



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



Douglas A. Ducey
Governor

Arizona Real Estate
Advisory Board

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Commissioner

January 15, 2020

Dear Governor Ducey,

It has been an honor for me to serve as the Department of Real Estate Advisory Board Chairman in 2019. 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 88,655 total licensees at 2019 calendar year end, a two percent increase from the previous year, and approximately 12 percent increase since January 2015. New license applications continue to be 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 24 percent from fiscal year 2015 through 2019.

Pursuant to A.R.S. § 32-2124 (K) the Department licensed two applicants in 2019 who met licensing educational requirements by an equivalent alternative.

Topics of discussion that the Advisory Board has addressed include: new real estate brokerage models, real estate teams, education standards, universal license recognition, and content quality for prelicensing courses. The Advisory Board has continued to encourage stakeholder engagement 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 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 2020.

Respectfully,

Nedra Halley
2019 Chairman ADRE Advisory Board

Cc: Daniel Scarpinato, Chief of Staff
Daniel Ruiz, Chief Operating Officer



ARIZONA DEPARTMENT OF REAL ESTATE (ADRE) Summary of Accomplishments Calendar Year (CY) 2019

In CY2019, Commissioner Lowe and the ADRE TEAM continued to implement the Department's Strategic Plan goals, including: provide excellent customer service; drive innovation through technological advancement; strengthen real estate education; lead all national real estate agencies in operational efficiency and effectiveness; and develop an engaged, professional workforce. The ADRE continued to implement the Arizona Management System in all divisions. Weekly tracking of metrics, goals, and monthly review of performance measures is adhered to. The following reflect some of the CY2019 accomplishments:

COMMISSIONER'S OFFICE

- Continued implementation of the Arizona Management System (AMS).
- ADRE has settled into its new office location in the Capitol Mall.
- Implemented two new breakthrough measures – key goals to increase the number of volunteer monitor assignments, and increase and maintain a high quality of reports.
- At least 95 percent of all ADRE eligible staff “Meeting Expectations” or “Exceeding Expectations” in FY2019.
- Continued to identify processes which can be further streamlined, and generate cost savings where applicable.
- Focused on improving real estate education through updating the Salesperson and Broker curriculum with feedback from real estate industry education professionals.
- Held workgroup meetings to discuss and receive feedback on a SPS related to real estate teams.
- Submitted *Success Stories* to the Governor's Office relating to agency process improvements.
- Commissioner Lowe appointed to the 2020 Association of Real Estate License Law Officials (ARELLO) Board of Directors, as well as serving in 2019.
- Continued holding customer stakeholder meetings with real estate professionals ranging from residential, multi-family, development services/builders, real estate, escrow/title and lender Partners, Education Advisory Committee, HOA stakeholders, and more.
- Commissioner presentations and community outreach to stakeholder and real estate professional groups throughout the state.
- Held four quarterly Real Estate Advisory Board meetings.
- Published four ADRE Real Estate Bulletins, available on www.azre.gov.
- Updated and re-published ADRE brochures for industry professionals and consumers.
- Published brochure for Out-of-State License Recognition applicants.
- Implemented legislation enacted in the 2019 legislative session, including. Universal License Recognition, timeshare, licensee nickname information,
- Published the 2019 Real Estate Law Book and 2019 HOA Laws Book.
- Participated as Co-Chair of the Arizona Mexico Commission Real Estate Committee meetings held in Phoenix and Hermosillo, Sonora.

