b>	<b>23,789</b>	<b>80,427</b>	<b>10,280</b>	<b>90,707</b>
<b>Total - previous month</b>	<b>57,424</b>	<b>24,828</b>	<b>82,252</b>	<b>8,282</b>	<b>90,534</b>
<b>% change from last month</b>	<b>-1.4%</b>	<b>-4.2%</b>	<b>-2.2%</b>	<b>24.1%</b>	<b>0.2%</b>
<b>Total - this month</b>	<b>56,638</b>	<b>23,789</b>	<b>80,427</b>	<b>10,280</b>	<b>90,707</b>
<b>Total - same month last year</b>	<b>60,856</b>	<b>25,921</b>	<b>86,777</b>	<b>1,941</b>	<b>88,718</b>
<b>% change from last year</b>	<b>-6.9%</b>	<b>-8.2%</b>	<b>-7.3%</b>	<b>429.6%</b>	<b>2.2%</b>



**Arizona Real Estate Advisory Board**  
**2910 N. 44<sup>th</sup> Street, Suite 100**  
**Phoenix, Arizona 85018**

Janice S. Brewer  
Governor

Arizona Real Estate  
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March 14, 2012

The Honorable Janice Brewer  
Governor of Arizona  
1700 West Washington Street, 9<sup>th</sup> Floor  
Phoenix, Arizona 85007

Dear Governor Brewer,

It is with distinct pleasure I send you this annual report on the 2011 accomplishments of your Arizona Department of Real Estate (ADRE) Advisory Board activities, in conjunction with your Commissioner Judy Lowe, and her capable staff. As you know the opportunities and challenges abound throughout both the private and public sector, and for those of us like you, who choose to always take the high road, we will continue to work smart, as well as hard on your behalf. Your Advisory Board includes individuals who have many years of experience and bring that element of professionalism to bear on each matter that comes before us. We are all your eyes and ears, on behalf of the ADRE, in the communities we serve throughout our State.

It is good for all of us that Commissioner Lowe continues, with her pro active, positive attitude in continuing to find creative solutions to enforcing regulation, monitoring educators, enhancing licensing procedures, keeping current on the fast moving industry technological applications and enhancing and streamlining the Departments policies and procedures as they apply to the Departments annual goals.

Commissioner Lowe is a credit to your careful selection of those who serve under you in your administration, in her ability to flex and adjust to the multiple changes and challenges our State and Nation's economic circumstances have placed on you, on Arizona, families and businesses. Because of the Commissioner's experienced leadership, her staff has developed a confidence and respect for her, helping them to learn to multi task with a smile. When I visit the department and speak with individuals on her staff these attributes are obvious.

Respectfully Submitted,

Charlie Bowles  
Chairman 2011

Arizona Department of Real Estate (ADRE)  
Summary of Accomplishments  
2011

Beginning 2011, Commissioner Lowe reported to the Real Estate Advisory Board that the ADRE TEAM would be developing and implementing a 2011-2015 ADRE Strategic Plan. The strategic issues to be addressed would be: increased protection to the public; enhanced quality of licensee real estate education; streamlined/efficient ADRE delivery of service; maximized ADRE technology platform; a committed, skilled and accountable ADRE TEAM; and, adherence to ADRE fiscal guidelines. These objectives are being accomplished by robust initiatives in partnership with Arizona's real estate industry, continued ADRE employee commitment and accountability, and support by the public. In spite of a very large reduction in ADRE staff, ADRE has been very successful in meeting its established goals which have resulted in an increase in productivity, better customer services and enhanced protection for the consumer.

The following reflects the 2011 individual division accomplishments and successes.

**Commissioner's Office-**

- Commissioner Lowe wrote, on February 15, 2011, an article on "Short Sale Negotiator Regulations", providing clarification on the role of ADRE in regards to the Mortgage Assistance Relief Services (MARS) guidelines provided by the Federal Trade Commission (FTC).
- In partnership with the Arizona Association of REALTORS® (AAR), ADRE produced the "Short Sale Seller Advisory" as a resource for Real Estate Consumers contemplating a Short Sale of their property.
- The "Buying Real Estate in Mexico, A Consumer Guide" was revised, reprinted and made available at the Arizona-Mexico Commission (AMC) June 2011 Plenary. (Commissioner Lowe is a Co-Chair of the AMC Real Estate Committee.) The Guide is being distributed to the Public through several distribution methods, as well.

**Business Services Division-**

- Developed process and procedures for each Division, which were incorporated into the Department's Procedures Manual.
- Produced user friendly forms (clear, concise and fill able) to assist in the renewal process.
- Improved the knowledge and skill level of our HUB, which is the Public's first point of contact with ADRE.

