

ARIZONA DEPARTMENT OF REAL ESTATE  
REAL ESTATE ADVISORY BOARD  
MINUTES  
JULY 15, 2009

The Arizona Real estate Advisory Board met on Wednesday, July 15, 2009 at the Arizona Department of Real Estate (ADRE), 2910 N. 44<sup>th</sup>. Street, First Floor Conference Room, in Phoenix, Arizona.

**I. Call to Order**

Chair Frank Dickens calls the meeting to order at approximately 10:05 a.m.

**Members Present:**

- Frank Dickens, Chair, Phoenix
- Kathy Howe, Vice-Chair, Sedona
- Patti Shaw, Phoenix
- Lisa Suarez, Tucson
- Tom Pancrazi
- Ann White

**Attending Via Phone:**

- Bruce Mosley

**ADRE Staff:**

- Judy Lowe, Commissioner
- Janet Blair, Assistant Commissioner-Real Estate Services
- Mary C. Utley-Assistant Commissioner-Business Services
- Vicky Rokkos-Manager, Business Services
- Kevin Goode-Manager, Business Services-Information & Technology
- Michael Hailey-Manager, Education
- Mike Wheeler-Manager, Enforcement
- Robin King-Manager, Real Estate Investigations & Auditing
- Diane Paulsen-Manager, Customer Services & Licensing

**Public:**

- Tom Farley, CEO-Arizona Association of REALTORS®

**II. Minutes**

Prior to reviewing the Minutes, Chair Frank Dickens took a moment to recognize Judy Lowe, as the newly appointed Real Estate Commissioner.

Upon motion by Ann White, seconded by Lisa Suarez, the Minutes of April 27, 2009 were unanimously approved.

### **III. Facilitator Report from Advisory Board Members**

Ann White reports receiving inquiries regarding appraisals; and, issues regarding short sales and the banks. Kathy Howe indicated that she had also received calls regarding short sale issues. Commissioner Lowe states that the issues of short sales and foreclosures are also issues being seen at the department. Further the department is also seeing licensees working outside their area of “expertise” and this will be addressed by the department through the education perspective.

Chair Dickens states that his inquiries had consisted of issues regarding illegal subdivision report and foreclosure. The other Board member reported that they had not received any inquiries.

### **IV. Feedback: Ideas and Ways Advisory Board Members can be more involved with ADRE**

Chair Dickens shares his thoughts and ideas. He felt that because the board represents such as cross section of industry and the public, that the Board members could report on what they are seeing in the market place and in their general conversations. Board members can make notes and bring to the department. He also would be interested in hearing from the department as to “what we are getting back”, both the compliments and personal perspective. He states that it is the Board’s responsibility that the public has the right perception of the department and knows how the department operates.

Kathy Howe announces that she is now the President- Elect of National Real Estate Educators Association (REEA) and that she also serves with Joe McClary, Director of ARELLO. She will share everything she can from ARELLO with the department. Ms. Howe is also the REEA liaison with the department.

Ann White states that there needs to be a way to get information from the Advisory Board out to Realtors and other members of the community who are not Realtors. Someway, we need to get an invitation out so that these individuals can be present at future Advisory Board meetings. Chair Dickens reports that in the past the Advisory Board meeting went on the “road” and that it was very informative for all.

Mary Utley reports that the upcoming Bulletin will feature the Board member and the role of the facilitator.

Chair Dickens requests that members email him with ideas, which he will make available at the next Advisory Board meeting. Commissioner Lowe asks if it would be a good idea to have a section in the Bulletin where there would be a facilitator’s report that the public could access. It would begin to make the Advisory Board more accessible to the public.

## **V. Commissioner's Report**

Commissioner Lowe reports that it is an exciting time at the department and change is in the air. We have a little model (card) that is circulated which states, "Change is good!" With that attitude, a meeting was held with department staff and discussion occurred as to what we wanted our "brand" and our philosophy to be. It was decided **TEAM- "Together Everyone Achieves More"**, not only within the department but also bringing in the public and making everyone aware.

Commissioner Lowe reports that partnerships will begin to be developed. She has met with Connie Wilhelm, Arizona Central Homebuilders; also, with Felicia Rotellini, Arizona Department of Financial Institutions; Christine Urias, Department of Insurance. She will be meeting with the director of the Board of Appraisals; Registrar of Contractors, and AMA (Property Management).

Some of the changes that have already been implemented are:

- Painting the walls navy blue (making the department look less like a government facility)
- Navy blue and yellow will be the department's colors
- Modified fees
- New auditing processes with technology coming into play
- Budget modifications
- Furloughs have been pulled back and all employees are working a full work week
- Tuesday is no longer "rural" day
- Offices are open five days a week full service 8 to 4:30 pm
- Now accept American Express; Discovery in addition to VISA and MASTERCARD
- Conducted an internal employee survey; employees were very open and honest
- No longer does the department have division "walls"; everyone is a member of the TEAM
- Every division has created a log for their backlog of open files; developing strategies to close these cases and accommodate the new cases coming in and speed process time.

