

GEORGIA REAL ESTATE COMMISSION
GEORGIA REAL ESTATE APPRAISERS BOARD

ANNUAL REPORT

FISCAL YEAR

2006

TABLE OF CONTENTS

Letter to the Governor

Exhibit A Investigative Statistics

Exhibit B Financial Data

Exhibit C Organizational Chart

Exhibit D Licensing Statistics

Exhibit E Commission Regulatory Activities

Exhibit F Strategic Plan

Exhibit G Results-based Budget Program Measures

Exhibit H Appraiser Board Regulatory Activities



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COMMISSION**

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GWEN FULCHER YOUNG
Vice Chair

SCOTT FREE
GEORGE W. HOLTZMAN
ROBERT T. LOVE
BURT WILKERSON

STAFF

CHARLES CLARK
Real Estate Commissioner

August 31, 2006

The Honorable Sonny Perdue
Governor State of Georgia
State Capital
Atlanta, GA 30334

Dear Governor Perdue:

Pursuant to the Official Code of Georgia Annotated § 43-40-2(e), I submit the Annual Report of the Georgia Real Estate Commission for the fiscal year (FY) July 1, 2005, through June 30, 2006. As that statute requires, this report includes a summary of all the Agency's actions (Exhibits A and E), a statement of income and appropriations (Exhibit B), the Agency's organizational chart (Exhibit C), the numbers of persons licensed (Exhibit D), steps taken in education and research (Exhibit E), the Agency's Strategic Plan (Exhibit F), and the Agency's Results Based Budgeting Program Results and Measures (Exhibit G). Since the Commission also provides administrative support for the Georgia Real Estate Appraisers Board, I have included a summary of their activities as Exhibit H. This report provides details on the Commission's completion of two major projects this year, routine regulatory duties, and budgetary and revenue issues.

Major Projects. The Commission implemented **the nation's first "simulations" qualifying examination** for real estate brokers. Traditionally, broker's qualifying examinations have tested the applicant's knowledge of real estate language and theory through multiple choice examinations. Such an examination remains entirely appropriate for entry level salespersons, but not for entry level brokers. For approximately ten years the Commission has worked with Georgia practitioners and educators, regulators from ten other states, and its examination provider Applied Measurement Professionals (AMP) to develop this new type of test. In the new "simulations" examination the applicant reviews a real world scenario and gathers relevant data and makes judgments on how the law applies to those situations. The examination evaluates the candidate's ability to gather necessary information and make appropriate decisions rather than simple recall of language and theory.

August 31, 2006
The Honorable Sonny Perdue
Page 2

The second major project was creating and facilitating a **Task Force to examine the “minimum services” issue**. That is, should brokers who list property provide the consumer with certain specified “minimum services” or should consumers be able to choose some of those services and not take others. Many regulatory agencies around the country are examining this issue. After extensive discussion and review of the issues, the Task Force recommended to the Commission that Georgia’s license law be amended to be consistent with the “opt out” provisions of the Brokerage Relationships in Real Estate Transaction Act. That Act requires real estate licensees to perform certain services if the parties have not agreed otherwise in writing that the broker will not perform all of those services or will perform different services.

The Commission has endorsed that position and will take appropriate legislative action in FY2007 to implement it. Since that position seems consistent with views held by the Federal Trade Commission and the U.S. Department of Justice, Georgia should be able to avoid a clash with the federal government that some other State’s real estate regulatory agencies face when they require “minimum services.”

Regulatory Activities - In FY 2006, our Agency saw record setting workload increases over FY2005, the previous record year. We opened 3,097 new investigative cases, an increase of 9% over FY2005. We issued a total of 14,390 new individual licenses, an increase of 17.9% over FY 2005. We processed a total of 247,247 license applications of all types, an increase of 10.3% over FY2005.

Our staff has done an excellent job in implementing new procedures and in improving productivity to deal with those record setting increases. Working under new team concepts, our Investigations and Compliance Sections set new production level records. They conducted 2,948 investigations, a 15.9% increase over FY 2005. Our Information Services and Information Systems Section reorganized procedures and computer programs to (1) handle in-coming telephone calls more efficiently, thereby resulting in reducing delayed service calls by 10%; (2) process the record numbers of applications in a timely manner; and

August 31, 2006
The Honorable Sonny Perdue
Page 3

(3) make more public data available to licensees and the public over the Internet.

