

**Arizona Department of Real Estate (ADRE)
Real Estate Advisory Board
Minutes
October 14, 2015**

The Real Estate Advisory Board met on Wednesday, October 14, 2015 at the Arizona Department of Real Estate (ADRE), 2910 N 44th Street, Commissioner's Conference Room, Phoenix, Arizona.

I. Call to Order

Chair Clifton called the meeting to order at 10:00am

Members present:

Kimberly Clifton, Chair
Frank Dickens, Vice-Chair
Karen Bohler
Charlie Bowles
Carla Bowen
Bill Gray
Nedra Halley
Scott Peterson

Absent

Dustin Jones

ADRE Representatives present:

Judy Lowe, Commissioner
Louis Dettorre, Assistant Commissioner Operations/Legislative Affairs
Sarah Dobbins, Chief of Staff
Danielle Hazeltine, Assistant Commissioner Compliance

Public present:

Mel Comstock
Scott Drucker, Arizona Association of Realtors
Harry Eastlick
Courtney LeVinus, Capitol Consulting
Pat Holt

II. Introductions & Welcome

Chair Clifton opened the meeting at 10am and asked the members of the public in attendance to introduce themselves.

III. Approval of August 12, 2015 Meeting Minutes

Upon a motion by Member Bowles, seconded by Member Halley, the minutes of the August 12, 2015 meeting were unanimously approved.

IV. Commissioner's Report – Judy Lowe, Commissioner

Commissioner Lowe provided an update on the State and ADRE's efforts with LEAN. She commented that all State agencies are going through the 'LEAN' transformation and it means running government like a business, always looking at processes and for efficiencies. She noted that ADRE's Assistant Commissioner (AC) Licensing Services, Carla Randolph, has been very focused on the LEAN process and has worked on two projects with the Development Services team since the beginning of the year. The first project involved the Amended Public Report. The turn-around time for processing these applications had gone from 35.7 days to 10 days as of August 15, 2015. They have continued to streamline the process and are now at an average processing time of 9 days. The second project is with the expedited public report. At the start of the project, the average processing time was 10 days, after going through the LEAN process, the processing time is now at 4.5 days. As a result of the faster processing time for expedited public reports, the Department is not receiving as many lot reservations. AC Randolph and the Development Services staff are attending a LEAN training with other State agencies today.

Commissioner Lowe commented that the State of Washington is also going through the LEAN process with their Department of Real Estate, specifically with the Auditing and Investigations Division. She mentioned that she had spoken with the Washington State Director and had challenged them that ADRE would beat them.

In the absence of Assistant Commissioner Randolph, Commissioner Lowe provided a brief Licensing Division and Education Division update. She noted that 82% of the original salespersons applications received in the month of August were received on-line. She gave a verbal explanation of the new kiosk, that is available in the licensing customer service area, and explained that this allows an individual who comes in to be able to sit down at the kiosk and complete their entire salesperson licensing application process on-line. The addition of the kiosk has contributed to the increase in the use of the online original salesperson application.

With regard to the Education Division, Commissioner Lowe commented that there are zero pending applications almost every Monday morning. In other words, the staff are receiving and processing the applications very efficiently and timely resulting in zero pending at the end of almost every week.

In regards to ADRE personnel, Commissioner Lowe mentioned that the hiring freeze remains in effect and that in order to hire to a position, an agency must show a critical need. She commented that, after analysis of ADRE staffing, it was determined that there was a need to replace an Assistant Commissioner to oversee the Enforcement & Compliance and Investigation & Auditing Divisions. The Commissioner introduced Danielle Hazeltine, the newly hired Assistant Commissioner of Compliance. Her duties include overseeing the Enforcement & Compliance Division, the

Investigation & Auditing Division and maintaining the entire settlement process, as well as disciplinary actions.

The Commissioner mentioned there had also been a few internal staff changes.

Commissioner Lowe commented that, as part of the LEAN effort and as a way to educate all staff on the principles of a results driven/ LEAN process, the ADRE Leadership team recently read the book, 'Government That Works'. Each leadership team member completed a book report summarizing information from the book, the reports will be sent to the entire ADRE staff who will be voting for the book report they think is the best. ADRE staff is also being offered the challenge to read the book and submit a book report that will be read by the leadership team who will vote for the best staff member book report.

Commissioner Lowe asked Chair Clifton to comment on the Board Member survey that was sent to members of Boards and Commissions statewide. Chair Clifton reviewed the questions on the survey and commented that she would send the link to all members. Commissioner Lowe commented that the survey seeks information on a wide range of issues. The Commissioner encouraged all Real Estate Advisory Board members to complete the survey and mentioned that, as they complete it, to please keep in mind the purpose of the Real Estate Advisory Board and that it is different from many of the other statewide boards. The Real Estate Advisory Board provides recommendations to ADRE, they do not make policy or disciplinary decisions.

Commissioner Lowe commented that she attended the Association of Real Estate License Law Officials (ARELLO) Conference in Washington D.C. in September. The Commissioner serves on the ARELLO Board of Directors. She explained that the group meets several times throughout the year and looks at license law and issues that are occurring nationally, as well as internationally. She noted some of the common themes that were discussed at the September meeting included:

- CFPB: at the conference there was a presentation on the changes and the myths. The Commissioner provided a verbal overview of what was discussed. She also mentioned that meetings have been held at ADRE including members of the real estate industry, lenders and escrow companies, to discuss CFPB and the closing statement. Commissioner Lowe commented that, through the discussions, the group determined that as long as the closing statement adheres to all requirements in Rule and Statute, it would be fine in an audit. She noted that some of the things that have been brought up as appearing on closing statements are: rebates and an assignment or consultation fee.

