

Arizona Department of Real Estate (ADRE)
Real Estate Advisory Board
Minutes
August 10, 2016

The Real Estate Advisory Board met on Wednesday, August 10, 2016 at the Arizona Department of Real Estate (ADRE), 2910 N 44th Street, Commissioner's Conference Room, Phoenix, Arizona.

I. Call to Order

Vice-Chair Gray called the meeting to order at 10:00am, Vice Chair Gray chaired the meeting.

Members present:

Kimberly Clifton, Chair (via phone)
Bill Gray Vice-Chair
Karen Bohler (via phone)
Carla Bowen
Charlie Bowles
Frank Dickens
Bruce Jacobs
Nicole LaSlavic (via phone 11:00)
Scott Peterson

Absent

Nedra Halley

ADRE Representatives present:

Judy Lowe, Commissioner
Louis Dettorre, Deputy Commissioner
Danielle Hazeltine, Assistant Commissioner Compliance
Carla Randolph, CIO, Assistant Commissioner Licensing Services
Abby Hansen, Customer Service Representative

Public present:

Scott Drucker, AAR
Jake Hinman, AZ Capitol Consulting

II. Introductions & Welcome

None

III. Approval of May 18, 2016 Meeting Minutes

Vice-Chair Gray asked for a Motion to approve the May 18, 2016 minutes. Upon a motion by Member Bowen, seconded by Member Jacobs, the Minutes of the May 18, 2016 meeting were unanimously approved

IV. Commissioner's Report – Judy Lowe, Commissioner

Commissioner Lowe provided a Fiscal Year 2016 agency update including Licensing and Education stats. The department budget appropriation and current status was reviewed.

The Commissioner noted a few of the FY16 technology enhancements in ADRE

- Updated forms, guides and more payment options.
- Enhanced monthly licensee information.
- Electronic documents – scanning, indexed - Paperless!
- ADRE migration to the cloud.
- Home Owner Association (HOA) Dispute Resolution program

And additional ADRE achievements;

- Licensing - average 475* new original applications monthly.
- Renewals - average 2690* monthly, FY16 total 32,264
- Education – oversee approval of 800 * instructors and continuing education classes monthly.
- Development/Building Services – approved 591 Builder Public report applications.
- Investigations – average 58* complaints monthly (3.25 Investigators) plus conduct 42* on-site Broker audits (4 auditors).
- Enforcement and Compliance – Apply disciplinary action to proven violators.

*approximate

Commissioner Lowe stated ADRE is seeing a dramatic increase in disclosures, including misdemeanors and Felonies.

The Commissioner addressed the FY17 Strategic Plan;

- Increase protection to the public.
- Enhance quality of licensee real estate education.
- Streamline delivery of service.
- Maximize technology platform.
- Promote skilled and accountable ADRE team.
- Adhere to fiscal guidelines.

She stated some of the challenges at ADRE are;

- Staffing- retention and compensation.
- Adjusting to changes in the Real Estate business models – i.e. an increase in foreign companies purchasing real estate for rental property and they are unaware that Arizona law requires licenses for property management companies.
- Federal involvement in the Real Estate industry – both in licensing and regulation. The Association of Real Estate License Law Officials (ARELLO) is looking at portability and reciprocity of a license.

Member Jacobs asked if there is a decline or consolidation in the number of property managers. The Commissioner stated it's hard to determine as we do not get specific detail that a licensee is doing property management, other than the Broker Audit Declaration.

Member Jacobs asked if there is a way to flag the smaller companies/single agent as property management. The Commissioner stated we can look at the Broker Audit Declarations to identify property managers and number of doors they are responsible for. The Commissioner noted it creates conflict for the consumer with a HOA community management company calling itself a property manager/management but do not have a real estate license.

