

Arizona Department of Real Estate (ADRE)

Education Advisory Committee (EAC)

Minutes

July 21, 2015

The Education Advisory Committee met on Tuesday, July 21, 2015, at the Arizona Department of Real Estate (ADRE), 2910 N 44th 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: Becky Ryan, J. Robert Eckley, Amy Swaney, Andrew Jaffe, Jon Kichen, Mary Sand, Mary Frances Coleman

Members attending via Teleconference: Barb Freestone, Evan Fuchs

Absent: Jim Hogan, Janette Waller, Holly Eslinger, Janette Waller, Jim Zirbes, Marti Barnewolt

Members of the Public: Charlie Bowles, Nedra Halley, Harry Eastlick

ADRE Staff: Commissioner Lowe; Carla Randolph – Assistant Commissioner (AC) Licensing Services; Louis Dettorre - Assistant Commissioner (AC) Operations/ Legislative Affairs, Sarah Dobbins – Chief of Staff

II. Introductions & Welcome/Announcements

Since there were members attending telephonically, Commissioner Lowe asked to go around the room and have each person in attendance and on the phone introduce themselves.

The Commissioner noted that two Real Estate Advisory Board members were in attendance. She noted that they were attending due to several education related questions which came up at the June, 2015, Real Estate Advisory Board meeting. As a result of the questions that arose, Chair Clifton encouraged members of the Real Estate Advisory Board to attend the next Education Advisory Committee meeting. The purpose of their attendance is solely to listen and report, however they were invited to participate in the meeting.

Commissioner Lowe made the following announcements:

- The Statewide hiring freeze remains in effect. ADRE has been able to receive 'Justification to Fill' in order to replace several key positions that had been vacated.

III. March 10, 2015 – Meeting Minutes – Review/Approval

Upon a motion by Member Eckley, seconded by Member Kichen, the Minutes of the March 10, 2015 meeting were unanimously approved.

IV. EAC Charge/ Member – New Appointments/ Reappointments

AC Randolph commented that seven current members had terms which expired on July 31, 2015. All of them have been reappointed for a two-year term. Reappointed members are as follows: Mary Sand, J. Robert Eckley, Barbara Freestone, Evan Fuchs, Becky Ryan, Amy Swaney and Marti Barnewolt.

V. Industry/ Legislative/ Rules/ ADRE Update

Assistant Commissioner (AC) Dettorre commented that the Legislative Session concluded on April 3, 2015. He noted that a summary of bills that ADRE had followed has been posted to ADRE's website. He asked if any committee member had a question about any of the Bills that passed. Member Sand commented that the Bill she had heard the most about is related to home builders. Member Kichen commented that he has received questions about a Homeowner Association related bill.

AC Dettorre gave a verbal summary/ update on a provision related to the Fingerprint Clearance Card that was placed in a larger Arizona Department of Public Safety bill. The bill states that a driving restriction sticker would be placed on a card holders card at the time of an arrest for a DUI and until it goes to court and is resolved. This would apply to real estate licensees. ADRE is working with the Attorney General's Office to determine what ADRE's role would be in this, if any.

AC Dettorre also commented on a bill that passed relating to additional business licenses. The bill was intended to provide clarification, that if a person has a business license for the City in which the main office is located, they do not need to obtain a license in other cities in order to do business there, i.e. if the main Real Estate Brokerage Office is in Phoenix, the business would not need to receive a license in another Arizona City in order to conduct the business for which they are licensed. This includes all real estate licensed companies, including those that do Property Management.

Commissioner Lowe noted that the Department is also hearing conversation about Homeowner Associations and Community Associations. The Department takes no position on this item.

Assistant Commissioner Dettorre noted that all State agencies completed a report on how their agency is using electronic reporting/ technology. ADRE's report has been submitted and it highlighted areas where the agency currently offers electronic services and noted how the Department will address areas that are not currently offered on-line.

Commissioner Lowe noted the On-line Original Real Estate License Application. This allows an applicant to fully complete the application process, make their payment and receive their license

on-line from home, the office or where-ever they may be. The use of the on-line application is now up to 65%. In addition, ADRE has set-up a kiosk in the licensing customer service area where an applicant who walks-in with an original application can complete their process fully on-line. It is immediately reviewed by a Customer Service Representative with the ability to receive their license before leaving the Department. After a license approved is confirmed, the applicant may go on-line at the kiosk to hire on and be an Arizona Real Estate licensee. An Arizona Real Estate licensee must be hired by a Broker in order to practice real estate.

