

**Arizona Department of Real Estate (ADRE)  
Education Advisory Committee (EAC)  
Minutes  
September 11, 2012**

The Education Advisory Committee (EAC) met on Tuesday, September 11, 2012 at the Arizona Department of Real Estate (ADRE), 2910 N 44<sup>th</sup> Street, Commissioner's Conference Room, Phoenix, Arizona.

**I. Call to Order**

Commissioner Lowe called the meeting to order at 10:00am

Commissioner Lowe opened the meeting with a moment of silence in memory of those we lost on September 11, 2001

**II. Welcome and Introductions**

**Members Present:** Marti Barnewolt, John Crosby, J. Robert Eckley, Holly Eslinger, Lin Ferrera, Evan Fuchs, Jim Hogan, Jon Kichen, Becky Ryan and Jim Zirbes

**Unable to Attend:** Barb Freestone, Jill Hoogendyk, Andrew Jaffe, Mary Sand

**ADRE Staff:** Commissioner Lowe, Carla Randolph, Jim Williams, Isaac Glover, Sarah Dobbins, Louis Dettorre

**Introductions:** Commissioner Lowe requested that each member introduce themselves for the benefit of the newest EAC member, Jim Zirbes.

**III. Minutes of June 12, 2012**

Upon motion by Holly Eslinger, seconded by Jon Kichen; the minutes of the June 12, 2012 meeting were unanimously approved.

**IV. July 2012 EAC Appointments/ Reappointments/ 2-Year Terms**

Education Manager Randolph explained that the EAC was formed in the late 1980's and gave a brief description of the requirements of the Committee member position – it is a voluntary position, there is no compensation and the EAC (while not statutorily required) is a branch of the Real Estate Advisory Board, which is required by statute.

Appointment and Reappointments are as follows:

- New member, Jim Zirbes, took the place of John Lotardo
- Six members reappointed: Andrew Jaffe, Jon Kichen, Holly Eslinger, Lin Ferrera, John Crosby and Jim Hogan. Each was given a 2 year term.

Education Manager Randolph announced that member Jill Hoogendyk, who has been serving as a member from the mortgage industry, will not be returning to the committee. Ms. Randolph asked that if anyone knows of a person interested in serving on the committee who is from the mortgage industry to please inform the Department and they may send their resume to Education Manager Randolph.

## **V. Legislative Update:**

Louis Dettorre, ADRE's Legislative Liaison, provided an overview of the 7 issues/ proposals the Department has identified to consider presenting to the Governor's office. He explained that these items are all in the early proposal building, draft stage. The proposals will be reviewed by the Governor's office and should they be brought forward as proposed legislation from the Department, they will go back to the industry for input. Proposal ideas (see handout) included:

- Property Management Requirements
- Real Estate Recovery Fund
- Unlicensed Real Estate Activity
- Fingerprint Clearance Card Requirements
- Requirements for Branch Office Managers
- Disciplinary Letters of Concern
- Cancellation of Inactive License

There was discussion on several of the items and committee members made several constructive suggestions. Mr. Dettorre will send his contact information to the EAC members.

## **VI. Broker Management Clinic (BMC) Stakeholder Committee Recommendations and New BMC Implementation:**

Education Manager Randolph reported that the BMC Stakeholder committee met on June 28, 2012.

They developed a DRAFT Substantive Policy Statement (SPS) and Frequently Asked Questions (FAQ). The DRAFTS were presented to Commissioner Lowe and she adopted the SPS and FAQ (see attached). Education Manager Randolph reviewed both documents and the course content for each of the new 3, three hour courses. Both items were published as promised by August 1, 2012 and ADRE's Education Forms, ED101 and ED102 have been updated to reflect the changes occurring as a result of the new BMC courses and instructor requirements.

Education Manager Randolph announced there are currently four schools approved to teach the Instructor Development Workshop (IDW) for Broker Management Clinic; they include Hogan School, Arizona Association of Realtors®, Ed Ricketts Seminars and Arizona School of Real Estate & Business has a pending application with ADRE. With this, any current Broker Management Clinic courses will terminate on December 31, 2012. ADRE will notify the schools. The Instructor Approval Qualifications to teach the current BMC, will also expire, December 31, 2012, this is why instructors need to take the IDW courses soon.

Education Manager Randolph mentioned that ADRE is also working on a quick reference table that will be available on the ADRE website and will be designed to help licensees to know whether or not they need the new BMC.

#### **VII. Prelicensure Instructor Qualifications:**

At the June, 2012, meeting, the Committee requested this item be placed on the agenda in order to discuss Pre-licensure Instructor Qualifications. Education Manager Randolph provided the current requirement for Pre-license Instructor (see attached). This provides an excerpt from the ED101, the Pre-license instructor, must be an active real estate broker in good standing and having completed all education as well as qualifying through their resume that they are eligible to be an instructor and experienced in the subject matter.

#### **VIII. Property Management Education Discussion:**

Commissioner Lowe reported that, at the June, 2012 meeting, Member Hogan requested this item be placed on the agenda in order to allow the group to have a discussion on property management education. Member Hogan stated he received a call from a Broker who had a difference of opinion with an ADRE Auditor when Audited. It was reported that there was some disparity between what the Auditor told the Broker and what they believe Statute or Rule requires. Based on this call and other questions that have come up, Member Hogan stated he wanted to bring the topic up for discussion.