Member Bowen asked if the property management questions are on the Broker Audit Declaration. The Commissioner stated the Broker Audit Declarations do have the information, but the processing and review of them is all done manually. DC Dettorre noted we are working through the Broker Audit Declarations. Member Bowen asked about making the Broker Audit Declaration electronic with no need for manual processing and if that may be moved up as a priority to implement. The Commissioner noted it has been added to her list for technology needs.

The Commissioner also noted that Teams at brokerages are creating confusion with consumers as they are unsure who they are working with. In addition, ADRE continues to receive advertising violations, which play into the team's issues when they create the perception that they are the real estate company.

Scott Drucker asked if we are applying discipline or making a recommendation when team complaints are received. The Commissioner stated we are moving it through the department depending on the complaint.

Member Bowles asked if the new contract will specify that the 1st line is the designated broker. Scott Drucker stated it will have two lines.

Member Dickens asked if it was still agents turning in the advertising violations. The Commissioner stated “not always” and that sometimes she will make a call to the designated broker and its immediately remedied.

V. Deputy/Assistant Commissioner Updates

Deputy Commissioner Dettorre discussed some of the current projects, closing the year for FY16, loading the budget for FY17 and FY18 submission by 9/1/16. ADRE will be using LEAN scorecards for the department strategic plan moving forward.

- Going Digital- ADRE migrated department data to the cloud by June 30th. With no interruption in services to the Public and Industry. The entire process was completed within approximately three months in the most expeditious time period we know of for the state.
- 50,000 phone calls were received in FY16
- Looking for legislative ideas for cleanup. Primarily the HOA Dispute Process, combing through the statutes to identify ways to make the process more efficient.

The Commissioner asked all for any ideas around legislation and what are some issues to look at.

DC Dettorre touched on the HOA Dispute Process and explained how the petition process works. ADRE has reduced the fee from \$750.00 to \$500.00, and \$500.00 for every subsequent petition up to four. DC Dettorre mentioned that we moved the process to our message center and made it electronic with the ability to pay the fee online.

Member LaSlavic asked how we determine if a petition is valid. DC Dettorre stated we verify the petition is complete and the fee is paid.

Member Dickens asked if it was homeowner to homeowner. The Commissioner stated it is only homeowner to HOA and vice versa.

Scott Drucker stated that the Arizona Association of Realtors (AAR) is making changes to the buyer advisory directing buyers to ADRE website.

a. Assistant Commissioner (AC) Licensing Services – Carla Randolph

AC Randolph provided a verbal update for the Licensing, Education and Development Services Divisions. Of note in Development Services, the expedited subdivision applications are being processed within two days, usually less. Two Development Services forms are now available for online submission, Lot Reservation and Conditional Sales Exemption and more to come.

Education is seeing an increase in courses and volunteer monitoring and Member Gray will be conducting a volunteer monitor orientation.

- School self-audits are due in January.

- AC Randolph announced new appointments to the Education Advisory Board, Laura Kovacs and Kelly Zitlow.
- 1st time pass rate is 68%
- Licensing added a 2nd kiosk and a new conference room.
- ADRE is at 70% of all applications available for online processing.

AC Randolph stated that the next Development Services Lunch and Learn event is tentatively scheduled for September 15th, 2016 and will cover how to submit an application online.

AC Randolph discussed a book that she is reading and will be available to ADRE employees, "Evenings Empire". It's about the period of wildcat subdivision and fraud that occurred in Arizona and why the subdivision laws are so important.

AC Randolph provided an overview of the ADRE scorecard that is sent to the Governor's Office monthly.

b. Assistant Commissioner (AC) Compliance – Danielle Hazeltine

AC Hazeltine provided a verbal update for the Compliance and Enforcement, Auditing and Investigation Divisions.

