

Arizona Department of Real Estate (ADRE)

Education Advisory Committee (EAC)

Minutes

March 10, 2015

The Education Advisory Committee met on Tuesday, March 10, 2015, at the Arizona Department of Real Estate (ADRE), 2910 N 44th Street, Commissioner's Conference Room, Phoenix, Arizona.

I. Call to Order

Commissioner Lowe called the meeting to order at 10:05 a.m.

Members present: Marti Barnewolt, J. Robert Eckley, Jim Hogan, Andrew Jaffe, Jon Kichen, Becky Ryan, Mary Sand, Amy Swaney, Janette Waller

Teleconference: Barb Freestone, Evan Fuchs

Absent: Holly Eslinger, Mary Frances Coleman, Jim Zirbes

ADRE Staff: Commissioner Lowe; Louis Dettorre - Assistant Commissioner Operations/Legislative Affairs; Sarah Dobbins – Chief of Staff; Kim Ellis, CSR; Carla Randolph, Assistant Commissioner, Licensing; Kurt Labotz, Education; Jim Williams, Education

Public Present: Eric Solheim, Commercial Real Estate Institute

II. Introductions & Welcome/Announcements

For the benefit of Members Freestone and Fuchs who attended telephonically, Commissioner Lowe asked each attendee to introduce themselves. The Commissioner discussed mandates from Governor Ducey, including the hiring freeze which went into effect 2/1/2015. ADRE has been approved to continue the recruitment for mission critical positions which were already advertised. Commissioner Lowe announced that Mike Wheeler, Assistant Commissioner of Regulatory Affairs, retired in January and that Dan Jones, was promoted into the role of Enforcement & Compliance Manager. The Commissioner commented on two new employees who were hired prior to the hiring freeze: Christina Bruce, Administrative Assistant, Development Services and Kathy Kirsch, Administrative Assistant, Regulatory Affairs.

III. December 9, 2014 – Meeting Minutes – Review/Approval

Member Kichen motioned to approve the minutes, which was seconded by Member Eckley.

IV. Industry/Legislative/ADRE Update – Commissioner Lowe/Louis Dettorre

AC Dettorre discussed the budget which was recently passed by the Arizona Legislature. ADRE was granted the same appropriation as last year, \$2.9M, and the Recovery Fund was not swept. AC Dettorre discussed HB2485 which would allow tax lien investors to purchase six or more lots through tax lien foreclosure without obtaining a public report.

AC Dettorre commented on the 2015 Rules Moratorium which Governor Ducey's administration has continued. All agencies must submit a request in writing by September 1, 2015, if they would like to be exempt from the Rules Moratorium. It is anticipated that ADRE may hold stakeholder meetings later this year in order to obtain additional input from the industry.

AC Dettorre mentioned that ADRE's Strategic Plan for 2015-2019 has been posted on the website.

Commissioner Lowe mentioned that Governor Ducey has challenged all agencies to streamline and operate at 10% less than their appropriation.

The Commissioner provided an update regarding national issues seen by ARELLO.

1. Down payment assistance; 87% of US homes qualify for down payment assistance. HUD and RealtyTrac have stated they do not think agents are aware of how down payment assistance programs work. Commissioner Lowe stated there is no law which would prevent an agent from becoming a housing counselor and, thus, familiarizing themselves with down payment assistance programs.
2. Drones. The Federal Aviation Association has proposed 33 rules for commercial usage of drones. The FAA is now seeking public comment on the proposed rules.
3. Condominium manager licensing. In many states, the condominium management association, which is employed by the HOA, must be licensed.
4. Exclusive buyer representation disclosures.
5. REO property flipping – rogue investors. A proposed bill in Illinois would require investors who flip multiple properties during escrow to be licensed.
6. Post licensing education. Kentucky is considering requiring 48 hours of post-licensing education, with automatic termination for those licensees who do not fulfill this requirement. Currently, 27 other states require post-licensing education.
7. Teams. Arizona Association of Realtors has asked their Risk Committee to discuss the issue of Teams. ADRE will participate in the discussion.

Commissioner Lowe posed the question, "What could ADRE be doing for the industry?" Member Hogan suggested more education on a number of issues and that ADRE consider how they communicate these issues; e.g., the Bulletin is not necessarily read by every agent. Perhaps, a Substantive Policy Statement or white paper would be more effective. Member Eckley agreed that education is the key need.

