

Arizona Department of Real Estate (ADRE)
Education Advisory Committee (EAC)
Minutes
September 10, 2013

The Education Advisory Committee (EAC) met on Tuesday, September 10, 2013 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 10:02 a.m.

Members present: Marti Barnewolt, John Crosby, J. Robert Eckley, Holly Eslinger, Barb Freestone, Jon Kichen, Becky Ryan, Jim Zirbes.

Teleconference: Evan Fuchs, Jim Hogan, Mary Sands

Absent: Janette Waller, Andrew Jaffe, Amy Swaney

ADRE Staff: Commissioner Lowe, Carla Randolph, Louis Dettorre, Robyne Clark, Kurt Labotz, Jim Williams, Joni Smith

II. Introductions & Welcome

Commissioner Lowe welcomed the Advisory Committee members and ADRE staff to the meeting.

Commissioner Lowe announced the appointment of two new Assistant Commissioners, Carla Randolph and Louis Dettorre. Carla Randolph has been appointed as ADRE's Assistant Commissioner Licensing/ Education / Development Services. Ms. Randolph has served ADRE for 28 years and will continue in her role as Education Manager along with overseeing the Licensing and Development Services Divisions.

Louis Dettorre has been appointed as ADRE's Assistant Commissioner Operations and Legislative Affairs and will continue to serve as Legislative Liaison, Recovery Fund Administrator and oversee the Business Services Division. Mr. Dettorre holds a Bachelors of Arts in Communication, with a minor in Business Administration from the University of Dubuque, and a Master's in Public Administration from Arizona State University.

Commissioner Lowe announced that Michael Moan has resigned from his position as Business Services Manager. Robyne Clark has been hired as the Business Services Manager. Ms. Clark brings with her 14 years of service at Arizona State University, most recently as the Director of Business and Fiscal Services in the Office of the Provost.

Lin Ferrara announced her retirement from First American Title Insurance and also her resignation with EAC. With Lin's departure, Assistant Commissioner Randolph announced the new appointment of member Janette Waller, Vice-President Operations Manager, First American Title Insurance.

Assistant Commissioner Randolph announced the reappointment of seven members on the Education Advisory Committee (EAC), with member terms renewed for two year period as follows: Marti Barnewolt, J. Robert Eckley, Barb Freestone, Evan Fuchs, Becky Ryan, Mary Sand and Amy Swaney .

Commissioner Lowe reported that the Fiscal Year (FY)15 budget request was delivered on August 31, 2013 to the Governor's Office of Strategic Planning and Budgeting. She reviewed the major objectives of the strategic plan and commented that the FY15 budget request included additional staffing. She also commented that ADRE's appropriation for FY14 was \$2.9M.

III. Minutes

Upon a motion by Member Eslinger; seconded by Member Freestone, the Minutes of the June 11, 2013 meeting were unanimously approved.

IV. New Online "Original" License Application - Update

Assistant Commissioner Randolph provided an update on committee recommendations that have been incorporated into the online license application process:

- Changed candidate email notification wording from "license number" to "application number."
- Once the license is approved, an alert message will appear on the licensee log-in page as follows: "Your license is currently inactive. You must hire to a Broker to conduct real estate business."
- Added "category" to the column header within the submenu of the Individual Renewal Continuing Education (CE) Period screen. This allows the licensee

and ADRE staff to view entered courses satisfied within the required CE category.

Ms. Randolph referenced the written Online Original Application Process that was recently published in the ADRE Bulletin (volume 2013 – issue 2), available on the website. She further reported that in August, 25% of applicants used the online service and she encouraged the real estate schools to promote the use of the online application process.

Commissioner Lowe asked the committee if there were any industry concerns with the online process. Member Barnewolt responded that low participation may be a result of licensees and applicants waiting for the written and visual demonstration of the application process. Discussion ensued around candidate's delay of testing versus completion of classes being inconsistent; it was recommended from Member Sands to compose a Frequently Asked Question (FAQ) reference for the Online Original Application Process.

Commissioner Lowe added that the Message Center, which can be found on ADRE's website, allows an ADRE representative from the Division requested to respond to an inquiry or question.

V. 2013/2014 Legislative Update – Louis Dettorre/Commissioner Lowe

Assistant Commissioner Dettorre provided an update on legislation enacted during the 2013 Legislative Session.

Mr. Dettorre reported that the 2014 legislative session begins in January, and the ADRE is in the planning phase. One critical issue that the department has identified is around trust account deficiencies, primarily in residential property management. He provided an excerpt from the Phoenix Business Journal which reported “in 2006 there were approximately 127,000 rental properties in Maricopa County and today, 2013, there are 225,000 plus.”

Discussion ensued regarding out-of-state entities specializing in Property Management. Commissioner Lowe commented that applications are being processed for these entities and addressed the importance of being licensed in Arizona and adhering to property management guidelines.

VI. Voluntary Broker Audit Survey Results

Assistant Commissioner Dettorre reported that ADRE published the Broker Audit Survey August 2, 2013 to the website and the purpose of the survey was to answer real estate industry questions that the department was not able to provide. There was 73% voluntary participation; the survey was sent out to a total of 7,255 Designated and Self-Employed Brokers in Arizona.

VII. Property Management Issues

Mr. Dettorre reviewed the broker audit survey – section 11 for Property Management (PM) Trust Accounts and reported the total number of PM trust accounts based on respondents was 6,821 with an average monthly cash flow of approximately \$88,000.

