

**Arizona Department of Real Estate (ADRE)
Real Estate Advisory Board
Minutes
June 11, 2014**

The Real Estate Advisory Board met on Wednesday, June 11, 2014 at the Arizona Department of Real Estate (ADRE), 2910 N 44th Street, Commissioner's Conference Room, Phoenix, Arizona.

I. Call to Order

Chair Kim Horn called the meeting to order at 10:00 a.m.

Members present:

Kim Horn, Chair
Kimberly Clifton, Vice Chair
Charlie Bowles
Carla Bowen
Frank Dickens
Bill Gray
Dustin Jones
Scott Peterson

Absent

Jo Ann Sabbagh

ADRE Representatives present:

Judy Lowe, Commissioner
Louis Detorre, Assistant Commissioner Operations/ Legislative Affairs
Sarah Dobbins, Chief of Staff
Mike Wheeler, Assistant Commissioner Regulatory Affairs
Carla Randolph, Assistant Commissioner Licensing/ Education/ Development Services
Kim Ellis, CSR

Public present:

Scott Drucker

II. Introductions & Welcome

Chair Horn welcomed everyone and reminded members that all electronic devices should be turned off during the meeting.

III. Commissioner's Report – Judy Lowe, Commissioner

a. Industry/ADRE Update

Commissioner Lowe commented on “What’s Making the Phone Ring?, at ADRE.” She commented on issues around Advertising and mentioned two recent Commissioner Connection meetings which were held in Phoenix and Tucson and focused on advertising in the age of social media. Member Gray served as facilitator at both meetings. As ADRE is preparing to develop proposed Rule revisions, the purpose of the meetings was to hear ideas and get input from stakeholders. A meeting in Prescott is planned for the future. The Commissioner commented that one of the ideas that came up at these meetings was that of a “zap” button on ADRE’s website. This would allow a broker to “police” another broker and let them know of potential violations. Member Bowen mentioned that MLS has a correction button.

The commissioner noted a second issue making the phone ring is Teams. One of the issues related to Teams is that it is hard for the consumer to know who the Designated Broker is; also, the name on the contract is not necessarily the name of the agent who drew up paperwork/contract; instead, the team leader’s name is on the paperwork. ADRE’s position is that the agent who drew up documents for the consumer should be the name on the contract.

Commissioner Lowe mentioned that concerns related to Property Management continue to come into the Department. Although ADRE does not educate the industry with courses, the Department can participate in educating the industry and the public. Available on the website is the property management audit package and a trust account reconciliation power point. The Commissioner provided copies of recent articles in the Phoenix Business Journal and the Arizona Republic.

b. Budget

Commissioner Lowe provided a handout showing \$2.988M appropriation for ADRE for FY15. The challenge for ADRE in the upcoming fiscal year is the need to maintain and/or grow and not continue to downsize.

c. Division Reports

See Assistant Commissioner Reports

d. Department Report

Commissioner Lowe announced new employees: Kim Ellis, CSR & Admin. Assist. in the Hub; Paul Barry, System Administrator, IT; and Ana Starcevic, Admin. Asst., Enforcement & Compliance & Investigations. Commissioner Lowe announced that Christine Eyde has moved to the Licensing area to work with Development Services, whose workload has increased over the past year. The Commissioner also announced that an Auditor position has been posted and that ADRE is looking to hire contractor or temporary employee auditors to serve the outlying areas.

IV. Update Assistant Commissioner Legislative Affairs – Louis Dettorre

Assistant Commissioner (AC) Dettorre provided handouts and commented on six bills, which will go into effect on July 24, 2014, that relate to ADRE:

SB 1213 (Relating to real estate advisory board; membership)

SB1047 Closing Protection Letters; Escrow Agents

HB2018 Mortgages; Trust Deeds; Deficiency Actions

SB1215 (Relating to un subdivided land)

SB1482 HOAs Amendments; Omnibus

HB2306 Fingerprint clearance cards, periodic checks

AC Dettorre also mentioned that since the legislative session ended in April, he has been working on fiscal year end close-out duties which include updating the Strategic Plan and creating a new budget request, both of which are due by September to the Governor's office.

