

Honorable Katie Hobbs
Governor of the State of Arizona
1700 W. Washington Street
Phoenix, AZ 85007

RE: Evaluation of the Performance of the Real Estate Commissioner and the Real Estate Department, pursuant to A.R.S. § 32-2104(F)

Governor Hobbs:

It is an honor to continue to serve on the Arizona Real Estate Advisory Board and in 2024, a privilege to serve as Chair of the Board. I am grateful for the opportunity you have given me and take my responsibilities in this role very seriously.

The Real Estate Advisory Board's statutory authority is to provide the Real Estate Commissioner with such recommendations as it deems necessary and beneficial to the best interests of the public, as well as recommendations on specific questions or proposals as requested by the Commissioner.

Those appointed to the Real Estate Advisory Board represent and come from diverse backgrounds, geographic areas within the state, and sectors of the profession. The Advisory Board encourages stakeholder engagement on relevant topics and those stakeholders, in turn, communicate the needs of their respective communities. Members of the Advisory Board also relay public feedback and often encourage members of the public to attend Board meetings so that they can provide valuable insight from their perspective.

This has been a challenging year in which the Department of Real Estate and the industry has encountered change. This change has not all been welcomed by the industry and equally, the change has also not all been caused by policy or procedural shifts within the Department.

While some changes or policy stances resulted in disagreements between the Arizona Association of REALTORS® and the Department and between a handful of educators and the Department, there have also been changes that were welcomed by those the Department regulates.

Advisory Board Members heard from a few licensees that the Department does not appear open to constructive feedback nor is it willing to listen in good faith to concerns raised by AAR or real estate licensees. These individuals have shared there is concern within the industry for individuals who speak out against the Department of Real Estate or even raise questions. The perception exists that this is done through the initiation of audits, subpoenas, and investigations, and even includes the refusal to approve continuing education classes.

From the October 2024 Advisory Board Meeting, two general concerns were raised related to course approvals and investigative processes, namely a denial of an extension.

Leading up to the meeting, Advisory Board Members shared these concerns with the Department and as a result the Department was able to respond openly and directly and provided evidence supporting actions taken to deny courses and investigated an accusation of an investigation extension being denied.

The course denial is currently proceeding to the Office of Administrative Hearings. A continuance was requested by the course applicant. The Department did not file in opposition to the continuance and the applicant may make their case before the Administrative Law Judge, as should have historically been offered to those who disagree with a decision of the Department.

Upon investigation following the October 2024 meeting, an extension denial for an initial response period occurred. There is no penalty for a licensee’s failure to substantively respond during this stage and a denial for an extension during this period does not jeopardize a respondent’s due process rights. Instead it would simply serve to move the investigation to the next phase. This was explained to the attorney who requested the extension and what her clients should be advised in the future.

The complaints and concerns have been heard and were relayed to the Department and stakeholders, members of the public, and members of the Advisory Board need to be able to speak freely. We encourage the public to continue to raise concerns with the Advisory Board or the Department directly and we encourage the Department of Real Estate to foster an environment that promotes open dialogue and conciliation.

In times of economic and regulatory challenges, it is important for the Department to collaborate with key stakeholders. As such, the Advisory Board welcomes word that under the leadership of President Sindy Ready, the Department is openly communicating and working collaboratively with the leadership and staff at Arizona Association of REALTORS®. The Advisory Board encourages the Department to focus on continuing this collaborative and communicative relationship.

In 2024, the Commissioner and Department successfully:

Continuous Improvement

- Increased the Department’s Employee Engagement score from 79 to 87 percent and currently possesses the highest score across all 32 scored state agencies for Talent Maximization Score.

Recent Engagement Scores

2024	2023	2022	2021
87%	79%	75%	64%

- Recognized by the Governor's Office for creating one of the top 10 Projects in the State in 2024 designed to protect and help the people of Arizona.
- Completed a business analysis project to capture current state, improve current processes, map future state, and create a comprehensive list of business requirements in preparation for procurement of an IT solution.
- Continued work on creation of a defensible real estate licensing exam.

