



Arizona Real Estate Advisory Board
100 N. 15th Avenue, Suite 201
Phoenix, Arizona 85007



January 23, 2019

Douglas A. Ducey
 Governor

Arizona Real Estate
 Advisory Board

Karen Bohler
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 Commissioner

Dear Governor Ducey,

It has been an honor for me to serve as the Department of Real Estate Advisory Board Chairman in 2018. Please consider this my formal evaluation pursuant to A.R.S. § 32-2104 (F).

The Real Estate Advisory Board's statutory purpose 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.

Your appointees to the Real Estate Advisory Board represent many diverse Arizona Real Estate professionals; and the public members who attend the meetings always provide valuable insight.

There were 86,883 total licensees at 2018 calendar year end, a 3.2 percent increase from the previous year, and approximately 10 percent increase since January 2015. New license applications are processed in one day, with 99 percent completed online through the Online Licensing System. Approval and issuance of Public Disclosure Reports to builders/developers for marketing subdivision property increased by 12 percent from calendar year 2015 thru 2018.

Also, pursuant to A.R.S. § 32-2124 (K) the Department licensed two applicants in 2018 who met licensing educational requirements by an equivalent alternative.

Topics that the Advisory Board has addressed include: new real estate brokerage models, real estate teams, education standards for classroom and distance learning continuing education, and content quality for prelicensing courses. The Advisory Board has continued to encourage stakeholder workgroups on relevant topics and communicate the needs of their respective communities. Department leadership has continued to share their respective workplace accomplishments and successes and update the Advisory Board on the implementation of the Arizona Management System.

The accomplishments provided in the following pages reflect the steady leadership of Commissioner Judy Lowe, and the focus placed on continuous improvement and demonstrable value to real estate professionals and the protection of the public.

In conclusion, the Arizona Department of Real Estate continues to be one of the best in the nation. I look forward to the continued success of the Advisory Board and Commissioner Lowe in 2019.

Respectfully,

Karen Bohler
 2018 Chairman ADRE Advisory Board

Cc: Daniel Scarpinato, Chief of Staff
 Gilbert Davidson, Chief Operating Officer



ARIZONA DEPARTMENT OF REAL ESTATE (ADRE)
Summary of Accomplishments
Calendar Year (CY) 2018

In CY2018, Commissioner Lowe and the ADRE TEAM continued to implement the Department's Strategic Plan goals, including to: provide excellent customer service; drive innovation through technological advancement; strengthen real estate education; and lead all national real estate agencies in operational efficiency and effectiveness.

The ADRE continued to implement the Arizona Management System in all divisions. Weekly tracking of Scorecard goals and monthly review of performance measures for all staff is adhered to. The following reflect some of the CY2018 accomplishments:

COMMISSIONER'S OFFICE:

- Continued implementation of the Arizona Management System;
- Completed an office move to the Capitol Mall;
- Achieved a key breakthrough measure to reduce the number of complaints received that are outside of the Department's jurisdiction;
- Implemented two new breakthrough measures – key goals to increase the number of volunteer monitor assignments, and increase and maintain a high quality of reports;
- 95 percent of all ADRE eligible staff "Meeting Expectations" or "Exceeding Expectations" in FY 2018;
- Continued to identify processes which can be further streamlined, and generate cost savings;
- 2018 Focus on Education
 - Implemented online pre licensing education program enacted during the 2018 Legislative Session;
 - Implemented "SPS 2019.01 Online Pre Licensing Education Course and Learning Guidelines", relating to online pre licensing education course;
 - An education work group updated the real estate education course content curriculum for salespersons, and continuing progress on broker's course content.
- Submitted five (5) *Success Stories* to the Governor's Office relating to agency process improvements that were implemented;
- Held customer stakeholder meetings with real estate professionals ranging from residential, multi-family, development services/builders, Education Advisory Committee, HOA stakeholders, and more;
- Commissioner presentations and community outreach to stakeholder and real estate professional groups;
- Held four Real Estate Advisory Board meetings;
- Published four Real Estate Bulletins, available on www.azre.gov;
- Updated and re-published ADRE brochures for industry professionals and consumers; and
- Arizona Mexico Commission Real Estate Committee meetings held in Phoenix and Hermosillo, Sonora.



