



Arizona Real Estate Advisory Board
2910 N. 44th Street, Suite 100
Phoenix, Arizona 85018

Douglas A. Ducey
Governor

Arizona Real Estate
Advisory Board

Kimberly A Horn
2014 Chair

Kimberly Clifton
2014 Vice-Chair

Charlie Bowles
Member

Carla Bowen
Member

Frank A. Dickens
Member

Dustin Jones
Member

Jo Ann F. Sabbagh
Member

Scott Peterson
Member

Bill Gray
Member

Nedra Halley
Member

Judy Lowe
Commissioner

January 6, 2015

Dear Governor Ducey,

It is an honor to have served as the Department of Real Estate Advisory Board Chairman for the past two years. This year's Advisory Board has tackled some tough industry issues. I am proud to present the successful results that are included in the following report.

The Real Estate Industry as a whole has experienced significant changes and the Advisory Board has been diligent in its approach to addressing the issues that have presented themselves in this ever-changing environment. Some of the issues that the Advisory Board has worked to address include, continued concerns of missing funds in Property Management Trust accounts, advertising and unlicensed real estate activity.

Commissioner Lowe's leadership has proven to be invaluable. Her knowledge of the industry coupled with her commitment to protect the public cannot be duplicated. She has stayed true to her allegiance to her job description, "to protect the public interest through licensure and regulation of the real estate profession in this state," through some very tough times with some strong opponents. The advisory board's recommendations are not always popular, but Commissioner Lowe and her thoughtful and meticulous leadership team find ways to meet the challenges and complete tasks efficiently and successfully.

The Real Estate industry and the State of Arizona are fortunate to have Commissioner Lowe as the Real Estate Commissioner. With approximately 79,000 licensees under her supervision the State of Arizona Real Estate Department is one of the best in the nation. This was evidenced earlier this year by Commissioner Lowe's appointment to the ARELLO Board of Directors. This appointment put Arizona on the map as an Industry leader and reinforces the State of Arizona's voice, for the Real Estate Industry, on the national level.

I look forward to the continued success of the Advisory Board and Commissioner Lowe for 2015.

Respectfully,

Kimberly A Horn

2014 Chairman ADRE Advisory Board

Cc: Kirk Adams

ARIZONA DEPARTMENT OF REAL ESTATE (ADRE)
Summary of Accomplishments
CY2014

In CY2014, Commissioner Lowe and the ADRE TEAM continued to implement the 2014-2018 ADRE 5 year Strategic Plan. Strategic issues addressed were: increased protection to the public; enhanced quality of license real estate education; streamlined efficient delivery of ADRE services; maximized ADRE technology platform; an accountable, skilled and committed ADRE TEAM; and adherence to ADRE fiscal guidelines.

The following reflects the 2014 individual division accomplishments:

✓ **COMMISSIONER'S OFFICE:**

- Ongoing collaboration with Government Transformation Office (GTO) to streamline investigation and auditing processes;
- Oversaw the creation of detailed procedures for every ADRE Division process. Procedure manuals are available to staff in hard copy notebook form as well as electronically.
- Published and distributed the 2014 Real Estate Law Book;
- 89% of all ADRE eligible staff "Meeting Expectations" or "Exceeding Expectations"; and
- 100% of ADRE staff are uncovered employees

✓ **BUSINESS SERVICES DIVISION:**

- Digital Document Storage
 - 40% completion of digitizing licensing, subdivision, and investigations hard copy files
 - Increased access to electronic documents and records through this digitizing project
- Increased storage space in file room through surplus of slotted shelving and purchase of durable storage shelving to store office supplies and other goods;
- Completed Operations Manual, including processes for all functions of Business Services;
- Increased utilization and organization of SharePoint for Business Services operations; and
- Completed script for "HUB" staff to be utilized for frequently asked real estate questions through the telephone and Message Center.

✓ **INFORMATION TECHNOLOGY**

- Created the ability for consumers to purchase products and services such as the Real Estate Law Books and License Certifications by credit card online through the ADRE web portal;
- Completed development of prototype for updated REALM database;
- Enhanced online payment system to cover all agency fees for electronic invoices that can be securely paid online for any agency transaction type;
- Created proof of concept for a new licensing system to ensure the various technologies can satisfy development and business requirements for building and application with a 10 year minimum lifecycle; and
- Streamlined the ADRE Message Center.

✓ **EDUCATION DIVISION**

- Oversaw the delivery of approximately 700 education classes monthly;
- Approved a monthly average of 110+ applications for schools, instructors, and courses (2014 total = 1300+);
- Pearson VUE (ADRE's testing vendor) held Subject Matter Meetings with industry representatives to review real estate examination content;
- A Prelicensing Education Stakeholder committee provided input on Pearson Vue (testing vendor) proposed changes to the National portion of the real estate exam;
- Implemented Education Stakeholder Group recommendations for new Host/ Remote continuing education delivery guidelines;
- Volunteer Monitors completed approximately **195** Volunteer Monitor Reviews. The volunteer monitor reviews assist ADRE in monitoring the many prelicensure and continuing education courses;
- Issued three (3) Information Alerts to schools to ensure effective communications;
- The Education Advisory Committee's 14 members held 4 public meetings at ADRE; and
- Two education staff averaged no more than 14 "pending" applications each month.