**Information & Technology-**

- Implemented the ability for licensees to "scan" their service request submissions to ADRE and/or use the Online Renewal System. The use of these electronic services is strongly encouraged.
- Developed and implemented an online "Messaging" Center.
- Licensees utilizing the Online Renewal Licensing System equaled **25, 518** for 2011.
- Developed and are implementing an electronic Document Storage program.
- Developed and are implementing a new ADRE Intranet-SharePoint

**HUB-**

- Assisted over 6,000 callers each month; encouraging callers to utilize the ADRE website: [www.azre.gov](http://www.azre.gov)

**Education Division-**

- Mandated instructor continuing education for original and renewal instructor applicants.
- Incorporated the Continuing Education Rule content for each category, or subject area, for instructor application approval.
- Enhanced the professional qualification requirement for an instructor to teach pre license education courses, and the broker management clinic continuing education courses.

- On July 2011 the Real Estate Advisory Board established a Continuing Education Committee, composed of Stakeholders from the entire real estate industry to review the need for modification to the real estate license renewal education requirements. This Committee brought forth a recommendation to the Advisory Board on September 13, 2011. The recommendation included:
  - Increasing all Broker Licensee Continuing Education from 24 hours to 30 hours every two years, with additional 6 hours being required in Broker Management Clinic.
  - The 2012 Legislative HB 2357 is the result of this recommendation.
- The Real Estate Instructor Approval/Renewal Application became effective January 17, 2011. The Real Estate Advisory Board endorsed the Real Estate Instructor Approval/Renewal Application on January 20, 2011.
- Implemented online viewing of instructor category approval(s)
- February 2011- reviewed over 200 Real Estate School Audit Declarations as required according to Substantive Policy Statement 2010.03 to ensure compliance of statutes, rules and policies.
- May 2011- The ADRE Model Broker's Policy and Procedure Manual was developed by a Broker Committee including: Holly Eslinger, Tom Fannin, C. Dale Hillard, Michelle Lind, and Jan Steward. Posted to [www.azre.gov](http://www.azre.gov)
- 8/2011- completed file purge project and prepared necessary documentation to timely purge established records.
- 9/1/2011- mandated online entry of 14-day Course Notice and added other features to accommodate schools.
- October 2011- Implemented a process for course and instructor approvals, to accommodate the new legislation (SB 1292) requiring instructors to complete instructor development workshop emphasizing instruction methods, techniques and skills.
- Enabled schools to view the sponsor school information on the public database
- Implemented scanning of all incoming applications and pertinent correspondence.
- November 2011- after a new volunteer recruitment period, held Volunteer Monitor Orientation to appoint more monitors to assist ADRE in monitoring the many pre licensure and continuing education courses.
- Completed scanning of all hard copy files (84-100ft of records)
- 1.5 years of careful review of course applications based on enhanced application.
- 1 year of careful review of all instructor applications based on enhanced application.

During 2011, the Education Division maintained an average of 31 pending applications, even after implementing a complex review of instructor qualifications in January 2011 with a staff of 3 employees. The increase in pending applications at the end of December 2011 was based on performance of two employees due to a temporary position vacancy.

Applications	As of 12/31/2010	As of 12/31/2011	Increase/Decrease
New Applications Received During Year	1561	1512	-3%
Applications Closed During Year	1514	1437	-5%
Open Pending Applications	20	47	135%

#### Customer Service & Licensing Division-

- Licensing improved performance on the scanning processes as well as, email responsiveness
- Total Services delivered in 2011 equal **14,590**
- Increased the licensees' usage of ADRE scanning and online capabilities.
- Implemented the electronic receipt of licensee's documents
- Streamlined the process for each real estate license application type

Real Estate Licensing	As of 12/31/2010	As of 12/31/2011	Increase / Decrease
Original Licenses (Sales & Broker)	4412	3965	-11%
Renewals (Sales)	3326	10,906	+70%
Renewals (Broker)	943	3171	+70%
Renewals (Entity)	423	1666	+75%
Walk-in Customers	14638	12363	-15%
Total Number of Transactions Processed	5085 (7months)	11241 (12 months)	+55%

#### Investigations & Development Services Division-

During 2011, the Division's Investigators and Auditors reduced the number of pending investigations, while working together to increase Auditing activities throughout the state. The Development Services staff has continued to provide customer service to developers and title companies in the filing of Pubic Report applications, while assisting the public by fulfilling Public Records requests.

Real Estate Investigations	As of 12/31/2010	As of 12/31/2011	Increase / Decrease
Open Pending Cases	265	99	-63%
New Cases Received During Year	656	708	+7%
Cases Closed During Year	676	860	+21%
Average Age of Open Cases (Days)	207	137	-34%
Average Case Closure (Days)	236	37	--86%

The Real Estate Investigators have lowered the number of pending cases by two-thirds to 99 and the average age of those cases by approximately 34% TO 137 days.