- A new administrative assistant has been hired for Enforcement and Compliance (E&C)
- All compliance forms are now available online and referenced in the compliance orders.
- A new frequently asked questions (FAQ) tab for E&C has been added to the home page.
- 99% completion for all LEAN projects for both auditing and investigations.
 Oldest pending case:
 Auditing- 284 days down to 45 days January to July
 Investigations- 156 days down to 18 days January to July
 Average days to close:
 Auditing 138 days down to 31 days April to July.
 Investigations 80 days down to 37 days April to July.

VI. Advisory Board Member Facilitator Reports

Chair Clifton asked for all members to come prepared to discuss education regarding advertising at the next Advisory Board Meeting.

Member Bowles received a complaint and referred them to ADRE to file a complaint with Investigations.

Member Dickens had a call regarding a declined original license application but referred them to ADRE.

Vice-Chair Gray received three calls regarding AirBNB SB1350, he stated he indicated to the callers that the Governor wanted this as a boon to the economy. Legislation does not apply to an HOA.

VII. Director Open Forum

Vice-Chair Gray asked for suggestions on the next agenda.

Member Jacobs asked for education, i.e. upgrading instructors and curriculum as a majority of agents don't understand the consequences of not accurately completing a contract.

Member Bowen stated there are a lot of issues with the purchase contract. Licensees are still not indicating disposition of earnest monies or understanding earnest money concepts.

Chair Clifton called for a stakeholder work group where education on the new AAR contract can be addressed so that the Advisory Board can continue to raise the bar. Chair Clifton sees the group including some board members, some AAR and some ADRE to address issues that lead to violations.

Member LaSlavic stated she had information on SB1350 that she would bring to the next meeting.

Member Bowles stated they have boiled down the Truth in Lending Act, Real Estate Settlement Procedure Act and Integrated Disclosure (TRID) process document and would like to present that to the board.

Member Dickens noted that Instructors are mentioning they have volunteer monitors, stating it keeps them on track and improving.

Member Jacobs stated new and improved classes are received much better by the licensees. Vice-Chair Gray noted that even though a course outline is good for four years they need to be updated yearly to keep up with current information.

The Commissioner asked if the board is making an action for AC Randolph to take to the next EAC meeting. Vice-Chair Gray stated a contemporary program, including legislation, needs to be put together that covers education, teams and contracts. The Commissioner asked if at the next EAC meeting some recommendations to address current issues could be brought forward.

Chair Clifton asked Scott Drucker if a stakeholder workgroup, including AAR, is viable. Scott Drucker stated yes.

Vice-Chair Gray asked if meetings can be moved to Tuesday's. The frequency and schedule will be put on the agenda for the next meeting. DC Dettorre stated they would draft a calendar at the next meeting. The Commissioner stated it is set in the January meeting. Member Dickens asked if there was a rule. The Commissioner stated it is just four times a

year, quarterly and read A.R.S. 32-2105. Vice-Chair Gray stated the board should meet more to get through the education issues that they want to address next year.

Chair Clifton asked if the board was going to appoint a work group regarding the issues to be addressed. Member Dickens stated AC Randolph will put it on the EAC agenda.

Chair Clifton asked if the top violations as noted in the 5/18/16 Advisory Board Minutes could be added to the ADRE website. The Commissioner noted it was included in the last edition of the Bulletin.

VIII. Call to the Public

None

IX. Future Meeting Dates

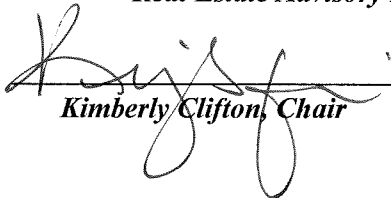
Member Gray stated due to member scheduling conflict could the next meeting be rescheduled to November 15? Chair Clifton motioned, Member Dickens seconded. The vote was unanimous.

X. Next Real Estate Advisory Board Meeting: November 15, 2016

XI. Adjournment

Vice-Chair Gray motioned to adjourn at 12:15. Member Bowles seconded.

Respectfully submitted this 15th day of November, 2016
Real Estate Advisory Board



Kimberly Clifton, Chair