BUSINESS SERVICES DIVISION:

- Continued Document Digitization Process
 - Increased access for the regulated community, the public and ADRE staff to electronic documents and records through this digitizing project;
 - Continued reduction in the annual ISA costs with Records Management Center (RMC) through digitization, and creating a sustainable workflow to continue digitizing Licensing and Investigations paper files;
 - Faster retrieval time and better access to records for agency operations and public records delivery - reduced cost in employee time to find physical records.
 - The agency, public, and real estate licensees benefit from the speed and efficiency of license application/renewal and information/file retrieval. All done online; and
 - Cost Savings in staff time, paper usage, copier costs, State Records Mgmt. cost.
- Public records requests fulfilled w/in an average of 2 days from receipt – customer pay less or no charge depending on how records are requested. This measure was sustained from the previous fiscal year;
- HOA Dispute Petition Process: Received and processed 73 petitions; and
- Complaint Review Process: Reduced the number of non-jurisdictional complaints by 44 percent from the previous fiscal year, still responding in an average of one day. This process continues to provide additional time for Investigators to focus on complaints within the Department’s authority.

INFORMATION TECHNOLOGY

- Continued development of ADRE’s internal database “Realm 2” with enhanced features to streamline the internal system to manage caseload and data;
- Completed Development Services Division and Licensing Division phases of the new Realm 2 License Management System;
- 86 percent of customer services available online; and
- Exceeded the statewide cyber security metric goal again at calendar year end.

LICENSING

- Processed over 7,483 new real estate license applications;
- Usage of the Online Original license application, which allows a new license applicant to be licensed within 24 hours, or less, of passing the real estate licensing exam, is 70 percent since implementation (Online process includes application, approval, fee payment). This percentage does not include customer walk-ins that utilize the Department’s kiosks to complete their applications;
- Processed over 13,879 incoming messages in the Online Message Center System, where the majority of the messages consist of all licensing application types, including processing of online payments. (13 percent increase from 2017);
- Licensing staff employees averaged 0 “pending” applications each month end; and
- Assisted approximately 5,246 walk-ins at the Licensing Front Counter. (Decreased the number of walk-in customers by 5 percent since 2017 with availability of more online application options).



DEVELOPMENT SERVICES

- Development Services staff issued approximately 646 public reports. (Three fewer issuances than 2017).
- Development Services staff averaged less than 13 pending applications at each month end; (Average pending applications each month increased by one since 2017).
- Conducted approximately 54 development inspections, as required by statute;
- Held four Learn and Lunch events for the Builder/Developer community, and title representatives, which encourages the sharing of information and identification of opportunities for improvement and collaboration around ADRE development services, and includes guest speakers from other organizations and government entities;
- Average days to issue an expedited Public Report Filing are three days, while the average days to issue an Amended Public Report is 14 days; and
- Continued to promote the online application system for all development/builder applications; which reduced paper check payments and saved staff time in scanning large documents.

EDUCATION DIVISION

- Oversaw the delivery of approximately 550 live education classes monthly (steady increase in distance learning continuing education courses);
- Approved a monthly average of 122 applications for schools, instructors, and courses;
- Pearson VUE (ADRE's testing vendor) held Subject Matter Expert Meetings with industry representatives to review and develop real estate examination content; and started the process to combine the salesperson examination into one examination;
- Volunteer Monitors completed approximately 156 Volunteer Monitor Reviews. (37 percent increase) The volunteer monitor reviews assist ADRE in monitoring the many pre licensure and continuing education courses;
- Issued three (3) Information Alerts to schools to ensure effective communications;
- The Education Advisory Committee's 14 members held four public meetings at ADRE;
- One education staff employee averaged no more than four "pending" applications each month;
- Pearson Vue administered approximately 13,391 license examinations, which includes 5,872 retakes;
- Established a new and revised course application for the live classroom Salesperson Pre License Course Approval Form with the addition of the entire ADRE 90-hour Real Estate Salesperson Pre License Curriculum outline; and
 - Pre licensure Review Committee held meetings from January through July to revise the ADRE 90-hour Real Estate Salesperson Pre License Curriculum outline and examination content outline.
 - Held one stakeholder public meeting with Pre License Education Industry to review recommended updates to the ADRE 90-hour Real Estate Salesperson Pre License Curriculum outline.
 - Held two Instructor Development Workshop (IDW) meetings to present and review changes to the ADRE 90-hour Real Estate Salesperson Pre License Curriculum outline.



