



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

Janice K. Brewer  
Governor

Arizona Real Estate  
Advisory Board

Charles Bowles  
2011 Chair

Carla Bowen  
2011 Vice-Chair

Kimberly S. Clifton  
Member

Frank A. Dickens  
Member

Kimberly A. Horn  
Member

Jo Ann F. Sabbagh  
Member

Patti Shaw  
Member

Ann White  
Member

Judy Lowe  
Commissioner

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.

<b>Applications</b>	<b><u>As of 12/31/2010</u></b>	<b><u>As of 12/31/2011</u></b>	<b><u>Increase/Decrease</u></b>
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

<b>Real Estate Licensing</b>	<b>As of 12/31/2010</b>	<b>As of 12/31/2011</b>	<b>Increase / Decrease</b>
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.

<b>Real Estate Investigations</b>	<b>As of 12/31/2010</b>	<b>As of 12/31/2011</b>	<b>Increase / Decrease</b>
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.

<b>Subdivision Investigations</b>	<b>As of 12/31/2010</b>	<b>As of 12/31/2011</b>	<b>Increase / Decrease</b>
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.

<b>Auditing</b>	<b>As of 12/31/2010</b>	<b>As of 12/31/2011</b>	<b>Increase / Decrease</b>
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	<b>49</b>	+8%
Expedited Public Reports Issued	181	<b>128</b>	-29%
Amendments Issued	181	<b>263</b>	+31%
Exemptions Issued	283	<b>249</b>	-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.

<b>Enforcement</b>	As of 12/31/2010	<b>As of 12/31/2011</b>	<b>Increase/Decrease</b>
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.

<b>Compliance</b>	<b>As of 12/31/2010</b>	<b>As of 12/31/2011</b>	<b>Increase/Decrease</b>
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,