Some of the other issues discussed at the ARELLO Conference were issues around property management, new business models and virtual agents.

Commissioner Lowe commented that ADRE is in the process of working on the Strategic Plan and invited Louis Dettorre, ADRE Assistant Commissioner Operations & Legislative Affairs to give his Assistant Commissioner report.

V. Assistant Commissioner Updates

a.) Assistant Commissioner (AC) Operations & Legislative Affairs – Louis Dettorre

Assistant Commissioner (AC) Dettorre commented that ADRE is working to complete the 2016 Strategic Plan. He mentioned that lean management, Government That Works, focuses on establishing critical functions and setting goals which will tie into ADRE's strategic plan. He also mentioned that the Governor's Office is working with all State Agencies to develop agency specific 'scorecards'. The scorecard will show results that are based on goals specific to ADRE.

AC Dettorre noted that ADRE's FY2017 Budget proposal was submitted to the Governor's Office of Strategic Planning and Budgeting on September 1, 2015. He provided a verbal description of the budget review process and commented that as more information became available, updates would be provided.

AC Dettorre stated that ADRE recently completed a procedural review from the Auditor General's Office. The report was issued September, 2015. The review lasted approximately 6 months and there were two minor findings. ADRE staff worked collaboratively with the Auditor General's staff and both findings were addressed and corrected prior to the review being completed.

VI. Advisory Board Member Facilitator Reports

Member Dickens commented that he had received one inquiry and would be talking with Commissioner Lowe about it.

Member Gray commented that he received a call from an HOA regarding "Luxury Property Management". Luxury property management provides services and takes care of a property while the property owner is out of town. They do not lease or sell.

Member Bohler commented that she received several inquiries. The first involved 'Teams'. She commented that teams are a problem because the consumer does not know the Employing Broker the team members work for.

Member Bohler mentioned another issue she is seeing is advertisements on Facebook that are not in compliance. Commissioner Lowe mentioned the article done by ADRE & Arizona Association of Realtors (AAR) regarding advertising. She also commented that if someone feels they are seeing a violation, it needs to be filed as a complaint with the Department so that ADRE's Investigators could look at it further.

Member Bohler also commented that she is hearing that there is confusion regarding the duties that an unlicensed assistant is allowed to perform. Commissioner Lowe mentioned that there is a Substantive

Policy Statement (SPS) regarding unlicensed assistants. ADRE Chief of Staff, Sarah Dobbins, will send the SPS to all of the advisory board members.

Member Bohler commented that she also received a call regarding agents revealing confidential information. After discussion, it was suggested that Member Bohler could have the person who called her contact AAR regarding Code of Ethics.

Member Bohler commented that at the Lake Havasu Association Retreat, a member commented that they would like to see the bar raised on education.

Member Gray commented that he felt there was a need to raise the number of hours required for boot camp from 6 hours to 9 hours.

Member Bowen commented that she received a couple of calls regarding real estate licensees who do not live in the area, coming to the mountains, not disclosing that they are real estate licensees, looking at properties and then submitting contracts on behalf of their buyers. After discussion it was suggested that this may be an AAR Code of Ethics issue.

Chair Clifton commented that a consumer came to her (ADRE and AAR also received calls from this consumer) frustrated because he had a contract in which he was stuck working with a licensee he no longer wanted to work with. The licensee was reportedly very threatening and stating they would do things like put a lien on the property if the client did not do exactly as was instructed. A complaint has been filed with ADRE and AAR.

VII. Other Matters Regarding Advisory Board Issues/ Follow Up/ Recommendations

- Definition of Property Management/ Manager; is there a recommendation?

Chair Clifton posed this question to the Advisory Board. After discussion, Member Gray made the following motion, 'Recommend that ADRE task the Education Advisory Committee (EAC) to start a draft of the property management definition, with the input of stakeholders, using the current statute and amending it to meet the current needs. Report back to the Real Estate Advisory Board in February, 2016.

Member Bowles seconded the motion. Chair Clifton called for the vote and the motion passed unanimously.

Assistant Commissioner Randolph will be notified that the EAC should draft a definition of property management as described in the motion.

VIII. Call to the Public

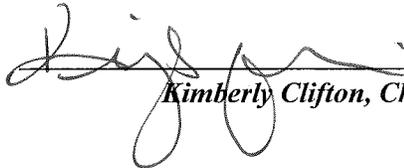
A member of the public commented that he felt that real estate licensees must be able to understand, from the law, when they are practicing property management.

IX. Next Real Estate Advisory Board meeting is December 2, 2015

X. Adjournment

Chair Clifton called the meeting adjourned at 12noon.

*Respectfully submitted this 10th day of ~~December, 2015~~ ^{February, 2016}
Real Estate Advisory Board*



Kimberly Clifton, Chair

****NOTE:** The October 14, 2015 minutes were unanimously approved on December 2, 2015.
Signature of these minutes is scheduled for the February 10, 2016 meeting.