- Made school exam pass/fail rate available to the public by posting information to the ADRE Website.

AUDITING and INVESTIGATION DIVISION

During Calendar Year 2018, the Division’s Auditors and Investigators continued to process files with the goal of meeting the Sustainment Objectives: an average of 30 days for Investigate Further Files and 52 days for Audits referred to Enforcement and Compliance. The Division’s Investigators were able to meet the Sustainment Objective; however, due to the loss of the Department’s four (4) experienced Auditors and the need to hire and train new Auditors, the Sustainment Objective for Auditing was not met. The loss of staff further resulted in the number of Audits conducted by the Department’s Auditing staff being reduced during calendar year 2018.

The Auditing and Investigation Division is currently staffed by three (3) Investigators, four (4) Auditors, one (1) part-time Investigator (25 percent), an Administrative Assistant and a Division Manager.

<u>Real Estate Investigations</u>	<u>As of 12/31/2017</u>	<u>As of 12/31/2018</u>	<u>% of Increase / Decrease</u>
Open Pending Cases	38	20	-48%
New Cases Received During Year	778	650	-17%
Cases Closed During Year	766	670	-13%
Average Age of Open Cases (Calendar Days)	13	17	+24%
Average Case Closure (Calendar Days) (All Files)	19	17	-11%
<i>Average Case Closure for Cases Requiring Full Investigation (Goal: Sustain 30 calendar days)</i>	25	23	-8%

The process for Investigations continues to include notifying the licensees of the complaint filed, obtaining responses and transaction records from licensees and their broker, as well as identified witnesses, and the analysis of the documentation submitted to determine if evidence exists to support the allegation and warrant action against a licensee.

In January 2018, the goal was to complete “Investigate Further” cases in an average of 30 days. A total of 459 complaints were determined to be “Investigate Further” cases. Through continuation of the Lean Process, the Investigative staff sustained the amount of time to process “Investigate Further” cases in 30 days or less, with an average of 27 days in CY2017 and an average of 23 days in CY2018.

Complaints filed involving allegations that do not fall within the Department’s jurisdiction, such as Landlord/Tenant Disputes, Commission Disputes between Licensees, Contract Disputes, etc., are addressed through a Complaint Review Process with notification to the complainant of the reason for the case being closed.

During 2017, the Complaint Review Process was transitioned from Investigations to Constituent Services and was established as a new Breakthrough Project for the Department. With this transition, the amount of time to process Complaint Reviews was reduced from an average of two (2) days in December 31, 2016 to an average of zero (0) days as of December 31, 2017. The Complaint Review timeframe, 0 days, remained consistent through December 31, 2018.



Auditing	As of 12/31/2017	As of 12/31/2018	% of Increase / Decrease
Open Pending Cases	25	20	-20%
New Cases Received During Year	701	392	-45%
Cases Closed During Year	726	392	-47%
Average Age of Open Cases (Calendar Days)	27	25	-7%
Average Case Closure (Calendar Days) (All Files)	19	49	+61%
<i>Average Case Closure for Cases Referred to Enforcement and Compliance (Goal: Sustain 52 calendar days)</i>	44	90	+51%

In January 2018, the goal was to complete Audits referred to Enforcement and Compliance in an average of 52 days. The average for CY2017 was 44 days. Almost 100 percent of the Audits conducted in CY2017 were onsite Audits conducted at the broker's office.

In late 2017 and early 2018, the four (4) experienced Auditors left the Department, requiring the need to hire and train new Auditors. Two (2) of the Department's Investigators stepped in to assist in the completion of pending Audits while the new Auditors were being hired and trained. During CY2018, 74 percent of the Audits completed were Electronic Sales or Property Management Audits, with the Brokers submitting the requested documentation electronically for review by the Auditing staff.