Yet, despite those record accomplishments, Requests for Investigations from the public have increased so much that our response time to those Requests has significantly increased. In the last year, for Real Estate Commission cases, the average response time has risen from 149 days to 164 days; and for Appraiser Board cases, it has risen from 133 days to 170. Despite various managerial adjustments, we believe the only solution for getting those numbers down to the reasonable goal of less than 90 days is additional personnel. In addition, we have not been able to meet the law's requirement that we conduct annually on-site trust account examinations (about 1500 required), school reviews (about 100 required), and experience audits for appraisers (about 500 required).

Budget and Revenues - Record numbers of licensees produced record revenues. In FY 2006, the Commission's fee structure generated \$5,152,535.00. That sum was \$613,132.00 more than in FY 2005. Accordingly, the Commission will recommend for your approval a budget proposal for FY 2008 that includes (1) provisions for additional staffing resources to deal with both the backlog of complaints and increased investigative activity and (2) a fee reduction for licensees in order to meet the law's requirement that fees be reasonably related to costs of operation.

No general tax revenues may be used to support our Agency's operations. All funding comes entirely from user fees from licensees. For a sixth consecutive year, the Agency's revenue generation significantly exceeded its budget despite several reductions of fees the Commission and the Board have implemented. During the coming year, we plan to work with you and OPB to achieve the proper mix of budget enhancements and fee reductions needed to balance revenues and costs as the law requires.

August 31, 2006
The Honorable Sonny Perdue
Page 4

We appreciate the fact that you have recognized that our Agency does not rely on general tax revenues to pay our Agency's costs of operation. Thus, you recommended budgets for our Agency in FY 2006 and FY 2007 that better funded the Agency's critical operations at no cost to general state revenues.

Please do not hesitate to call on me if you need further information regarding this report.

For the Commission

Bill Bonner
Chair

Enclosures

**GEORGIA REAL ESTATE COMMISSION
INVESTIGATIVE ACTIVITIES**

FY2004 – FY2006

	FY2004	FY2005	FY2006
NEW REQUESTS FOR INVESTIGATIONS RECEIVED			
Public	534	596	653
Licensees/Appraisers Commission	108	133	150
Other	1,478	1,682	1,904
Appraisal Board	35	78	95
	<u>352</u>	<u>351</u>	<u>295</u>
TOTAL	2,507	2,840	3,097
ANONYMOUS COMPLAINTS (Not investigated)	9	18	21
INVESTIGATIONS COMPLETED	2,337	2,543	2,948
TRUST ACCOUNT EXAMINATIONS AND REVIEWS COMPLETED	1,475	1,162	2,058

In addition to the written complaints cited above, the Commission’s staff processes daily a number of informal complaints, grievances, and inquiries received from telephone or walk-in customers. The staff resolves most of these informal matters rapidly to the satisfaction of the public. Many complaints involve contract disputes and require legal assistance. The staff recommends that the complaining party seek legal counsel or consider pursuing the matter in small claims court for appropriate action. The staff makes the same referral when the complaint does not involve a licensee, which is the case with many complaints the Agency receives, both written and oral, concerning individuals, builders, and developers selling their own properties.

The Agency’s web site had 15,616 visits that sought information about our investigative procedures or a Request for Investigation form (up from 10,022 in FY 2005). In FY 2006, the staff also mailed Request for Investigation forms to persons who called our office with a real estate brokerage or appraisal problem. 803 persons used either the mailed forms or a downloaded form to request an investigation. In FY2005, 729 persons used them to request investigations.

	FY2004	FY2005	FY2006
DISPOSITION OF GREC INVESTIGATIVE CASES¹			
Disciplinary Process Ordered	298	255	405
Cases A.G. declined to prosecute	1	5	2
Criminal Convictions Reported			
Licenses Issued - No Hearing	1,281	1,554	1,277
Licenses Denied - No Hearing	69	100	84
Letters of finding written ²	176	108	124
Closed due to no violation	413	399	583
Cease and Desist Orders or Agreements ³	14	17	20
Sent to other agencies for prosecution	-	-	2
GREC FORMAL DISCIPLINARY ACTIONS¹			
Dismissed or No violation	-	-	1
Citations (for minor violations)	40	59	125
License Denied After Notice of Hearing Filed	42	34	46
License Issued After Notice of Hearing Filed	9	10	13
Reprimand and/or Educ. and/or Audit and/or Fine	41	35	45
Suspension and/or Educ. and/or Audit and/or Fine	73	58	56
Revocation	55	54	64
Revoke Broker and Issue Salesperson License	3	3	6
Other	-	-	-
TOTAL	263	253	356