AC Randolph encouraged the Real Estate Schools and Brokers to set-up kiosks at their locations. This would allow a student who has just passed the Real Estate exams to log-on and complete their licensing application in one-stop.

AC Dettorre commented on an additional report due to the Governor's Office by September, 2015. The report is intended to identify any Agency Rules which may be overburdensome or need revision. This is not a Rules package, it is simply a Report to the Governor's Office regarding Rules that the agency indicates may need to be revised, updated or repealed. Considering a need for stakeholder feedback, ADRE issued an open invitation to the industry and asked those who wished to send comments to the Department by Monday, July 27th.

Commissioner Lowe re-iterated that this is not a Rules package and that people should not anticipate changes at this time.

AC Dettorre provided an update of the file-room scan project. Two ADRE staff members and three temporary workers are working on the project. The projected completion date for full scanning, indexing and shredding of all licensing files is August 10, 2015.

A discussion arose about CFPB. Commissioner Lowe suggested that, since this item is not on the meeting agenda, it could be placed on a future meeting agenda. She noted that after the September ARELLO meeting, there would be more information.

Commissioner Lowe commented that the Department is in the process of updating the Strategic Plan for 2016 – 2020, as well as completing the budget request for Fiscal Year '17, which is due September 1, 2015.

Commissioner Lowe also noted the following licensing statistics – there are now about 600 new licensees activating their license per month. There was a brief conversation about the need for post-licensing education.

AC Randolph provided an update on the LEAN project. AC Randolph commented that ADRE began working with the LEAN philosophy when Commissioner Lowe began her tenure. She mentioned that ADRE completed its first project with the Government Transformation Office (GTO) about two years ago. That particular project focused on the Licensee Disclosure process, followed by applying the GTO LEAN processes in the Auditing and Investigations Division. This past January, the Governor's office offered an opportunity to agencies to take part in a LEAN Transformation – Permit Blitz. ADRE's Development Services Division participated in this opportunity and successfully worked to lessen the turn-around time for the Builder/ Developer

Expedited Public Report from 10 days to 4 days. A second opportunity was offered in April of this year and ADRE's Development Services Division is participating again, working through the Amended Public Report application process. The LEAN process involves taking a GEMBA walk, literally walking through each step in the process and identifying/ eliminating areas of waste and finding opportunities for streamlining.

AC Randolph noted that the Development Services Division is now also offering quarterly Learn and Lunch events to the Builder/ Development community.

Commissioner Lowe mentioned the main items coming from ARELLO currently are: CFPB and new business models.

She noted that the Department is continuing to see instances of unlicensed activity, including cases where the Designated Broker or Self-employed Broker does not realize that their own license has expired. Other topics the Department continues to see are Teams, Advertising violations and the Transaction Privilege Tax (TPT). She explained that the TPT is being handled by the Arizona Department of Revenue (DOR). There is a link to DOR's website on ADRE's website.

VI. Pre-licensure Courses

Commissioner Lowe noted that there was also a conversation about this at the Real Estate Advisory Board meeting.

As this item has come up at the Real Estate Advisory Board meeting, the Commissioner asked Advisory Board members present if they wished to speak to the questions/ comments regarding on-line pre-licensure courses. No one volunteered. RE Advisory Board Chair Clifton will be advised that there was not an Advisory Board member in attendance to speak to this issue.

AC Randolph stated that Pearson Vue is looking at a minor update to the state-specific portion of the real estate exam outline. ADRE is awaiting specific information from Pearson Vue. ADRE will be notifying schools when information is received.

VII. Real Estate School Supervision Audit Declaration

AC Randolph commented that all of the compliance audits that were due, January, 2015, had been submitted and all are now in compliance.

VIII. Volunteer Monitor Program Update

AC Randolph commented that there were 600 volunteer monitor assignments in FY15.

IX. Update on Pearson Vue (Pre-licensure Testing Vendor)

AC Randolph provided a verbal summary of the pass rates for first time test takers for the months of March, April, May and June.