- Standardized the Department’s audit process and investigative process with a critical date list and associated templates for staff.
- Standardized the education application process to include Administrative Law requirements to allow for appealable agency actions for denials and deficiencies issued for school administrator, instructor, and course applications.
- Began training internal staff on ADA compliance with technology to ensure the Department is able to meet a United States Department of Justice requirement for State and local governments to make their websites and mobile applications accessible for people with disabilities. The agency is internally developing a new website to meet the standards of Web Content Accessibility Guidelines (WCAG) 2.1 Level AA.
- Procured and implemented voicemail for ADRE’s customers that integrates with the queue of work for each division. Prior to this implementation, licensees and the public simply waited on hold.
- Provided CLEAR (Council on Licensure, Enforcement and Regulation) training to all investigators.
- Automated Dashboard reporting of division status delivered daily to management team (previously updated weekly)
- Contracted with an Arizona-based language translation service and now able to engage with licensees and consumers through the contracted-services in over 400 languages. The Department and consumers have already used the service for American Sign Language, Spanish, and Mandarin.
- Established audit process with distance learning real estate schools to better protect against licensees who hire others to complete their continuing education.
- Revised all forms at the Department of Real Estate to simplify licensee interactions. New forms will roll out over the first quarter of 2025.
- Implemented the 5S system of electronic record management across the Department.
- Created course outlines and course content and implemented Current Issues Continuing Education requirement for Deed Fraud, Water and Firewise.
- All ADRE staff participated in active shooter training provided by the Attorney General’s office.

External Stakeholder Relationships

- In partnership with the Office of Administrative Hearings, created and rolled out a HOA Mediation program.
- Entered into a Memorandum of Understanding with the Arizona Board of Technical Registration to address violations of law between real estate licensees and home inspectors.
- Successfully exercised Memorandum of Understanding with Arizona Regional Multiple Listing Service to expedite termination of access for two licensees who were convicted of serious felonies.
- Worked with policymakers and loan originators within the local and national offices of the United States Department of Veterans Affairs to educate on and mitigate the impacts of the NAR antitrust settlement on VA homebuyers.
- Collaborated with the Better Business Bureau Serving the Pacific Southwest, Central & Inland California - Including Arizona, to educate and better protect the public about deed fraud.
- Quarterly, discussed new and ongoing predatory practices within real estate with Arizona Attorney General Kris Mayes and her leadership from the Attorney General’s Office.

- Presented at the Arizona Association of Certified Fraud Examiners & International Association of Financial Crimes Investigators Joint Meeting and Training Seminar to educate on deed fraud in real estate.
- Launched a new Deed Fraud intake process collaborating with the Arizona Attorney General's Office and educated lawmakers about Deed Fraud in Arizona.
- Worked with Indian Nations and Tribes to increase the Department's inclusiveness of tribal nations and partnered with Parker Technology Services on the Colorado River Reservation to open and maintain an approved testing center, allowing candidates the opportunity to take the national and state exam required for real estate licensure. This is the first testing center on tribal lands permitting ADRE's exam.
- After several years of stagnation waiting for Mexico's election and leadership changes, began engaging with Arizona-Mexico Commission counterparts.
- Collaborated with the Attorney General's office on predatory real estate practices targeting vulnerable adults, resulting in new laws to recover damages and prevent future harm.

Legislative and Rulemaking

- Successfully worked internally with Department subject matter experts to review and draft updates to Arizona Administrative Code, Title 4, Chapter 28 and began engaging externally at the end of 2024 for purposes of rulemaking.
- Received approval from the Governor's Regulatory Review Council for its Five Year Rule Review for all of its rules, when only half were actually due in 2024. The Department's review and GRRC's approval found the Department's Administrative Code had:
 - Seven rules which are ineffective or, if amended, may be made more effective in achieving their goal.
 - Fourteen rules which are not consistent with other rules, Arizona law or Federal regulations.
 - Two rules which are not enforced or enforceable as written.
 - Forty-one rules which are not clear, concise or understandable.The Department published a Notice of Docket Opening on November 22, 2024 and plans to complete rulemaking on all found issues in 2025.
- Worked with lawmakers and stakeholder groups to draft and pass legislation to update Title 32, Chapter 20 of the Arizona Revised Statutes. The Department's updates and amendments included:
 - Defines "Address of Record" and provides an alternative to requiring a broker to possess a definite place of business, as being a brick and mortar location.
 - Clarifies types of education to more clearly identify "distance learning" versus "live classroom courses" in continuing education and prelicensing education.
 - Amends and makes more representative the make-up of the real estate advisory board.
 - Clarifies any Board Member currently appointed remains through the end of their tenure.
 - Clarifies the Department may suspend a license after the licensee's fingerprint clearance card is suspended, rather than must, and provides additional clarity around when the Department would suspend the license.
 - Provides the ability of an entity licensee to obtain a new designated broker in the event of the death of the named designated broker and works to prevent "license hopping" for designated brokers after a disciplinary action.