✓ **LICENSING**

- Processed over 6,000 new real estate license applications;
- In collaboration with the Information Technology Division, implemented the On-line Original license application, which allows a new license applicant to be licensed within 24 hours of passing the real estate licensing exam. Usage is up to 65% since implementation;
- Implemented the electronic process of notifying the licensee and their Designated Broker of a license expiration, thus reducing "unlicensed real estate activity" by licensees;
- Addressed compliance issues with 62 Self-employed Brokers who had the Professional Corporation/ Professional Limited Liability Company (PC/ PLLC)license designation; and
- Addressed compliance issues regarding the misuse of the nickname on the license.

✓ **DEVELOPMENT SERVICES**

- The one Development Services staff issued over 500 public reports;
- The one Development Services staff member averaged less than 21 pending applications each month;
- Over **140** development inspections were conducted; and
- Met with government stakeholder groups to collaborate on processes for newly enacted legislation and creating greater efficiencies.

✓ **INVESTIGATION and AUDITING DIVISION**

During CY2014, the Division's Auditors and Investigators continued to work together to increase Auditing activities throughout the state by working as Auditing Teams.

<u>Real Estate Investigations</u>	<u>As of</u> <u>12/31/2013</u>	<u>As of</u> <u>12/31/2014</u>	<u>Increase /</u> <u>Decrease</u>
Open Pending Cases	49	44	-11.36%
New Cases Received During Year	706	760	7.11%
Cases Closed During Year	812	765	-6.14%
Average Age of Open Cases (Days)	59	40	-47.50%
Average Case Closure (Days)	61	43	-41.86%

As of December 31, 2014, the Division had 44 pending real estate investigations with an average completion timeframe of 43 days. Current staffing is 3 investigators.

<u>Auditing</u>	<u>As of</u> <u>12/31/2013</u>	<u>As of</u> <u>12/31/2014</u>	<u>Increase /</u> <u>Decrease</u>
Open Pending Cases	52	27	-92.59%
New Cases Receiving During Year	321	587	45.32%
Cases Closed During Year	364	607	40.03%
Average Age of Open Cases (Days)	71	35	-102.86%
Average Case Closure (Days)	91	40	-127.50%

As of December 31, 2014, Division Auditors conducted and/or completed 364 onsite audits (both sales and property management; 159 electronic broker audit reviews (property management only); and, 55 compliance quarterly reviews of Brokers under a Commissioner's Order relating to property management trust accounts.

As of December 31, 2014, Division Auditors completed 607 Audit files with an average completion timeframe of 40 days. Current staffing is 3 auditors, with an anticipated increase of 2 auditors by the end of January, 2015.

<u>Subdivision Investigations</u>	<u>As of</u> <u>12/31/2013</u>	<u>As of</u> <u>12/31/2014</u>	<u>Increase /</u> <u>Decrease</u>
Open Pending Cases	2	1	-100.00%
New Cases Received During Year	58	37	-56.76%
Cases Closed During Year	76	38	-100.00%
Average Age of Open Cases (Days)	295	22	-1240.91%
Average Case Closure (Days)	98	37	-164.86%

The majority of Subdivision complaints received during CY2014 concerned Timeshare Owners' concerns regarding increased maintenance fees, an issue that is not within the Department's jurisdiction.

Additionally, the Auditing and Investigation Division has added 1 Administrative Assistant, with duties shared with the Enforcement and Compliance Division.

- Reduced the average calendar days from receipt of real estate or subdivision complaint to resolution by 42% from FY 2013 to FY 2014.
- The ADRE completed 254 in-field and electronic broker audits in FY 2013, 491 in-field and electronic broker audits in FY 2014 and 213 in-field and electronic broker audits in FY 2015 (to date) for a combined total of 958 completed audits, 64% of the strategic plan goal of audits completed by the close of FY 2016.

✓ **ENFORCEMENT & COMPLIANCE DIVISION (E&C)**

Enforcement & Compliance (“E&C”) Division Accomplishments – 2014

During CY2014, E&C continued to effectively and efficiently process cases, with a continued emphasis on consistent and stronger disciplinary actions based on proven violations. The number of cases closed continued to be more than the number of new cases received. Additionally, E&C continued to work directly with the Arizona Attorney General’s office to decrease the number of cases for further disciplinary proceedings.

<u>Enforcement</u>	<u>As of 12/31/2013</u>	<u>As of 12/31/2014</u>	<u>Increase / Decrease</u>
Open Cases	61	51	-19.61%
In House	29	23	-26.09%
AGO	32	29	-10.34%
New Cases (Year-includes multiple respondents)	432	239	-80.75%
Closed Cases (Year-includes multiple respondents)	507	247	-105.26%
Average Age of Open Cases (Days)	101	139	27.34%
Average Case Closure (Days)	90	71	-26.76%
Civil Penalties	\$372,700.00	\$366,200.00	-1.77%

Cases referred for Compliance decreased from 2013 to 2014, primarily due to decreased closed cases from Enforcement involving continuing compliance monitoring. Compliance, regarding Property Management cases requiring review, continued to work directly with the Department’s Auditing Division to monitor compliance with maintaining proper Property Management Trust balances.

<u>Compliance</u>	<u>As of 12/31/2013</u>	<u>As of 12/31/2014</u>	<u>Increase / Decrease</u>
Open Cases	211	197	-7.11%
New Cases	94	88	-6.82%
Closed Cases	88	94	6.38%
Referred for Further Action/Noncompliance	36	8	-350.00%

✓ **LEGISLATIVE**

- Review of entire Arizona Administrative Rules, Title 4, Chapter 20, relating to real estate.
 - Included industry stakeholders in real estate, educators, developers, lenders, escrow, and the public.