Formal Disciplinary Actions are either citations (generally, for minor technical violations - 125 in FY2006) or sanctions (for more serious violations - 230 in FY2006). In FY2006, the Commission imposed twelve sanctions when two or more Requests for Investigation (RFI) filed regarding the same person. Eleven licensees had two RFIs, and one had three or more.

For several years the Commission has made extensive use of consent decrees to resolve contested cases. Where there is little dispute regarding the facts in a case brought against a licensee and both parties agree on the sanction to be imposed, the Commission uses the consent decree to save all parties the time and expense of a full, formal hearing. Over 80% of all cases are resolved without the Commission's holding a formal hearing.

¹Includes Commission actions only. For Appraiser Board actions see Exhibit H.

²The Commission sends letters of findings to licensees when an investigation reveals only technical license law violations that involve no harm to the public.

³The Commission issues cease and desist orders or letters to persons acting without proper licensure. If they cease activity or became licensed, no other legal action is necessary.

TYPES OF INVESTIGATIONS COMPLETED	FY2004	FY2005	FY2006
ADMINISTRATIVE ISSUES Most frequent types: Prelicense Investigations Application Problems	1,397	1,684	1,797
SALES TRANSACTIONS Most frequent types: Agency Issues Earnest Money Issues Handling of Offers Misrepresentations	450	432	519
MANAGEMENT TRANSACTIONS Most frequent types: Rent/Security Deposit Management Problems	30	68	98
NON LICENSE LAW MATTERS Most frequent types: Commission/Fee Dispute License Not Required	54	123	129
APPROVED SCHOOLS	38	2	1
SPECIALIZED TRANSACTIONS	0	0	0
TRUST ACCOUNT EXAMINATIONS	93	47	30
TRUST ACCOUNT REVIEWS	1,382	1,115	2,052
APPRAISALS Most frequent types: Standards Violations Value Disputes Application Investigations	622	579	523
TOTALS	3,812	4,050	5,149
INVESTIGATIONS PENDING AT END OF FY	534	780	1,059

AGENCY'S SEPARATE BUDGET UNIT STATUS

A 1977 court ruling and subsequently adopted state statutes require that the Real Estate Commission's budget for direct and indirect costs must approximately equal its revenue collections. Revenue collections include fees paid for license transactions such as original applications and renewals. These revenue calculations do not include Recovery Fund income. Direct costs include expenses for which the Commission directly pays; for example, employees' salaries, rent, telephone, and computer charges. Indirect costs represent services to the Commission provided by other state agencies and paid out of other state budgeted funds; for example, legal services from the Attorney General's Office and bookkeeping and personnel record keeping by the Secretary of State's Office. These indirect costs for the Commission have varied from 15% to 20% of its direct legislative appropriation. The Governor's Office of Planning and Budget (OPB) and the Legislative Budget Office (LBO) instructed the Commission to base its proposed budgets on its estimated income for the year for which it is submitting a budget proposal and that it attempt to set fees at a level so that its direct appropriation equals roughly 85% of income.

If the Commission's income significantly exceeds legislative appropriations for direct and indirect costs, it must reduce fees charged to licensees. Throughout the 1980s and the 1990s, the Commission received 90%+ of the revenue its fees generated to fund its cost of operations. During those two decades the Commission made one reduction when appropriations in earlier years had fallen below fee income. Conversely, if income falls significantly below legislative appropriations for direct and indirect costs, the Commission must increase fees charged to licensees. It has had to increase fees only once since 1980.

In 1990, the Commission began providing administrative support to the Real Estate Appraisers Board. By 2000, the Appraisers Board was generating more income than it needed to support its operations while the Commission was generating less. In 2000 and 2002 the Appraisers Board reduced the fees that it charged to appraisers.