AC Dettorre commented that the five-year rule review report was approved on April 29, 2014. This gives ADRE the opportunity to review specific rules to see if they are in alignment with agency requirements and statute changes that have occurred. ADRE has also requested an exemption from the moratorium on Rule Making. The Department has been encouraged to meet with the industry. The areas of focus include Articles 1, 3, 4, 5, 7, and 11. AC Dettorre will provide drafts to any member that requests such, when drafts have been completed.

Chair Horn asked what constitutes "multi-family" dwelling? Is there a definition? Per AC Dettorre, the Department will interpret the legislation as enacted.

AC Dettorre discussed the current file room scanning project. The Department is in the process of scanning all licensee paper files and attaching them to the licensee's electronic file.

V. Update Assistant Commissioner Regulatory Affairs – Mike Wheeler

AC Wheeler mentioned that besides the trust account reconciliation power point that is on the website, the "beta testing" of a reconciliation program for property management entities is underway. The Investigations Division continues to see a steady work flow with no change in types of complaints, except perhaps more advertising complaints. In May, five Cease & Desist orders were issued. AC Wheeler also commented that he and the Commissioner met with the new criminal attorney at the Attorney General's office. Now, in cases of Cease & Desist, especially ones with unlicensed activity, ADRE will send to the Attorney General's office – criminal division.

VI. Update Assistance Commission Licensing/Education/Development Services – Carla Randolph

For Education, AC Randolph pointed out the need for property management schools and more property management classes to be offered. The need for possible marketing was mentioned.

AC Randolph also noted that ADRE has worked with procurement on an RFQ for a testing vendor.

Online original application statistics are still at 50%. The plan is to expand the self-service stations and have a self-serve scanner available. The front counter sees approximately 600 walk-ins per months. AC Randolph mentioned that schools have been challenged to help promote online original application, as well.

In regards to the Education Advisory Committee, AC Randolph announced that seven member positions, out of the 14 members, are up for reappointment.

For Development Services, AC Randolph commented that Christine Eyde is now supporting the Development Services Representative.

VII. Advisory Board Member Facilitator Reports

Member Bowen commented on a letter she received from a Buyer Broker organization. The Commissioner stated that the Department had received the same letter and that all members of ARELLO received it, as well.

Member Gray mentioned that after the advertising meetings, questions were posed about what is the definition of a classroom and definition issues with online classrooms. The Commissioner commented that the definition is not in rule and we need to be able to add a rule to enforce. The Department must receive a complaint in order to act upon the issue. Member Gray recommended a SPS be put together. The Commissioner asked if this could be placed on the agenda for the next meeting. The Commissioner will provide a history, sample drafts, and will discuss an SPS.

Member Bowles asked if any of the members had concerns about the new AAR – Sellers' Property Disclosure Statement – form. The Commissioner stated this is not a requirement, but could be an industry standard practice. Member Bowles will talk with Scott Drucker of AAR.

Chair Horn received a complaint, of a personal nature, against ADRE. Chair Horn turned the complaint over to the Commissioner, in a sealed envelope. The Commissioner will turn the complaint over to the Attorney General's office.

VIII. Other Matters

Upon a motion by Member Dickens; seconded by Member Bowles, the Minutes of the April 23, 2014 meeting were unanimously approved.

Announcement: Arizona-Mexico Commission Plenary conference is scheduled for June 20th; a flier was distributed.

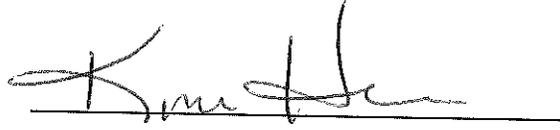
IX. Call to the Public NONE

X. Next Real Estate Advisory Board meeting: August 13, 2014.

XI. Adjournment – Chair Horn called the meeting adjourned at 11:45 a.m.

Respectfully submitted this 13 day of August, 2014

Real Estate Advisory Board

A handwritten signature in black ink, appearing to read "Kim Horn", written over a horizontal line.

Kim Horn, Chair