

Arizona Department of Real Estate (ADRE)

Education Advisory Committee (EAC)

MINUTES

June 11, 2013

The Education Advisory Committee (EAC) met on Tuesday, June 11, 2013 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 am.

II. Welcome – Introductions:

Members Present: Holly Eslinger, Barb Freestone, Jon Kichen, Marti Barnewolt, Lin Ferrara, Jim Eckley, Amy Swaney, Andrew Jaffe, Jim Zirbes, Becky Ryan, Mary Sands

Via Phone: Jim Hogan, Evan Fuchs

Unable to Attend: John Crosby

ADRE Staff: Commissioner Lowe, Carla Randolph, Jim Williams, Kurt LaBotz, Sarah Dobbins, Louis Dettorre, Kevin Goode

Introductions and Announcements:

Carla Randolph, Education Manager, announced that Education Division employee Isaac Glover has resigned from his position with ADRE. Kurt LaBotz, who has 14 years of experience with ADRE, has moved from the Subdivision Investigations Division to Education.

Commissioner Lowe announced that Licensing Manager, Diane Paulsen recently retired from ADRE with over 35 years of service to ADRE. With Diane's departure, Carla Randolph is acting as Interim Licensing Manager, while maintaining her duties as Education Manager.

III. EAC Committee Charge:

Education Manager Randolph read the EAC Committee charge aloud. The EAC was established to assist the Department in its mission of protecting the public interest by raising the level of professionalism in the Real Estate sector without creating undue barriers to entry into the profession. Current EAC member categories include: commercial or business brokerage, industrial brokerage, real estate instructor, lender, escrow officer, designated broker, real estate school owner/ administrator. The EAC meets quarterly, with more frequent meetings from time to time as needed. EAC members are volunteers and are not compensated for their time, nor reimbursed for expenses.

IV. March 12, 2013 Meeting Minutes

Upon motion by Holly Eslinger, seconded by Andrew Jaffe; the minutes of the March 12, 2013 meeting were unanimously approved.

V. EAC Member – Reappointments

Education Manager Randolph commented that there are seven members with terms that are expiring that have expressed a desire to continue serving on the committee. Each would be serving a two year term.

VI. New Online “Original” License Application Presentation

IT Manager, Kevin Goode, provided a demonstration of the new online ‘Original’ application. He explained the message center replaced the departmental emails and that it has improved the Department’s receiving of emails by lessening the amount of spam received and insuring emails get through to the most qualified employee or group of employees for response.

During the demonstration, Member Hogan inquired about a license number being given to a potential licensee so they can log-in for the on-line original application. He asked what would happen if the individual never actually activated. Mr. Goode explained that the license number would remain with that person, but they would remain in candidate status.

There was further discussion about insuring that, while in this process, candidates understand they cannot practice any real estate activity until they have received their Arizona license and been hired under a broker.

The Committee suggested that on the 'Alert' that comes up after they make payment that the language be modified to clarify that an individual must be hired by a broker to conduct real estate business. The language they suggested changing is as follows:

'Your license is currently inactive. You must hire to a Broker to conduct real estate business.'

Member Zirbes asked if course numbers could be shown with course and hours so that someone looking for that information would not have to go to a sub-menu.

Member Hogan asked if the demo was something that could be shown to students in pre-licensing classrooms. Commissioner Lowe explained that Education Manager Randolph and IT Manager Goode have developed a written process.

Members Hogan and Sand volunteered to create a visual demonstration that could be used in pre-licensing classrooms. Both members will receive the written version so they may use it to develop the visual demonstration.

VII. 2012 Annual Report to Governor (Attached)

A handout was provided. Education Manager Randolph reviewed the Education items at the March, 2013 meeting.

VIII. 2013 Legislative Update

ADRE Legislative Liaison Dettorre provided a verbal report as well as the attached handout. He commented that it was the 149th day of the legislative session, a budget had not been passed yet. He also commented on HB2525, ADRE's agency bill, which passed and was signed by the Governor in April. This bill allows an inactive licensee, in good standing, to cancel their license without first becoming active. He also noted that through work with Central Arizona Homebuilders an amendment was added to the bill. Mr. Dettorre also mentioned that, while there was not a bill this session specific to unlicensed real estate activity, there has been a great deal of discussion on how it might be addressed and discussions will continue and will involve all parties. He commented that ADRE had heard from the Arizona Chapter of the National Association of Hispanic Real Estate Professionals regarding this issue and that the Department is hopeful to have collaborative efforts on this issue with many partners or industry groups.

Members Eslinger and Eckley both mentioned some recent examples of unlicensed activity.

Legislative Liaison Dettorre provided information on the Rules process. He noted that all agencies are required to go through a five year rule review process and that the Department will be reviewing 5 articles in February, 2014. He commented that the review of the articles is for consistency, accuracy and applicability and that it would include requesting input from the public, it will be an open, transparent process.

Member Eckley inquired if there would be any integration with federal laws governing Arizona state licensing laws or a liaison point? Legislative Liaison explained to the committee that this inquiry was related to Dodd Frank. Commissioner Lowe commented that ARELLO (the Association of Real Estate License Law Officials) is addressing the item and that National Association of Realtors is also monitoring it.

Member Eckley suggested there be a course on the topic. Member Ryan suggested that Arizona Association of Realtors was a resource and mentioned that their legal department had put together information that educators could review.

Commissioner Lowe asked Legislative Liaison about the timeline for work on the Rules Review. He commented that sometime after the current session ended the process for stakeholder groups would begin, however there is a moratorium from the Governor on rule making so the Department will first need to ask for an exception to the moratorium. He noted that ADRE rules have not been amended since 2005 and that ADRE has applied for an exception to the moratorium.