Rates were as follows:

March: Brokers – 47%; Salesperson – 61%

April: Brokers – 80%; Salesperson – 62%

May: Brokers – 68%; Salesperson – 64%

June: Brokers – 68%; Salesperson – 63%

She also noted that the Arizona Department of Public Safety is making a change to the electronic process for the Fingerprint Clearance Card.

X. Pre-licensure Review Committee Meeting

The Pre-licensure review committee met on April 21, 2015. Performance reports for schools for the past 2 years were reviewed. The Committee's report has been submitted to Commissioner Lowe for review. In addition, test content was reviewed. AC Randolph provided a verbal summary of some of the Committee's recommendations. Recommendations included: not publishing exam reports until the recommendations have taken effect. This will provide schools with an opportunity to make changes/ improve, if needed.

XI. Review Education/ Licensing Division Monthly Reports

Commissioner Lowe commented that the reports are included in the attached meeting packet and, in the interest of time and other items which needed to be covered, asked the Committee to please review on their own.

XII. Upcoming

XIII. Next EAC Meeting: September 8, 2015

XIV. Other Matters:

Property Management Issues – Update

Commissioner Lowe asked Member Kichen to please explain his purpose in bringing this item forward. Member Kichen explained that, based on feedback he has received and what he has observed, he feels it is very clear that there is a need for either a Statutory or Rule definition of Property Management. He went on to describe the confusion within the industry regarding property management. He explained that he was aware that the Real Estate Advisory Board had developed a definition, but that it did not proceed past a Stakeholder group recommendation.

Commissioner Lowe provided a verbal review of the work that had been done by the Real Estate Advisory Board and Stakeholder groups around this concern. She noted that in 2012, the Real

Estate Advisory Board gathered a Stakeholder Group to review the need for changes, if any. This stakeholder group included property management companies, the property manager's association and multi-housing representatives. The following recommendations were submitted to the Real Estate Advisory Board:

- ADRE to review potential content for a property owner advisory and work with the Arizona Association of Realtors (AAR) to publish such an Advisory. AAR published the Advisory.
- Education related to property management – this item did not move forward. The Department was advised not to move this item forward, so instead ADRE has focused on providing educational materials on the website. There are now 3 reference documents available on ADRE's website. They are: 1.) Property Management Audit Prep Kit 2.) Power point on the accounting process for balancing the trust account and, 3.) A downloadable Trust Account Reconciliation form that can be used as a tool.
- The third recommendation from the group was for ADRE to investigate financial mechanisms in addition to bonding. A separate Stakeholder group was put together to review this item and they were not able to reach a consensus.

In, January, 2014, the Real Estate Advisory Board pulled together another group of Stakeholders to look at the definition of Property Management. The group met and put a definition forward for consideration. Past Real Estate Advisory Board Chair Kim Horn knew a Legislator who was willing to sponsor the recommended definition, should a bill be opened, however, in the end it was decided it would not move forward for consideration by the legislature.

Commissioner Lowe noted that the previous administration had advised ADRE not to bring legislation forward on this topic. She commented that it was an item that the industry must move forward, which she understood would need to go to the Arizona Association of Realtors® Caucus or through another association. Commissioner Lowe restated that ADRE is looking to the industry to bring this item forward.

After a discussion, Member Kichen, who also serves on the AAR® Risk Management Committee, agreed to bring the issue of the need for a definition of property management up at the next meeting of the AAR® Risk Management Committee.

Real Estate Advisory Board Member Nedra Halley asked EAC Member Kichen to attend and speak at the Government Affairs Committee of the Arizona Multihousing Association. He agreed to do so. Specifically, Ms. Halley asked Member Kichen to be prepared to talk to the group about why there is a need for a definition of property management, and whether it should apply to multi-housing.

XV. Call to the Public

None of the members of the public had comment.

XVI. Adjournment – Upon a motion by Member Sand, which was seconded by Member Ryan, and unanimously approved, the meeting adjourned at 12:25pm

TEAM

“Together Everyone Achieves More”

Respectfully submitted this 8 ^{December} day of ~~September~~, 2015

Education Advisory Committee



Commissioner Lowe