

**Arizona Department of Real Estate (ADRE)**

**Education Advisory Committee (EAC)**

**Minutes**

**June 10, 2014**

The Education Advisory Committee met on Tuesday, June 10, 2014 at the Arizona Department of Real Estate (ADRE), 2910 N 44<sup>th</sup> Street, Commissioner's Conference Room, Phoenix, Arizona.

**I. Call to Order**

Commissioner Lowe called the meeting to order at 10:00 a.m.

**Members present:** Marti Barnewolt, J. Robert Eckley, Holly Eslinger, Barb Freestone, Jim Hogan, Andrew Jaffe, Becky Ryan, Mary Sand, Amy Swaney

**Absent:** John Crosby, Evan Fuchs, Jon Kichen, Jim Zirbes, Janette Waller

**Members of the public:** Eric Solheim, Scott Goddard

**ADRE Staff:** Commissioner Lowe; Carla Randolph – Assistant Commissioner (AC) Licensing/Education/Development Services; Louis Dettorre - Assistant Commissioner Operations/ Legislative Affairs; Jim Williams, Education; Kurt LaBotz, Education; Sarah Dobbins – Chief of Staff; Kim Ellis, Customer Service Representative.

**II. Introductions & Welcome/Announcements**

Commissioner Lowe announced new employees: Kim Ellis, CSR & Admin. Assist. in the Hub; Paul Barry, System Administrator, IT; and Ana Starcevic, Admin. Asst., Enforcement & Compliance & Investigations. Commissioner Lowe announced that Christine Eyde has moved to the Licensing area to work with Development Services whose workload has increased over the past year. The Commissioner also announced that an Auditor position has been posted and that ADRE is looking to hire contractor auditors to serve the outlying areas.

**III. March 11, 2014 – Meeting Minutes – Review/Approval**

Upon a motion by Member Eslinger; seconded by Member Sand, the Minutes of the March 11, 2014 meeting were unanimously approved.

**IV. EAC Committee Charge/EAC Member – New Appointments/Reappointments**

AC Randolph reviewed the EAC Committee charge and stated the committee was established over 10 years ago and is a diverse committee whose members include participants from the real

estate education industry, commercial/business industry, and the title insurance industry. AC Randolph announced that seven member positions are up for reappointment. The members are: Andrew Jaffe, Holly Eslinger, Janette Waller, Jim Hogan, Jim Zirbes, John Crosby and Jon Kichen. AC Randolph asked that they email her with their membership intent by the end of the week. If a member is reappointed, they would serve another 2-year term beginning August 1<sup>st</sup>.

#### V. **Industry/Legislative/ADRE Update – Commissioner Lowe/Louis Dettorre**

- Assistant Commissioner (AC) Dettorre provided handouts and commented on six bills, which will go into effect on July 24, 2014, that relate to ADRE:

SB 1213 (Relating to real estate advisory board; membership)

SB1047 Closing Protection Letters; Escrow Agents

HB2018 Mortgages; Trust Deeds; Deficiency Actions

SB1215 (Relating to unsubdivided land)

SB1482 Homeowner Associations Amendments; Omnibus

HB2306 Fingerprint clearance cards, periodic checks

AC Dettorre also mentioned that since the legislative session ended in April, he has been working on fiscal year end close-out duties which include updating the strategic plan and creating a new budget request, both of which are due in September to the Governor's Office. AC Dettorre commented on the five year rule review which was approved on April 29, 2014. This gives ADRE the opportunity to review specific rules. ADRE has requested an exemption from the moratorium on Rule Making. The Department has been encouraged to meet with the industry. The areas of focus for rule revision include definitions, licensing, advertising, education, and subdivisions. Commissioner Lowe explained, once the rule review is completed, there will be Stakeholder meetings to discuss the proposed changes.

Member Hogan questioned whether statute numbers could be provided, for reference purposes, for the bills that have passed. Assistant Commissioner Dettorre agreed to provide.

AC Dettorre discussed the current file room scanning project. The Department is in the process of scanning all licensee paper files and attaching them to the licensee's electronic file. Commissioner Lowe mentioned that there are rules regulating archiving and retention of records.

Commissioner Lowe provided the ADRE update. She noted that Property Management is an issue that the Federal government is looking into now at the State level. ADRE issued five Cease & Desist orders in May. Commissioner Lowe provided copies of articles related to property management that were in the Phoenix Business Journal and the Arizona Republic. ADRE is currently focused on educating the real estate community and the public. ADRE has placed a property manager audit package online; this is a step-by-step guide for trust account reconciliation. Member Hogan suggested educating the Tucson real estate community by placing a story in the Tucson Daily Star. AC Randolph pointed out the need for property

management schools and more property management classes to be offered. Member Freestone stated she thinks NARPM offers monthly classes. Member Sand recommended that a category for property management be included in Rule. Member Hogan requested an update on numbers of Cease & Desist orders issued because of deficiencies noted on an audit.

Additionally, Commissioner Lowe commented that ADRE was notified by Pearson Vue that they, along with other testing vendors, were making revisions to the national exam. ADRE objected because the changes could have impacted the state specific curriculum and possibly could have changed the number of questions on the exam. Since the state specific curriculum is so specific to Arizona, ADRE did not want the questions pertaining to state curriculum to be minimized. Pearson Vue has indicated that Arizona will not adopt the revised national exam content outline. Member Hogan asked if the Commissioner could provide examples of information that Pearson Vue wants to add to the national test. The Commissioner gave the example of Broker supervision policy and procedures, as well as other items.