Discussion ensued around highest and lowest dollar amount provided in survey and Commissioner Lowe responded that the survey combined commercial and residential into the projected amount. Member Eckley provided industry insight to insurance and stated the importance of educating the community and addressing the liabilities to brokers. Discussion ensued around section 12 of the broker audit survey specific to Errors & Omissions (E&O) Insurance for Property Management and Mr. Dettorre responded, the percentages provided were based on the number of respondents in section 2 – for Residential and Commercial Property Management.

Mr. Dettorre stated that there were 45 deficient trust accounts identified with approximately \$6 million deficiency within a six-year window.

Member Ryan asked if the department would consider requiring property management companies to disclose specific information around obtaining insurance and bonding for publication. Discussion ensued with Commissioner Lowe commenting that the Arizona Association of Realtors® published an advisory for property management; members further added that this requested information would serve as a regulatory tool and public information for consumers.

Assistant Commissioner Dettorre reported that on August 21, 2013, the Real Estate Advisory Board held a Special Advisory Board Meeting on the issue of Property Management. He commented on some of the suggestions that were discussed at the special meeting. These included error and omission insurance, mandatory bonding, delegation of trust accounts and increasing education for property management. Discussion ensued around the obstacles to obtain specific information within property management and Commissioner Lowe commented that the department has the ability to

move forward on modifying the license renewal questionnaire to include more specific questions to property management.

Mr. Dettorre commented on research of states that require a permit for property management. In the states where this is required, the permit is in addition to the real estate license. Discussion ensued around the department's ability to request information from these companies and minimize issues with more property management guidelines. Commissioner Lowe added that this research is one of many items to be discussed at the next Real Estate Advisory Board meeting. The special meeting was geared towards gathering information and providing recommendations to ADRE to share with the Advisory Board in working as a partnership. She concluded that suggestion from the EAC members can be addressed to Advisory Board Chair Kim Horn.

VIII. Industry / Other Issues

Assistant Commissioner Randolph reported on the new broker delegation of authority form that offers 3 types of delegation: branch manager authority, temporary absence and delegated associate broker authority. Commissioner Lowe added that revision to the form will include:

1. Changing one-word of the language of form name from "Application" to "Notification."
2. Statute does not require notification of temporary broker, the form just provides voluntary notification to the department.
3. Broker attestation from signature acknowledges licensee has completed the Broker Management Clinic courses in place of providing a copy of certificate of completion.

Discussion ensued around the regulation of Homeowner Association (HOA) companies and Mr. Dettorre commented on legislative changes and the HOA portion of the amended bill was deemed unconstitutional and will not go into effect.

IX. Distance Learning Course Requirements – Maximum Hours Per Day/Time Zone

Assistant Commissioner Randolph asked the committee for input about the issue of time zone and maximum hours per day and Member Kichen commented that the challenge is host servers in different time zones. He made the suggestions that web administrators can change the time-stamp, discussion ensued. Ms. Randolph made the suggestion of possibly revising the course application but the difficulty is that the department does not have authority to mandate changes.

X. Volunteer Monitor Program

Jim Williams, Education Auditor, reported that it's difficult to identify property management courses if there is no similar wording in the course name, an issue that the Enforcement and Compliance Department identified. Currently there are approximately 64 property management courses amongst 12 schools.

Mr. Williams provided report from 9-10-13 to 9-30-13. There were 667 courses scheduled. Last month there were 40 monitor assignments; 22 accepted. 41 monitors, 4 not active, 20 in phoenix metro area. He commented on the need for more monitors and the push towards more orientation for bordering areas.

XI. Update on Pearson VUE (Pre-licensure Testing Vendor)

Assistant Commissioner Randolph provided summary reports of school stats for first time test takers as follows:

- ***Original Broker Pass Rate:*** 67% (June 13'): 61% (July 13'): 70% (Aug 13')
- ***Original Salesperson Pass Rate:*** 69% (June 13'): 67% (July 13'): 70% (Aug 13')

Member Freestone made the request for stats for average number of grade for failing and passing percentage. Ms. Randolph responded that the candidate receives the individual results but she will put the request in with Pearson Vue. Member Hogan commented on the delay of the individual statistics and barely receiving the June report, Ms. Randolph commented the department was aware of the issue and is working with Pearson Vue to automate and timely issue the reports.

XII. Education/Licensing Division Monthly Reports

Assistant Commissioner Randolph reported on fiscal year 2013 stats within the Education Division; 1,655 Application Processed, 202 Active Status Schools, 2910 Active Status Courses and 7,670 Exams Administered (Brokers, Sales and Other). Within the Licensing Division for fiscal year 2013 (Brokers, Sales and Other): 4,990 Original Licenses and 30,150 License Renewals.

XIII. Upcoming

XIV. Next Real Estate Education Advisory Committee Meeting
December 10, 2013

XV. Other Matters

Assistant Commissioner Dettorre reported that the Substantive Policy Statement (SPS) on Multifamily Housing Records Retention is available on the department's website and commented that requirements for off-site storage include electronic storage.

Member Kichen proposed that the department look at a subject matter group to review online course submittal along with state versus out-of-state guidelines specific to Arizona. Discussion ensued and Ms. Randolph suggested this topic be tabled for the next meeting.

XVI. Call to the Public

Nick Nicholson, First American Eagle University, commented on Property Management and the importance that trust accounts need to be regulated and that the Nevada Real Estate Division Commissioner Standards set the regulation and include segregation of duties so no one person has direct control of all the funds.

XVII. Adjournment

At 12:16pm Member Kichen made a motion to adjourn the meeting. The motion was seconded by Member Ryan and passed unanimously.

Respectfully submitted this _____ day of December, 2013
Real Estate Advisory Board

Commissioner Lowe