In order to keep its revenues equal with its costs, the Commission had to adjust its fees in 2000, 2001, and 2002. As a part of that adjustment process, based on advice from an industry task force, the Commission simplified its renewal fee schedule (the major fee it charges) to two major categories, individuals and firms. It raised some fees by not more than \$10.00 per year, and some were lowered by not more than \$15.00 per year. The revised schedule will make any future adjustments that may be needed easier to accomplish and more equitable among classes of licensees.

Since 2000 the Commission's income significantly exceeded its costs of operation. The increased income has resulted largely from the fact that the real estate economy in Georgia remained strong even while other sectors of the economy were not as strong. Thus, more licensees than usual renew their licenses, and the Commission has seen a steady, significant increase in the number of new licensees (FY1998 - 4,943; FY1999 - 5,082; FY2000 - 5,365; FY2001 - 6,073; FY2002 - 7,231; FY2003 - 9,171; FY2004 - 10,366; FY2005 - 12,203; FY2006 - 14,602). Recognizing that the Agency generates its own income (instead of being funded from general tax revenues), the Governor and the General Assembly increased the Agency's budget for FY2004, FY2005, FY2006, and FY2007. If the real estate economy cools and if the Agency has fewer renewals and new applicants, the Commission and the Board may not need to adjust their fee structures. If the Agency's fees continue to exceed significantly its costs of operation, the Commission and Board will consult with the Office of Planning and Budget and the Legislative Budget Office and make appropriate adjustments in their fee structures.

INCOME AND APPROPRIATIONS

Georgia Real Estate Commission

Fiscal Year	Fee Income	Legislative Appropriation + 15%	Appropriation As % of Income
1998	2,029,621	2,200,762	108.4
1999	2,063,606	2,287,588	110.8
2000	2,605,034	2,246,494	86.2
2001	2,980,439	2,290,734	76.8
2002	3,098,135	2,204,926	71.2
2003	3,452,842	2,109,264	61.1
2004	3,672,567	2,284,120	62.2
2005	3,939,067	2,419,904	61.4
2006	4,552,199	2,770,428	60.8
9 Year Totals	28,393,510	20,814,220	73.3

Georgia Real Estate Appraisers Board

Fiscal Year	Fee Income	Legislative Appropriation + 15%	Appropriation As % of Income
1998	444,380	372,888	83.9
1999	489,680	439,460	89.7
2000	493,310	392,777	79.6
2001	468,895	386,452	82.4
2002	527,216	427,164	81.0
2003	627,861	415,182	66.1
2004	666,985	464,406	69.6
2005	614,210	626,916	102.1
2006	600,336	597,970	99.6
9 Year Totals	4,932,873	4,123,215	83.6

Agency Totals

Fiscal Year	Fee Income	Legislative Appropriation + 15%	Appropriation As % of Income
1998	2,474,001	2,573,650	104.0
1999	2,553,286	2,727,048	106.8
2000	3,098,344	2,639,271	85.2
2001	3,449,334	2,677,186	77.6
2002	3,625,351	2,632,070	72.6
2003	4,080,703	2,524,446	61.8
2004	4,339,552	2,748,526	63.3
2005	4,553,277	3,046,820	66.9
2006	5,152,535	3,440,848	66.8
9 Year Totals	33,326,383	25,009,885	75.0

REAL ESTATE EDUCATION, RESEARCH, AND RECOVERY FUND

All fees from the Recovery Fund come from a \$20.00 payment with each new license issued and from the interest earned on such payments. Thus, most licensees make only one \$20.00 payment to the Fund. By law, the Commission cannot use funds collected for the Recovery Fund to pay the operating expenses of the Commission. The Commission may use these funds only to pay court ordered judgments and limited education grants. The law requires the Commission to maintain at least a \$1,000,000.00 balance to cover potential court ordered judgments.