Commissioner Lowe introduces the Assistant Commissioners- Janet Blair, Real Estate Services and Mary Utley, Business Services. She states that her primary focus will be to upgrade the knowledge and professionalism of the industry.

### **A. Upgrading Knowledge and Professionalism of the Industry- Janet Blair, Assistant Commissioner.**

Assistant Commissioner Blair reports that the department usually deals with licensees once a violation is committed. Usually when a violation occurs, it is because the licensee is not educated on that particular subject. Both she and Commissioner Lowe have seen the importance of educating the public and the industry. The focus has become the Education Division and how to go about raising the level of professionalism and education in adherence to the Rules, Statutes and Standards.

Assistant Commissioner Blair introduces Michael Hailey- Education Division Manager and Judy Kisselburg, Education Monitor.

**B. Legislative/Administrative Update-Mary Utley, Assistant Commissioner, Business Services**

Assistant Commissioner Utley reports on the impact of the State budget on the various state departments. Although the department was not impacted as badly as other agencies; we still lost 4 employees, either to layoffs or reduction in force.

Regarding the **Arizona-Mexico Commission**, Commissioner Lowe has been appointed Co-Chair of the Real Estate Committee. As a result of the Summer Plenary, a subcommittee has been created which will act as a resource for those individuals who have complaints regarding real estate transactions in Mexico.

As to **legislation**, the department did not promote any bills this past session; although, we did attend the weekly Legislative Liaison Meeting facilitated by the Governor's Office. A bill of interest is HB 2310 Subdivision Public Report approval which reduced the days from 15 to 10 business days. The department was not opposed to the bill. Other bills of interest were mentioned.

**Rules/Statutes-** Governor Brewer has imposed a Rule Moratorium which actually provides us with an opportunity to gather the necessary information to make the necessary rules and statute changes.

The **Bulletin** will be released July 15, 2009. An email blast will go out to our licensees announcing the release of the Bulletin. Assistant Commissioner Utley asked for assistance in marketing our website: [www.azre.gov](http://www.azre.gov)

Commissioner Lowe announces that the Tucson office is still open; although, we are looking at reducing square footage. The two staff assigned are: Lynn Long and Diane Flores.

She also stated that the Real Estate Advisory Board Annual Report has been sent to the Governor's Office. Former Chair Gary Brasher wrote the report with assistance from the department.

**DIVISION MANAGERS' REPORTS-**

□ **Vicky Rokkos-Budget & Personnel**

Ms. Rokkos reports on the role of Business Services which include accounting, mail room, fiscal services, budget, human resources, procurement, fixed assets, surplus and other assignments as necessary. Information and Technology also falls under Business Services.

Upon the arrival of Commissioner Lowe, she established the information and referral “HUB” team which also is under the auspices of Business Services. The “HUB” has been very successful and has received very positive feedback from the public and the industry.

Ms. Rokkos reports that the department partners with Chicanos Por La Causa which provides students the opportunity to learn valuable skills.

Ms. Rokkos shared charts on the budget and these were distributed to the Board. The first chart is FY 2009 Expenditures, which shows most of the department’s funding goes to Personnel Services (salaries, benefits, etc.); seven percent goes to rent and general operating expenses.

Next chart is proposed expenditures which show that most of the money is allocated to personnel. There is a remaining appropriation of approximately five percent which is our “cushion” because we don’t know what this year holds regarding possible cuts for the department and we want to be prepared.

The last chart reflects the decision to increase fees. The department is required to generate 95 to 110% of our appropriation. Fees have dramatically decreased. Commissioner Lowe reports that new licensees and renewals go to the fees that feed the general fund. With the four year licensing in place, the third year is appearing to be really dismal. Commissioner Lowe stated that she will be reviewing the four year renewal, with possible changes.

Tom Farley reported that AAR will be reviewing this issue as one of two items to address in the upcoming legislative session. Mr. Farley will be working with the department on this matter.

Assistant Commissioner Blair reports on the implementation of accountability on those licensees who have failed to comply with the required continuing education. There are currently 1,500 licensees who are in noncompliance. Discussion occurred on the notification process and possible consequences.

□ **Diane Paulsen-Customer Services & Licensing**

Ms. Paulsen distributed her report. Customer Service and Licensing are within three days of processing of mail and consequently not behind. Ms. Paulsen reports that in reference to disclosures, the department does have up to 60 days to review applications. The review process does depend on the applicant and how quickly they submit the necessary documentation. Handouts include the new fee schedule (which is posted on website); another chart is for the month of May and June for the licensing stats report. New licensees continue to come in and report that schools are full. There are approximately 9,000 new entities and 90, 000 licensees. Work continues on getting all licensees to comply with legal presence documentation.

