

**Arizona Department of Real Estate (ADRE)
Real Estate Advisory Board
Minutes
August 13, 2014**

The Real Estate Advisory Board met on Wednesday, August 13, 2014 at the Arizona Department of Real Estate (ADRE), 2910 N 44th Street, Commissioner's Conference Room, Phoenix, Arizona.

I. Call to Order

Vice-Chair Kimberly Clifton called the meeting to order at 10:10 a.m.

Members present:

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

Absent

Jo Ann Sabbagh

ADRE Representatives present:

Judy Lowe, Commissioner
Louis Dettorre, 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
Erin Krist
Courtney LeVinus
Wendy Fant
Henry Zipf

II. Introductions & Welcome

Vice-Chair Clifton welcomed everyone and asked everyone to introduce themselves.

III. Approval of June 11, 2014 Minutes and July 21, 2014 Special Meeting Minutes

Upon a motion by Member Dickens, seconded by Member Bowles, the Minutes of the June 11, 2014 meeting and July 21, 2014 special meeting were unanimously approved.

IV. Commissioner's Report – Judy Lowe, Commissioner

a. Budget

Commissioner Lowe updated the Board on the current status of the FY 2014 budget appropriation and compared the authorized appropriation, General Fund contribution, and the number of FTEs on staff for the last 7 years (FY07 through FY14).

Commissioner Lowe commented that part of the FY 2015 budget appropriation, which is the same appropriation amount from FY2014, may be utilized to hire to vacancies. The Commissioner announced that a new auditor, Estella Sanchez, was hired and had started this week.

Assistant Commissioner (AC Dettorre) reported on the FY16 budget request. This request must be submitted to the Governor's office by 9/2/14. The request will include the hiring of additional auditors, the hiring of an FTE for Developmental Services, which has seen a 66% increase in subdivision applications. The budget request also includes a request for in-state travel funding.

b. Division Reports

See Assistant Commissioner Reports.

c. Department Report

Commissioner Lowe reviewed licensing and education statistics from FY07 through FY14. The Commissioner provided handouts listing ADRE's major objectives for 2015 – 2018, the Department's major accomplishments, and giving statistics for each division.

d. Pending issues

Commissioner Lowe updated the Board on the status of the proposed rule revisions and explained that feedback on rule revisions will go forward, in preparation for an exception to the Rule Moratorium. The Commissioner emphasized the rules revisions request is not being tabled; it is just being postponed while more feedback is gathered.

V. Assistant Commissioner Updates

a. Assistant Commissioner Regulatory Affairs – Mike Wheeler

AC Wheeler commented on the collaboration between the Attorney General's Criminal Division and ADRE on egregious cases where brokers are in violation of statute; four cases involving property management companies were submitted to the Attorney General's office in July.

AC Wheeler noted the hiring of the new auditor and the plan to increase the number of audits that are conducted.

AC Wheeler also mentioned the recent cancellation of licenses for Brokers who do not have an address which is an actual physical place of business; recently, 47 brokers were found to be in violation. AC Wheeler mentioned that one of the questions that arises is where are records being stored if there is no actual place of business. AC Wheeler asked Board members to inform people that they must have a physical place of business.

b. Assistant Commissioner Licensing Services – Carla Randolph

Education, AC Randolph reported that 29 applications were pending as of 8/13/14. The Education Advisory Committee (EAC) will meet on September 9, 2014. Six EAC members were recently reappointed and there is one new member, Mary Frances Coleman. AC Randolph stated that the number of waiver requests and the number of renewals have decreased.

For Licensing, AC Randolph remarked that the online original license application process has increased to 55%; in addition, there were 600 walk-ins to licensing which was an increase. There are approximately 500 new licensees per month. Also, the online payment system has been expanded. Other departments have been trained in issuing online payment requests and collecting payments for their division. AC Randolph reported that Licensing has revised some forms in an effort to make the forms more “user friendly.” AC Randolph announced that Pearson Vue was the official winner of the bid for testing vendor. The deadline for the other vendor to submit an appeal has passed. Pearson Vue was awarded the contract.