It was noted by Member Swaney that mortgage lenders now have a uniform test which Arizona has not opted into.

Members Sand and Swaney expressed thanks to Commissioner Lowe and ADRE for keeping the national exam as is in Arizona.

The Commissioner stated another national issue is Teams, i.e. building a business under another business. In some cases, the owner of the team is not a real estate licensee. The Commissioner noted additionally that advertising is an issue when it comes to Teams. The Commissioner suggested Arizona may have to look into registering Teams. Once again, for clarity, Arizona does not allow the word team or group in a name of a brokerage. Member Ryan noted that Substantive Policy Statement 2005.04: Unlicensed Assistants, defines the difference between real estate activity and non-real estate activity. Commissioner Lowe noted that the investigation process for Teams is arduous.

Commissioner Lowe discussed the Budget. She commented on the need for a larger appropriation for next year.

## **VI. Advertising Stakeholder Meetings**

Commissioner Lowe provided the handout from the Advertising Stakeholder's meetings that were held in Tucson and Phoenix on May 5<sup>th</sup> and May 6<sup>th</sup>, respectively. Member Gray was the facilitator. Commissioner Lowe mentioned that an upcoming stakeholder meeting is being scheduled for the Prescott area. In preparation for Rule revision, the purpose of the meetings is to gather feedback from stakeholders on advertising rules that may need to change in the new world of social media. The meetings allowed people who are "in the trenches" to speak up and share their thoughts and ideas. The Commissioner noted that from ADRE's perspective, advertising rules apply to all advertising. These discussions will potentially lead to suggestions for advertising rule changes.

## **VII. New Host/Remote Location Distance Learning Course Option - Update**

- For Education, AC Randolph commented that 19 distance learning classes have been approved. These consist of one host location with a teacher who teaches via audiovisual

equipment to remote classroom locations. These classes greatly assist agents in rural areas. Host/ remote distance learning classes may be monitored by volunteer monitors.

**VIII. Volunteer Monitor Program Update - Jim Williams**

- Education Auditor Jim Williams provided a brief verbal update on the Volunteer Monitor Program. He commented that for the month of June, 2014, there are over 544 courses scheduled for potential monitoring. Six new schools have applied since the April 2014 meeting. Some of the issues witnessed by volunteer monitors include no sign-in sheet, classes starting late, and a class with only an hour of content and the rest of the time was an infomercial.

**IX. Update on Pearson Vue (Pre-licensure Testing Vendor) – Carla Randolph**

- AC Randolph commented on the following:
  - a. National Examination Updates – Status – See above.
  - b. Vendor Contract – ADRE has been working with the State Procurement office through the RFQ process for the testing vendor.
- Exam Performance – AC Randolph commented on her handout which showed first time tester pass rates for the last 3 months: In March, 77% Brokers and 66% Sales examinees passed; In April, 80% Brokers and 64% Sales examinees passed; In May, 73% Brokers and 63% Sales examinees passed. AC Randolph stated that she does not see any trends in types of fail rates. Member Hogan suggested that at some point the pre-licensing committee meet to review topics and to help pinpoint where examinees are doing poorly. AC Randolph mentioned that Pearson Vue monitors every question for state specific to ensure that questions meet minimum competency and they do have 10 state specific pre-test questions.

**X. Review Education/Licensing Division Monthly Reports – Carla Randolph**

- AC Randolph provided a review of the monthly report for the Education and Licensing Division (see handout). For Licensing, she noted that in May 2014, there were 465 total new original licenses (400 sales, 39 broker) and 2620 renewals. For the Education Division, she noted for May 2014, 113 applications received and that there were 200 schools in active status, 2,495 active courses, and 53 volunteer monitor assignments. Education had a decrease in total applications. Kurt Labotz has been assisting Development Services. The Department published Frequently Asked Questions (FAQs) for online license applications on the website.

**XI. Enforcement of credible content of Continuing Education Courses**

- An article entitled, 'Are Licensees Content with the Content', was published in a recent Bulletin to address this issue. Member Ryan suggested a stakeholder sub-committee be created to once again review distance learning requirements for content. It was suggested that, only the courses with questionable content be reviewed. Commissioner Lowe mentioned the only way the Department becomes aware of questionable content is through complaints and the Department has not been receiving complaints. Members Barnewolt, Hogan, and Ryan volunteered to serve on a committee to review content requirements. The suggestion was made that non-educators be included as members of this group, as well. The Commissioner

noted that this should not be a standing formal committee because she cannot delegate authority for that; however, if a group wanted to meet to suggest ways to ensure course content, improve content, and validate information, the Commissioner would welcome suggestions.

**XII. Upcoming – Member Term Expirations – July 2014**

See above notes.

**XIII. Next EAC Meeting: September 9, 2014**

**XIV. Other Matters**

None

**XV. Call to the Public**

Two members of the public were present, Eric Solheim, Scott Goddard.

**XVI. Adjournment**

Member Eckley made a motion to adjourn; motion was seconded by Member Hogan. The meeting adjourned at 12:30 p.m.

**TEAM**

**“Together Everyone Achieves More”**

*Respectfully submitted this \_\_\_\_\_ day of September, 2014*

*Education Advisory Committee*

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*Commissioner Lowe*