Subdivision Investigations	As of 12/31/2010	As of 12/31/2011	Increase / Decrease
Open Pending Cases	38	26	-32%
New Cases Received During Year	51	60	+15%
Cases Closed During Year	130	83	-40%
Average Age of Open Cases (Days)	544	550	+2%
Average Case Closure (Days)	429	269	-37%

The Subdivision Investigative staff has reduced the number of pending subdivision investigations; however, the timeframes for completion of cases has remained fairly constant.

Auditing	As of 12/31/2010	As of 12/31/2011	Increase / Decrease
Open Pending Cases	29	37	+22%
New Cases Receiving During Year	45	216	+79%
Cases Closed During Year	27	209	+87%

Prior to 01/01/2010, only Auditing cases that were referred to Enforcement and Compliance were given case numbers. Beginning in June 2010, all Auditing cases were assigned case numbers for tracking purposes. In 2011, the Department's Auditors increased the number of on-site audits and electronic broker audit reviews being conducted, as well as, the number of follow-up inquiries regarding Broker Audit Declarations filed, resulting in an increase in new cases.

<u>Development Services</u>	<u>As of 12/31/2010</u>	<u>As of 12/31/2011</u>	<u>Increase / Decrease</u>
Regular Public Reports Issued	45	49	+8%
Expedited Public Reports Issued	181	128	-29%
Amendments Issued	181	263	+31%
Exemptions Issued	283	249	-12%

The Development Services Staff has experienced a decline in expedited public report filings and exemption requests, as well as an increase in the number of applications for amendments.

#### **Enforcement & Compliance Division (E&C)-**

In 2011, E&C continued to effectively and efficiently process cases, with a continued emphasis on consistent and stronger disciplinary actions, based on proven violations. Despite a decrease in staff, the number of cases closed continued to increase over 2010, as well as, a slight decrease in the average amount of time to close cases. Additionally, civil penalties increased over 2010.

<u>Enforcement</u>	<u>As of 12/31/2010</u>	<u>As of 12/31/2011</u>	<u>Increase/Decrease</u>
Open Cases	269	234	-15%
In House	85	36	-136%
AGO	184	198	7%
New Cases (Year includes multiple respondents)	931	699	-33%
Closed Cases (Year includes multiple respondents)	1068	772	-38%
Average Age of Open Cases (Days)	226	338	33%
Average Case Closure (Days)	176	196	10%
Civil Penalties	\$307,600.00	\$486,761.00	37%

Cases referred for Compliance also decreased from 2010 to 2011, with a marked increase in cases referred to Enforcement for further action and/or noncompliance.

<u>Compliance</u>	<u>As of 12/31/2010</u>	<u>As of 12/31/2011</u>	<u>Increase/Decrease</u>
Open Cases	259	207	-25%
New Cases	210	188	-12%
Closed Cases	264	240	-10%
Referred for Further Action/Noncompliance	37	71	48%

#### **Legislative-**

- March 2011- the Real Estate Advisory Board, by formal motion, "endorsed SB 1292 in its' original language. The Governor's Office, Arizona Association of REALTORS® Leadership, including the Board of Directors, as well as, the Bill 1292 Sponsor Gail Griffin participated in the amended Bill's passage. HB 1292- required that instructors take a three hour department-approved Instructor Development Workshop (IDW); the bill changed the number of days that a Broker had to review listing agreements and other pertinent documents from five to ten business days and defined business day.
- May 2011-A formal motion by the Real Estate Advisory Board was passed which stated that ADRE Rule #R4-28-502 (J) should be moved forward for repeal. There appears to be confusion in regard to ADRE Rule #R4-28-502, (J) Advertising by a Licensee, which states, "The provisions of subsections (E)

and (G) do not apply to advertising that does not refer to a specific property" which was incorrectly added to the rule in 2006. This issue is pending.

- HB 2005- Subdivision- ADRE worked extensively in making the bill less detrimental; the bill asserted that a familial relationship alone is not sufficient to constitute unlawful acting in concert; addressed the Statute of Limitations; mandated that either the County or ADRE can conduct the investigation, not both.
- Sunset Audit Review- Commissioner Lowe presented to the Committee of Reference on November 9, 2011. Commissioner Lowe reported that the Committee voted unanimously to recommend a 10 year continuation for the Department. Senator Gail Griffin will sponsor a bill recommending the 10 year continuation for ADRE.
- ADRE continues to obtain feedback from real estate stakeholders, regarding possible legislative issues, such as the Letter of Concern allowing for a Continuing Education requirement,