I N C O M E^a

FISCAL YEAR	LICENSEE PAYMENTS & JUDGMENT COLLECTIONS^b	INTEREST EARNED^c
1974 - 2003	3,316,381.29	2,235,322.70
2004	236,434.97	18,789.08
2005	276,562.67	36,012.68
2006	329,060.00	63,430.16
Sub-totals	4,138,438.93	2,353,554.62
TOTAL INCOME:	6,511,993.55	

D I S B U R S E M E N T S^a

FISCAL YEAR	JUDGMENTS PAID & COLLECTIONS COSTS		EDUCATION/RESEARCH CONTRACTS	
	NUMBER	AMOUNT	NUMBER	AMOUNT
1974 – 2003	132	796,094.51	193	2,746,387.75
2004	0	6.00	7	158,685.37
2005	0	0	6	96,133.95
2006	1	5,155.00	10	218,619.97
Sub-totals	133	801,255.51	216	3,219,827.04
TOTAL DISBURSEMENTS:		4,021,082.55		

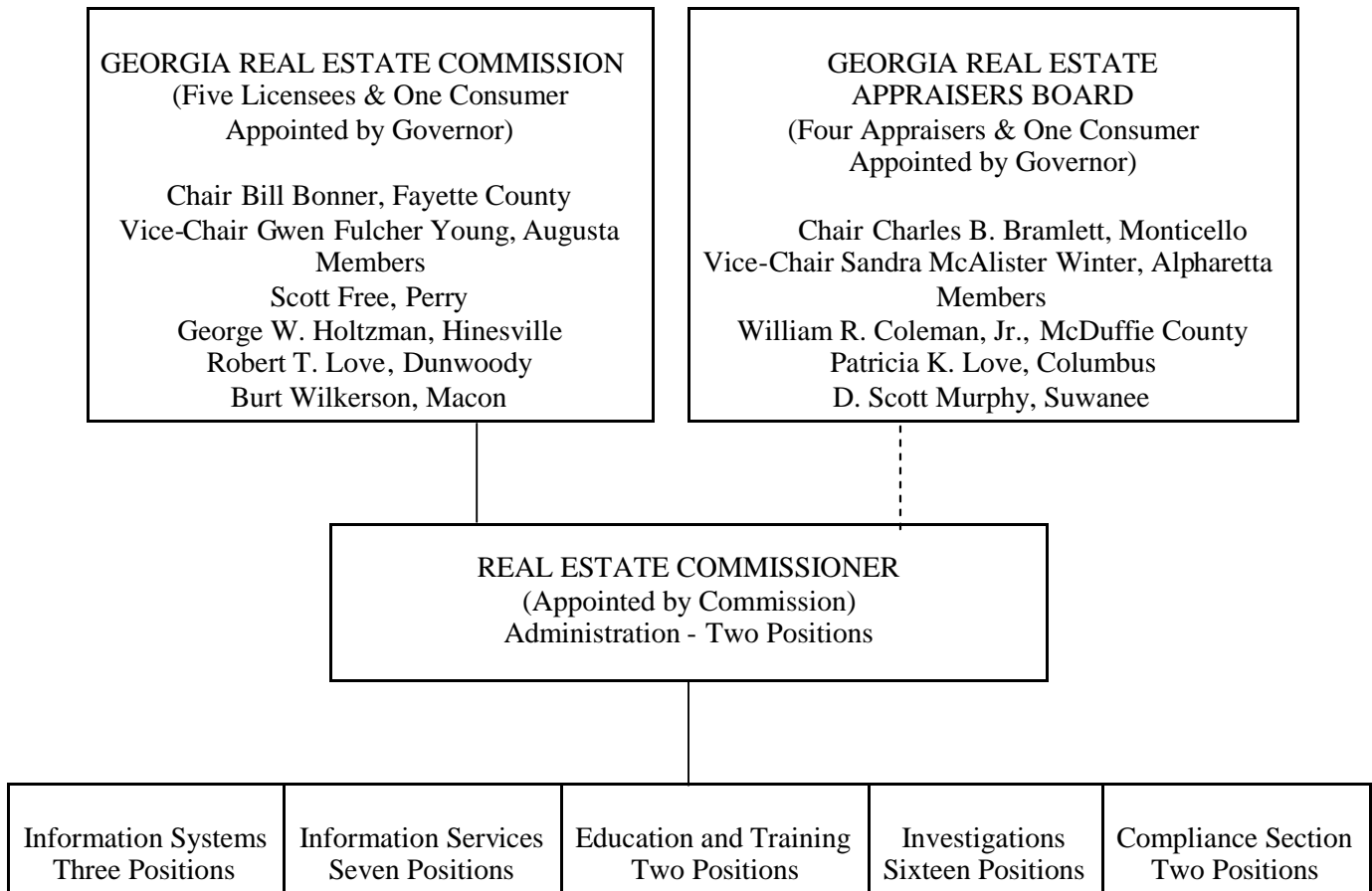
TOTAL INCOME:	6,511,993.55
LESS DISBURSEMENTS:	4,021,082.55
BALANCE ON HAND:	2,490,911.00

^aFigures reflect deposits and requests for withdrawals made to the Secretary of State's fiscal office.