Commissioner Lowe mentioned that since 'On-Site Audits' have increased since January, 2012, the Department has had some questions arise. Commissioner Lowe commented that ADRE's Auditors are thoroughly trained before they are assigned to go out on 'In-Field' Audits. She explained that they typically first handle broker audit declaration reviews, which are conducted from ADRE. These audits are completed by Brokers renewing their license. Red flags in a Broker Audit Declaration may prompt an Electronic Audit. The Broker is noticed that an Electronic Audit will be conducted and documents are requested. The types of documents requested are determined by what prompted the Audit. A routine Audit may have different requirements than an Audit occurring because of a complaint. Commissioner Lowe explained the various ways an audit could be generated. She also explained that an audit has to be tailored to what generated the audit. With

this, there is not an actual 'Audit Checklist'. The Commissioner explained that Statute is the best place for a Broker to look to determine what is required for an Audit and to maintain compliance with the law.

Commissioner Lowe commented that, the Department's goal over the next two and a half years is to conduct either electronic or on-site audits of all 5,000 brokerages, many of which practice property management.

Member Kichen suggested that this is a sign of a larger issue; that due to the fall in the market in recent years, the number of agents doing rentals has increased significantly. Many of these agents may have never touched a rental prior to the down-turn in the market and in many instances are not properly educated on how to handle rental properties. Member Kichen suggested that a 7<sup>th</sup> class be added for every licensee regarding property management. He suggested 21 prescribed hours and 3 hours of electives. The property management course would be required or a prescribed class.

Commissioner Lowe stated this item would need to be addressed in Rule and directed Louis Dettorre, ADRE's Legislative Liaison, to review this item.

Member Hogan complimented ADRE on the step-up in 'In-Field' Audits.

#### **IX. Update on Pearson Vue (Pre-licensure Testing Vendor):**

Education Manager Randolph announced that Pearson Vue will hold an Industry Day at ADRE September 25, 2012, 9am – 11am (see attached). She explained this is targeted for Pre-licensure Instructors and also invited committee members to attend if they wish. Some of the topics Pearson Vue will cover in the meeting are: an overview of PearsonVue, an overview of the exam reservation process, an overview of the test development process, review of the overall pass/ fail Statistics and there will also be a question and answer period. Those interested in attending should RSVP to ADRE, Chief of Staff, Sarah Dobbins, by Thursday, September 20, 2012.

Education Manager Randolph reviewed Exam Scores provided by Pearson Vue. In June, 2012, 616 exams were graded; July, 2012, 653 exams graded; August, 2012, 621 exams graded. Member Hogan would like to receive a report that shows both national and state specific exam Statistics. He would like to see the national and state stats broken out separately. Per Education Manager Randolph, the report has been requested and ADRE is waiting to receive it from Pearson Vue.

#### **X. Volunteer Monitor Program**

Jim Williams, ADRE's Education Volunteer Monitor Coordinator, explained that due to the departure of a previous staff member and the high volume of applications being received, processing applications has been the Divisions' focus. In June, 2012, the Division received 159

applications.

As a result, there is not a volunteer monitor update for this meeting, however, since the Education Division has recently added Isaac Glover (formerly in ADRE's HUB) to their staff, the volunteer monitor program will gear back up and volunteers will be called upon.

**XI. Review Education/ Licensing Division monthly reports (See Attached):**

Education Manager Randolph commented that the Candidate Handbook was recently updated and is on ADRE's website. Additionally, ADRE estimates by February, 2013 having an 'On-line' Original License Application available.

**XII. Upcoming:**

Education Manager Randolph announced the following dates:

- Current BMC courses and instructor, subject approvals terminate on December 31, 2012.
- Real Estate School Audit Declarations are due between December 15, 2012 and January 31, 2013.

**XIII. Next EAC meeting: December 11, 2012 and 2013 meeting schedule:**

The next Education Advisory Committee meeting will be Tuesday, December 11, 2012 at 10am at the Arizona Department of Real Estate. The 2013 calendar (see attached), was approved. The first meeting of 2013 will be March 12, 2013.

**XIV. Other Matters:**

Member Hogan requested to have a discussion at some point on 'Timers' for on-line courses. One of the questions raised regarding 'timers' was, are they meant to be on each page or is it meant to be an overall timer? It was also mentioned that there is a need for an explanation as to what the 'times' should be for on-line courses. Member Ryan stated the guidelines are clear in the distance learning substantive policy statement pursuant to rule.

Member Eckley asked if Commissioner Lowe could research a broker collecting E&O or Franchise fees and allowing it to be put on the note as the employee (licensee) and look at the possibility of publishing the information in ADRE's bulletin.

As many questions have been asked, Commissioner Lowe commented that, with regard to the Department's perspective on the Rathbun Realty (Tucson), Cease and Desist Order, there is still an open investigation. The Department is moving forward with an audit and an investigation and is working with the Attorney General's office.

**XV. Call to the Public:**

There were no members of the public present for this meeting.

XVI. Adjournment:

At 12:05pm, Holly Eslinger made a motion to adjourn the meeting; second by Becky Ryan.

Respectfully submitted this \_\_\_\_\_ Day of December, 2012.

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Judy Lowe,  
Commissioner