□ **Cindy Ferrin-Development Services**

Commissioner Lowe reports on behalf of Cindy Ferrin who was unable to attend the meeting. She reports that there are many open files in regard to illegal subdivisions; the division is up-to-date on approvals and reminds everyone that any developer from outside the state who wants to advertise, must have a Public Report.

□ **Michael Hailey-Education**

Mr. Hailey reports that the Education Division certifies all of the real estate education in the state. Currently, there are 229 active real estate schools; 2,938 real estate courses; and, 1,368 instructors. He reports that since Commissioner Lowe's arrival, there have been new processes established in notifying schools via email. The Education Advisory Committee is being re-established and will be having a meeting in the very near future. Also being established is the Pre-Licensure Committee to review pre-licensure. Judy Kisselburg speaks briefly on the Volunteer Monitor Program.

□ **Mike Wheeler-Enforcement & Compliance**

Mike Wheeler reports that for FY 2009, the division received 442 cases but closed 530. These were closed via a settlement or hearing. The Recovery Fund administration has been absorbed into this division. In the Compliance sector there are approximately 365 open cases. He reports that they are looking at shortening the adjudication process. Accelerated Settlement Agreements are being revised and will be used for a very specific violation.

□ **Kevin Goode-Information & Technology**

Kevin Goode reports that he is the IT manager which consists of two individuals. He recently completed providing the brokers with the ability to print their employees' licenses and entity license. This will create much efficiency.

Mr. Goode reports he is finishing some functionality for the department's online system for schools. This will allow the schools to provide the department with a 14 day course event notice online in lieu of a fax or email. Individuals will actually be able to search for courses and when they are being taught. This should be available by the middle of August.

In addition, IT has been working on revamping the department's website and should be ready by the September timeframe.

□ **Robin King-Investigations & Auditing**

Ms. King reports that there are three investigators, including her. There are approximately 400 open cases; the division's goal is to reduce the amount of time to process a case to completion to an average of 100 days.

In Auditing, there are three auditors with two in Phoenix and one in the Tucson office. They are going to be instituting a process called Electronic Audit Reviews. The Auditors are developing a list of Brokers who have property management in the brokerage. Letters are going to be sent to the Brokers with a request that they provide specific information on a CD or via paper. The Auditors will review the information (which will be financial for the most part) provide on the CD and review it. They have identified a group of red flags that will result in an almost immediate investigative audit. This audit will allow the Auditor to go to the Broker's office, with or without prior notice, and an audit will be conducted. It is anticipated that this process will start in approximately two weeks. The Brokers will be asked to provide the requested information within thirty days. A continuous group of letters will be sent out every month as they are waiting for the first group of information to arrive. Ms. King states that she estimates that there are approximately 750 Brokers who do property management. Once the process is established; the program will be expanded to sales offices. Commissioner Lowe states that property management fraud is the greatest group liability out in the market place.

Commissioner Lowe invites everyone to join the TEAM, including the Board Members which will assist us in interacting with the public.

Lisa Suarez questions Michael Hailey regarding increasing proficiencies and post-licensing. Commissioner Lowe states that the department has collected much material from stakeholders and future stakeholders' meetings are scheduled throughout State.

Chair Dickens asks if there has been any thought to requiring schools to submit a fee with new course outline and approval. Also, renewal fees for schools and courses. Commissioner Lowe states, "Absolutely".

## **VI. Other Matters**

Chair Dickens states "Call to the Public". Tom Farley, CEO-AAR, is recognized. Mr. Farley states he appreciates the time he is being given at the meeting. He states that AAR will work with the department and homebuilders association regarding the 4 year license.

He indicates that they would like to work with the department in regards to auditing and transaction management. They see dual benefits early on: streamlining and risk management, using technology. They want to encourage the Brokers and members to use and adopt the system. There is a question in the Industry as to whether the department will accept the system.

Mr. Farley explains that SB 1271 makes changes in the Anti-Deficiency statute and with all of the short sale and foreclosure issues out there, there is much confusion regarding the anti-deficiency bill. Mr. Farley gives a brief explanation on the bill.

**VII. Adjournment**

On a motion to adjourn by Kathy Howe; seconded by Lisa Suarez and approved by the Board, Chair Dickens adjourned the meeting at 11:45 a.m.

DATED THIS 21<sup>ST</sup> DAY OF OCTOBER, 2009  
ARIZONA REL ESTATE ADVISORY BOARD

BY: \_\_\_\_\_

Frank Dickens, Chair