Member Zirbes inquired about SB1278 – Homeowners Association; public roadways. He inquired as to who decides the period of declarant control? Mr. Dettorre commented that from his review of the bill it appeared that it is the HOA who makes the determination, but was not certain.

IX. Industry/ Other Issues/ Education Fees – Update

a.) **Value of Partnerships** – Commissioner Lowe commented that ADRE values partnerships with associations, other agencies and all those that the Department works with. The Department works from a positive perspective with all parties and looks forward to continuing and growing partnerships.

b.) **Volunteer Survey** – Legislative Liaison Dettorre announced that, to allow participation, the survey is still open. Currently, out of all Brokers, there is a 70%

participation rate. When the survey closes, the Department will compile aggregate data and is looking at transparent ways to share the data. Mr. Dettorre asked if any members had feedback regarding the survey they would like to share.

Commissioner Lowe re-iterated that the reason for the survey being put out was due to the Department needing information to comply with the new Broker Management Clinic requirement (since ADRE does not have a database showing Delegated Associate Brokers) as well as to gather aggregate data that had been requested by stakeholder groups. She noted concern brought to the Department and explained that was why the survey moved from required to voluntary. She also noted that while much of what was asked on the survey is also asked on the Broker Audit Declaration, ADRE's technology does not allow the Department to gather the aggregate data that had been requested. She asked committee members to please share this information with their classes.

Member Zirbes commented that some instructors used it to try to influence their classes, otherwise comments had been positive.

No other members had comments about the survey.

- c.) **Forms** – Education Manager Randolph mentioned the new LI-204 Delegation of Authority Application. The three areas it applies to are: branch manager, temporary broker absences and delegated associate broker. The Designated Broker would submit it for their delegated authorities.
- d.) **Fees** - Education Manager Randolph announced that fees for schools began February, 2013 and that fees are paid online.

X. Update on Pearson Vue (Pre-licensing testing vendor)

Education Manager Randolph provided exam performance statistics. She noted, in the Month of March, 2013 there were 697 total graded exams, the total pass rate was 73%; in April, 2013 – 800 total graded exams, 71% total pass rate; May, 822 total graded exams with a 69% pass rate.

Ms. Randolph mentioned that school reports would be going out from Pearson Vue. Member Barnewolt commented that she had to request the April report from Pearson Vue and she had not yet received the report for May. Education Manager

Randolph stated she would contact Pearson Vue and ask that they set a deadline by which they would have reports sent to schools.

Education Manager Randolph also mentioned that Pearson Vue has published a new handbook. It came out April, 2013 and is available online.

XI. Real Estate School Supervision Audit Declaration Compliance

Jim Williams, Education Auditor, provided the report. He noted that this is a required school audit which is conducted every two years. He mentioned he is close to completion of the reviews and that to-date there are only 12 schools out of 211 that he has not received response from. Overall, the process has gone smoothly and schools have been in compliance.

The next audit of schools will be in two years. Between now and the next audit cycle, the forms will be reviewed and updated.

XII. Volunteer Monitor Program Update

Education Auditor, Jim Williams provided an oral report. He noted that March and April had gone well. Of 132 monitor requests sent, there were 48 responses. He commented that some schools are still not aware of the program. He also commented that the volunteer monitors are highly qualified and receive training before they are given assignments.

Member Eslinger inquired, if a school is found to be sub-par, can a school be closed under an audit? Commissioner Lowe explained that the same process as occurs for a licensee or an entity would need to occur, ie. a complaint filed, an investigation conducted to see if there are violations of statute and then if there are findings, being forwarded to enforcement and compliance.

Education Manager Randolph commented that one of Mr. Williams tasks is to have at least 50 monitor visits per month. She also commented that the Department had taken action against an out-of-state online school who was issuing certificates for classes after the school's license had expired.

Mr. Williams mentioned an issue with online schools issuing certificates for more than 9 hours of coursework in a single day (this has occurred largely due to changes in time zones with out of state online schools). Education Manager Randolph

mentioned that the Education Division would do an Alert about mountain standard time.

Member Ryan commented on the time requirement of 9 hours per day per student. She mentioned that her school places a start and end time and a date on the certificate for on-line courses, however the school cannot control the student from opening too many courses in one day. She requested definition of whether or not ADRE was going to tighten down on this requirement.

XIII. Review Education/ Licensing Division Monthly Reports (see attached)

The Commissioner noted, for the month of May, there were 1,054 approved instructors and 203 approved schools. Education Manager Randolph noted 526 original license applications (71 completed on-line) in the month of May and that the Licensing Department handled 623 walk-in's in May.

Commissioner Lowe also provided a verbal summary of the Department report she recently provided to Governor Brewer.

Commissioner Lowe also commented that when she began as Commissioner in May, 2009, there were approximately 93,000 licensees total; we are now at 85,000. She mentioned that the Department is seeing about 700 licensees (in grace period) leaving the business per month, but there are also about 350-400 new licensees entering the business per month.

XIV. Upcoming

- Results of the Voluntary Broker Survey
- Consistent reports from Pearson Vue

XV. Next EAC Meeting

September 10, 2013

XVI. Other Matters

None

XVII. Call to the Public

Mr. Andre Paul Maddox was in attendance. He introduced himself and commented that Member Jim Zirbes had been one of his instructors; he has set-up a school and is focusing on green aspects and sustainability. He stated he was in attendance today to become more involved.

Barb Freestone provided a flier on the 2013 Instructor Summit to be held on July 29th.

Member Eslinger announced that on June 24th AAR would be hosting a Broker Summit at Orange Tree Resort.

XVIII. Adjourn

Member Mary Sand made a motion to adjourn at Noon; Member Beck Ryan seconded the motion which passed unanimously.

Respectfully submitted this _____ day of September, 2013

Commissioner Lowe