BUSINESS SERVICES

- The public, real estate licensees, and ADRE benefited from the speed and efficiency of available online services for original and renewal license applications, completing other changes, and interacting with ADRE through the online Message Center.
- Continued Focus on Document Digitization.
- Continued reduction in Records Management Center (RMC) costs through digitization, and creating a streamlined workflow.
- Faster retrieval time and better access to records for agency operations and public records delivery - reduced cost in staff time to search and process physical records.
- HOA Dispute Petition Process: Received and processed 74 petitions.
- Complaint Review Process: This process continues to provide a response to non-jurisdictional complaint filers in an average of one day, with focus on providing up-to-date information to the public on where complainants can seek assistance to non-jurisdictional matters, and issues that fall within ADRE's jurisdiction, thus additional time is provided for Investigators to focus on complaints within the Department's authority.
- Consistently meet the State requirement of days to pay bills with a target of three days, the Department averaged 1.41 days a month for FY2019.
- Department wide forms review and update that clarified form language and refined processes.

INFORMATION TECHNOLOGY

- Completed updates to the Department's License Management System, "Realm 2".
- Began development of a new Online License Renewal System.
- At least 86 percent of customer services available online.
- Exceeded the statewide cyber security metric goal again at calendar year end.
- Online Message Center - Public and industry professional submissions increased again from the previous fiscal year. The Message Center allows the public and industry to submit questions and applications online, without calling or visiting the office.
- Online License System - Real estate licensee transactions through the Online License System increase again from the previous fiscal year.

LICENSING

- Processed over 6,730 new real estate license applications.
- Usage of the online original license application increased to 70 percent since implementation allows a new license applicant to be licensed within 24 hours, or less, of passing the real estate licensing exam.
- Processed over 15,364 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.
- Assisted approximately 4,355 walk-ins at the Licensing Front Counter. (Decreased the number of walk-in customers by 17 percent since CY2018.

DEVELOPMENT SERVICES

- Development Services staff issued approximately 782 subdivision public reports in CY2019.
- Development Services staff averaged seven pending applications at each month end.

- Held four stakeholder 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 is four days, while the average days to issue an Amended Public Report is 13 days.
- 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 just under 2,700 active real estate courses;
- Approved a monthly average of 139 applications for schools, instructors, and courses;
- Pearson VUE (ADRE’s testing vendor) held Subject Matter Expert Meetings with industry representatives to develop and update the real estate examination content.
- Assigned 233 Volunteer Monitors to review real estate courses. The volunteer monitors assist ADRE in monitoring the many pre licensure and continuing education courses.
- The Education Advisory Committee’s 14 members held four public meetings at ADRE.
- Education staff employees worked diligently to ensure efficient processing of applications.
- Pearson Vue administered approximately 9,743 license examinations.
- Established a new and revised course application for live classroom and online Broker Pre License Course Approval Form with the addition of the entire ADRE 90-hour Real Estate Broker Pre License Curriculum outline.
- Pre licensure Review Committee met to complete the ADRE 90-hour Real Estate Broker Pre License Curriculum outline and examination content outline.
- Held one stakeholder public meeting with Pre License Education Industry to review the ADRE 90-hour Real Estate Broker Pre License Curriculum outline.
- Held 10 Instructor Development Workshop (IDW) meetings regarding the ADRE 90-hour Real Estate Salesperson and Broker Pre License Curriculum outlines.
- Made Real Estate school exam pass/fail rate available to the public by posting information to the ADRE Website.

AUDITING & INVESTIGATIONS

During Calendar Year 2019, the Division’s Auditors and Investigators continued to process files with the goal of meeting the AMS Sustainment Objectives: an average of 30 days for “Investigate Further Files” and 52 days for “Brokerage” Audits referred to the Enforcement and Compliance Division. The Auditors and Investigators met the AMS Sustainment Objectives. As of December 31, 2019, the Auditing and Investigation Division was staffed by four (4) Investigators, three (3) Auditors, an Administrative Assistant and a Division Manager.