- Specifies three (3) credit hours of the nine (9) required credit hours of Broker Management Clinic must be designed for property management if engaging in property management.
- Clarifies what Generally Accepted Accounting Principles are for trust accounts in property management.
- Codifies and corrects current application of laws, updates statute to current business models, and removes unnecessary and overly burdensome requirements and regulations, including: Out-of-state license recognition changes, submitting employment histories with applications, and clarifies electronic record storage is permitted throughout.
- Engaged with and educated lawmakers, Governor's Office, and the Office of Strategic Planning and Budgeting on the Department's need for a future IT solution to ensure continuity of operations.

Outreach

- On a quarterly basis, the Department continues to hold both an Education Town Hall and Development Services Roundtable. Both meetings are publicized, open to anyone who wishes to attend, and recordings are uploaded to the Department's YouTube channel. If the meeting space can accommodate it, the Department also makes these outreach sessions available on Google Meets.
- Educated real estate investors (non-licensees) on legal tools in purchasing real estate, fair housing and areas of concern.
- Conducted 51 outreach events with licensees and industry stakeholders.
- Introduced a podcast to its methods of communication to the public and industry. Many of our customers spend a great amount of time in their cars traveling to showings and listing appointments and this method of delivery is very conducive to them. We are still building the content library, but have thus far shared seven episodes highlighting various decisions and divisions within the Department.
- Increased reach to the public and licensees through use of Social Media and effective Direct Email campaigns:
 - Facebook, X, and LinkedIn. The Department's Social Media performance shows 341 posts, with impressions of 129,867, and an engagement rate of 8.5% in 2024.
 - Social Media referred 19,910 new, first time users to azre.gov.
 - SendGrid (Direct Email). Sent emails to 668,620 addresses - includes 30-60-90 day notifications, 592,177 opened and 1.41% unique clicks.
 - Launched YouTube Channel where all public meetings, town halls, and podcasts are uploaded and retained.

Information Technology

- Completed production rollout of Realm and Online System changes:
 - Enabling licensees to search for courses based on level of material as reported by the Instructor (beginner, intermediate, advanced) to better help licensees choose relevant Continuing Education
 - Course evaluation at the point of entering Continuing Education online.
 - Enabling licensees to search for scheduled courses by location.
- Completed deployment of SQL server 2019 security update.

- Provided functionality to authorized staff for administering basic functions in Realm and Online Systems (onboarding/offboarding employees, add/remove roles for users, etc) to improve continuity of operations.
- Added Google Captcha function to Message Center Create Message function to counter increases in malicious automated scripts (bots) carrying out Form Spam.
- Migrated Original Applications, PC/PLC Applications and Legal Presence Applications from Online Support, built on now unsupported software, to Realm 2.
- Increased speed of online login system for licensees and staff by completing AWS server upgrade to double CPU and Memory capacity on production servers.
- Created a new API application to generate CSV data for the Google Sheet that updates the Looker Studio dashboard data.
- Created a new report query to enable the Department to share disciplinary action information with the Association of Real Estate Law Licensing Organizations.
- Developed and relabeled what licensees and staff understood as “Inactive” to “Eligible” to meet legislative changes and built out system functionality to enable licensees to move to an Inactive status through their login, with plans for Reactivation to be introduced in 2025.

Over the course of 2024, topics of discussion the Advisory Board considered include: significant issues and challenges facing real estate regulators and licensees including the National Association of REALTORS® antitrust lawsuit settlement, concerns related to revenue shortfalls at the state and potential budgetary impact to the Department, continued discussions on pre-licensing exam changes, the Department’s Information Technology solution reaching end-of-life support by internal staff, deed and land fraud, Artificial Intelligence used in the real estate practice, homeowners insurance affordability and availability, and changes and communication related to educational standards for continuing education courses.

There were 83,671 total licensees at the 2024 calendar year end, an approximate 0.86 percent decrease from the previous year. New license applications continue to be processed in one day, with an all-time high of nearly 96 percent completed online through the Online Licensing System.

The Arizona Department of Real Estate plays a critical role within our real estate industry and is charged with protecting the public interest through licensure and regulation of the real estate profession in Arizona. The Advisory Board looks forward to continuing to engage with the Department in 2025 and personally, I applaud the work being performed by your administration and look forward to your continued success throughout 2025.

Respectfully,



Matias Rosales
2024 Chair, Real Estate Advisory Board