For Development Services, AC Randolph reported there were 29 applications in July. The number of development inspections has increased with the use of two employees from Education who have been cross-trained to do inspections.

c. Assistant Commissioner Operations & Legislative Affairs – Louis Dettorre

See IVa. Commissioner’s report, Budget.

VI. Advisory Board Member Facilitator Reports

Member Dickens reported that he was contacted about an earnest money dispute and advised the party to contact an attorney.

Member Gray reported that he has been conducting programs with large and small companies and recurrent questions that repeatedly come up are questions concerning advertising, particularly questions concerning team names and employing broker’s names.

Member Bowen passed along a question received concerning the Fair Housing logo being used on Craigslist and where to place it. Per Chair Horn, the logo can be attached as a photo. Commissioner Lowe interjected that the HUD logo is not an ADRE issue.

Vice-Chair Clifton posed a question to the Board concerning an insurance company offering agents a referral fee for names of potential clients to contact for auto insurance quotes and whether this was appropriate. Vice-Chair Clifton will present this issue to ADRE and AAR.

Vice-Chair Clifton stated that multiple people have inquired about what constitutes “clear and prominent” advertising on websites; there is no definition for “clear and prominent.” Per Commissioner Lowe, this will be addressed in the proposed rule revisions, if a consensus can be found, or through an SPS; however, an SPS, does not carry the same legal strength as a rule. Chair Horn asked Scott Drucker if the definition of clear and prominent is open to interpretation legally? Per Mr. Drucker, since there are no clear parameters, the definition is open to interpretation. Member Dickens commented that an issue of concern is that complaints are not generated from the public, but instead from agents. Member Dickens suggested that an agent’s license number be included on advertising. Member Dickens commented that MLS listings violate advertising requirements since photos cannot be branded on the MLS. Mr. Drucker commented that industry feedback to the proposed rule changes is that a change might be very costly to implement.

VII. Other Matters

- Computerized basic and broker licensing programs

Member Gray presented for discussion the issue of pre-licensing hours being offered via computer at a brokerage or other location, where a student is free to get up and leave the computer and the instructor, although present in the facility, is only there to answer questions, if they should arise. During the discussion, members discussed the need for a clear definition of “classroom” and “instructor.” Member Gray expressed that a new licensee does not really receive the education they need to serve the public. Member Dickens commented that these online classes do not allow for any exchange between teacher and student and suggested that all online classes be eliminated. Member Peterson reflected that online learning is not isolated to this industry and that we may need to find a solution to fix the problem, rather than eliminating online classes. Member Gray opined that college students have achieved a certain level of knowledge to get to the college level; whereas, a new real estate licensee is starting out with 0% knowledge. Member Peterson mentioned, by comparison, a contractor has to have a certain amount of experience/apprenticeships before they can apply for a license. Commissioner Lowe commented that ADRE would need to receive a complaint before investigating, but if a complaint was filed, the department might have challenges due to there being no definition of classroom or instructor in the current rules now. Member Gray stated that 1-1/2 years ago a definition for remote learning was created by a stakeholder’s group and that definition became policy. Member Gray reiterated that students are not getting the level of pre-license education they need to start in this industry and that the public needs to be protected. Vice-Chair Clifton proposed this issue be discussed again at the next meeting and Member Gray stated that this issue should be isolated to pre-licensing classes, not continuing education.

VIII. Call to the Public

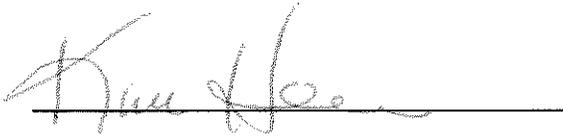
NONE

IX. Next Real Estate Advisory Board meeting: October 22, 2014.

X. Adjournment – Chair Horn called the meeting adjourned at 12:05 p.m.

Respectfully submitted this 22 day of ~~August~~^{October}, 2014

Real Estate Advisory Board

A handwritten signature in cursive script, appearing to read "Kim Horn", is written over a solid horizontal line.

Kim Horn, Chair