Real Estate Investigations	As of 12/31/2019
Open Pending Cases	42
New Cases Received During Year	644
Cases Closed During Year	597

Average Age of Open Cases (Calendar Days)	20
Average Case Closure (Calendar Days) (All Files)	19
Average Case Closure (Calendar Days) for Cases Requiring Full Investigation (Goal: Sustain 30 calendar days)	25

The process for Investigations includes notifying the licensees of the complaint filed; obtaining responses and transaction records from licensees and their broker, as well as identified witnesses, including the salesperson and broker representing the other side of the transaction; and, the analysis of the documentation submitted to determine if evidence exists to support the allegation and warrant action against a licensee. In January 2019, the goal was to complete "Investigate Further" cases in an average of 30 days. Through continuation of the AMS, the Investigative staff sustained the amount of time to process "Investigate Further" cases in 30 days or less, with an average of 25 days in CY2019. 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 closure. The Complaint Review Process was transitioned from Investigations to the Chief of Staff in CY2017 and was established as a Breakthrough Project for the Department. The Complaint Review timeframe, 0 days, remained consistent through December 31, 2019.

Auditing	As of 12/31/2019
Open Pending Cases	16
New Cases Received During Year	196
Cases Closed During Year	191
Average Age of Open Cases (Calendar Days)	62
Average Case Closure (Calendar Days) (All Files)	34
Average Case Closure (Calendar Days) for Cases Referred to Enforcement and Compliance (Goal: Sustain 52 calendar days)	41

In January 2019, the goal was to complete Audits referred to Enforcement and Compliance in an average of 52 days. The average for CY2019 was 41 days. CY2019 saw attrition in the Auditing staff, which required hiring and training of new Auditors. During CY2019, Audits were completed for Electronic Sales or Property Management Audits, with the Brokers submitting the requested documentation electronically for review by the Auditing staff. During CY2019, the Department's Auditing Staff completed 191 Auditing files including 101 Onsite Audits and 90 Electronic Audits. All Auditing files were closed within an average of 34 days.

Subdivision Investigations	As of 12/31/2019
Open Pending Cases	4
New Cases Received During Year (All Subdivision Related Cases)	47
Cases Closed During Year {Investigate Further Files vs. (Complaint Review Files)}	33 (14)
Average Age of Open Cases (Calendar Days)	18
Average Case Closure (Calendar Days) for Calendar Year for Investigate Further Files	22

47 Subdivision related complaints were received in CY2019, 33 of which required Further Investigation. In CY2019, the average subdivision "Investigate Further" was 22 days.

ENFORCEMENT & COMPLIANCE (E&C)

The average days open of current enforcement files declined by 24% by year-end 2019. New cases referred to E&C decreased by 5.5% which is attributable to a reduction in the number of cases referred by the audit and investigation division, and a slight reduction in E&C cases opened as a result of applications for original salespersons with disclosures of criminal convictions.

Enforcement	As of 12/31/2019
Open Cases	46
In House	24
AGO	22
New Cases	447
Closed Cases	455
Average Age of Open Cases (Days)	98
Average Case Closure (Days)	65

2019 Enforcement Actions	CY2019
Accelerated Settlement Agreement	158
Consent Order	222
Commissioner's Final Order	49
Cease & Desist Order	12
Summary Suspension	7
Advisory Letter of Concern	27
License Granted after Review	33
Case Dismissed/Closed after Review	25
Case return for additional investigation	11
Surrender of License in lieu of hearing	11

The number of cases referred from Enforcement to Compliance increased slightly during 2019, while the number pending open cases increased. Compliance cases may remain open for a minimum of two years. Brokers on trust account review status, and original and renewing applicants that disclose criminal convictions may be issued a 2-year provisional license during which time they are monitored by Compliance. During 2019, the Compliance division continued its AMS "breakthrough" procedures to make the financial review of trust account records faster and more responsive. Compliance conducts monthly reviews of each Property Management Trust Accounts to ensure they are fully funded, and all required reconciliations are performed. The trust account reviews were completed, on average, in 7.3 days.

Compliance	As of 12/31/2019
Open Cases	400
New Cases	379
Closed Cases	221
Referred for Further Action/Noncompliance	4