Member Freestone announced that AAR is working with Arizona Mortgage Lenders Association (AMLA) to develop a Continuing Education (CE) class in regards to what the new disclosure process will be with the upcoming RESPA changes. There will also be classes to train the instructors. Member Waller suggested ADRE publish a list of what transaction documents will be required with the new disclosure process. In Oklahoma, agents will not be allowed in the room during closing. Member Ryan suggested a regulatory update class every year.

Member Swaney discussed the super lien issue in Nevada where the Supreme Court ruled that HOA liens supersede the first deed of trust. Member Swaney encouraged ADRE to follow the situation in Nevada.

Commissioner Lowe thanked the committee members for their input and indicated that she wants to continue active discussions at future committee meetings. The Commissioner stated that ADRE recognizes the need to partner with all associations, other agencies, other states, and the Attorney General's office.

AC Randolph discussed the Governor's LEAN/ Transformation Team which helps develop ways to streamline processes. Each agency was asked to put together a list of critical permits or licenses and ADRE submitted a list for Development Services. The expedited public report application was chosen from that list and a four member team of ADRE employees are currently participating in the project. The goal is to reduce the processing time by 50% for expedited public reports. AC Randolph commented that ADRE was honored to be 1 of 20 agencies in the process of streamlining critical areas.

AC Randolph announced the Learn and Lunch program on March 19th for Development Service providers.

V. Property Management

Commissioner Lowe announced that a property management trust account reconciliation form is now available on the website. The Commissioner noted the disclaimer which states that the Designated Broker is responsible for the outcome of the reconciliation form. Member Kichen asked if the reconciliation form is more of a guideline or is a requirement. The Commissioner stated the form is a tool, not a requirement unless there is a consent order, in which it may be required.

Member Kichen opened a discussion concerning the confusion that exists around property management including the question of what actions constitute property management and what duties does one have to perform to be considered a property manager. Member Kichen expressed the need for having a clear definition for property management and commented about gray areas, including questions surrounding whether you actually have to collect rent in order to be a property manager.

Member Kichen asked what needs to be done in order to have a clear definition of property management and to communicate this to the public, educators, and the industry. Member Kichen asked if an SPS could be written. After further discussion, Member Kichen requested that ADRE gather information, including information from what was done by the Real Estate Advisory Board and present the information at the June, 2015 EAC meeting.

VI. Education Information Alert

AC Randolph mentioned the Education Information Alert that was sent out January 23, 2015 which stated that the responsibility of supervision of instructors lies with the school that the instructor is teaching at, at that time.

VII. Real Estate School Supervision Audit Declaration Compliance - Jim Williams

Education Auditor Jim Williams stated that since the December 9, 2014, EAC meeting, 227 schools have turned in their Audit Declaration. The final deadline for late submittal is March 13, 2015.

VIII. Volunteer Monitor Program Update - Jim Williams

Education Auditor Jim Williams stated that since the December 9, 2014, EAC meeting, 50 monitor assignments have been sent each month for volunteer monitors. Between now and the end of March, 2015, 763 classes have been scheduled.

IX. Update on Pearson Vue (Pre-licensure Testing Vendor) – Carla Randolph

AC Randolph provided handouts and discussed the pass rates for applicants in December, 2014, January, 2015 and February, 2015. Pearson Vue has released the 2014 Exam Performance Summary. It was suggested that the pre-licensing review committee examine what areas of the test students are having the most trouble with.

X. Pre-licensure Review Committee – Update

AC Randolph reported that the Pre-licensure review committee is upcoming.

XI. Review Education/Licensing Division Monthly Reports – Carla Randolph - Handout

AC Randolph reviewed the Education and Licensing monthly statistics (see handout).

XII. Upcoming.

- Pre-licensure Review Committee Update
- The terms of seven EAC members will expire in July 2015.

XIII. Next EAC Meeting: June 9, 2015

XIV. Other Matters

None.

XV. Call to the Public

None.

XVI. Adjournment

Member Kichen made a motion to adjourn; the motion was seconded by Member Eckley. The meeting adjourned at 12:10 p.m.

TEAM

“Together Everyone Achieves More”

Respectfully submitted this 21st day of July, 2015

Education Advisory Committee



Commissioner Lowe