During CY2018, the Department's Auditing Staff completed 392 Auditing files including 100 Onsite Audits and 292 Electronic Audits (EBAR, ERSA or EBAR w/ Sales). All Auditing files were closed within an average of 49 days. The average for CY2017 was 19 days.

Subdivision Investigations	As of 12/31/2017	As of 12/31/2018	% of Increase / Decrease
Open Pending Cases	5	1	-80%
New Cases Received During Year (All Subdivision Related Cases)	58	62	+7%
Cases Closed During Year {Investigate Further Files vs. (Complaint Review Files)}	23 (35)	34 (28)	+32% (-20%)
Average Age of Open Cases (Calendar Days)	4	12	+67%
Average Case Closure (Calendar Days) for Calendar Year for Investigate Further Files	37	25	-32%

Although the completion of Investigations involving Subdivision related cases is tracked separately for the purposes of Department statistics, Subdivision related cases requiring Further Investigation were included in the Sustainment Goal of 30 days.

A total of 62 Subdivision related complaints were received in CY2018, 34 of which required Further Investigation. In CY2017, 23 Subdivision related complaints required Further Investigation, which were completed in an average of 37 days. In CY2018, the average age of Further Investigation of Subdivision related cases was 25 days.



ENFORCEMENT & COMPLIANCE DIVISION (E&C)

There was a 44.6 percent increase in the number of new cases opened by E & C in 2018 compared to 2017 leading to an increase in pending cases of 33 percent. The increase was attributable to a significant, 71 percent, increase in the number of applicants disclosing one or more criminal convictions on their application as well as a large increase in cases referred by the Audit & Investigations Division. The average time required to close an in-department E & C case went from 33 to 39 days due to a small number of complex cases that required increase time to negotiate settlements.

Enforcement	12/31/2017	12/31/2018	Increase / Decrease
Open Cases	54	72	33%
In House	30	30	0%
AGO	24	42	75%
New Cases (case may include multiple respondents)	327	473	44.6%
Closed Cases (case may include multiple respondents)	299	457	52.8%
Average Age of Open Cases (Days) ¹	119	129	8.4%
Average Case Closure (Days) ²	33	39	18.2%

2017 Enforcement Actions	2017	2018	% Change
Accelerated Settlement Agreement	81	143	76.5%
Consent Order	118	208	76.3%
Commissioner's Final Order	43	34	-20.1%
Cease & Desist Order	8	8	0%
Advisory Letter Of Concern	20	23	15%
License Granted after Review	47	63	34%
Case Dismissed/Closed after Review	12	38	216.7%
Case return for additional investigation	5	17	240%
Surrender of License in lieu of hearing	7	7	0%

The number of cases referred from Enforcement to Compliance increased from 90 in 2017 to 177 in 2018. Original applicants that disclose criminal convictions increased from 129 in 2017 to 220 in 2018. Original applicants disclosing prior criminal convictions, may, after proper vetting, be issued 2-year provisional license during which time they are monitored by a Compliance Officer.

¹ Includes both in-department and referred to AGO cases. Average days open in-department 26 days, AGO 211 days.

² Includes both in-department and referred to AGO cases. Average days to close in-department 27 days, AGO 98 days.



Due to the increased number of original applicants receiving a provisional license and the increase in disciplinary orders requiring continuing education, the number of new cases referred for compliance monitoring increased 169 percent in 2018.

During 2018, The Compliance division continued to improve procedures to make the financial review of trust account records faster and more responsive. Compliance monitors trust accounts to ensure that Property Management Trust Accounts are fully funded, and all required reconciliations are performed. Compliance greatly increased efficiencies in 2018 by implementing procedures for receiving monthly submissions through the Department's Message Center rather than the U. S. mail, email and delivery.

<u>Compliance</u>	<u>As of</u> <u>12/31/2017</u>	<u>As of</u> <u>12/31/2018</u>	<u>Increase /</u> <u>Decrease</u>
Open Cases	266	337	26.7%
New Cases	130	350	169%
Closed Cases	139	208	49.6%
Referred for Further Action/Noncompliance	4		