^bDuring FY 1981-2004 the Commission collected \$89,658.85 on judgments it had paid. After paying \$24,550.56 in collection costs, the Commission deposited the balance into the Recovery Fund.

^cThe Department of Administrative Services invests all state funds.

FY2006 ORGANIZATIONAL CHART



(Because the Commission supplies administrative support for the Georgia Real Estate Appraisers Board, the Board pays the costs for four of the Commission's employees.)

Permanent Employees and Their Years of Service as of June 30, 2006

Charles Clark, Real Estate Commissioner

Jeffrey Ledford, Deputy Real Estate Commissioner

Mattie Abbott (26), Data Transcriber I
 Frank Ambio (1), Information Specialist
 Jeff Angel (8), Systems Administrator 2
 Joyce Baity (26), Administrative Clerk
 Audrey Brown (11), Investigator
 Bess Buckley (10), Investigator
 Frank Bush (1), Information Specialist
 Vivian L. Chang (6), Investigator
 Marshall Clark (1), Investigator
 Craig Coffee (6), Information Services Manager
 Deborah Dupree (20), Administrative Clerk
 Charlotte Durant (9), Education Advisor
 Delories Gibson (18), Compliance Manager
 Alan Gloer (22), Investigator

Teresa Holder (8), Director of IS
 Felicia Hubbard (13), Information Specialist
 Jennifer Jones (1), Administrative Clerk
 Diane M. Keys (6), Investigator
 Shin Shin Liu (5), Database Specialist
 Oil Mata (2), Investigator
 Shonda Mason (7), Secretary II
 Doug Milton (27), Investigator
 Joanne Newton (2), Investigator
 Nick Nichols (11), Information Specialist
 Rosa Scott (10), Investigator
 Wanda J. Sorrells (26), Investigator
 Ric Wilson (17), Director of Education
 Kimberley Wimby (7), Information Specialist

SUMMARY OF PAST LICENSING STATISTICS

Fiscal Year	TOTAL ACTIVE BROKERS	TOTAL ACTIVE SALESPERSON	TOTAL INACTIVE LICENSEES	TOTAL ACTIVE FIRMS
1960	2,349	5,058	-	-
1965	2,885	10,719	-	-
1970	3,296	11,554	-	-
1975	6,971	18,670	-	-
1980	10,010	28,188	3,941	5,111
1985	9,637	26,514	13,324	6,118
1990	13,442	28,433	18,906	8,015
1995	12,871	24,406	11,219	8,385
2000	13,380	28,503	11,941	9,070
2001	13,510	30,381	11,870	8,891
2002	13,710	32,751	12,132	8,929
2003	14,090	36,382	12,555	9,193
2004	14,794	40,966	13,264	9,730
2005	15,616	46,376	14,649	10,454
2006	16,643	52,408	15,390	11,038

All 69,051 active individual licensees are affiliated with 11,038 firms that conducted business as sole proprietors (3,974), corporations (5,121), limited liability companies (1,853), or partnerships (90). Licensees on inactive status may not conduct business unless they activate with a licensed firm.

Total active brokers include associate brokers, brokers of sole proprietorships, and qualifying brokers of corporations, limited liability companies, and partnerships.

EXAMINATION RESULTS

FISCAL YEAR	TOTAL BROKER EXAMINEES	TOTAL BROKER PASSING	% BROKER PASSING	TOTAL SALES EXAMINEES	TOTAL SALES PASSING	% SALES PASSING
1996	478	369	77.2	5,339	3,753	70.3
1997	481	396	82.3	5,012	3,842	76.6
1998	482	441	91.5	4,449	3,831	86.1
1999	528	475	89.9	4,714	4,008	85.0
2000	578	529	91.5	4,874	4,245	87.1
2001	663	588	88.7	5,702	4,998	87.7
2002	715	637	89.1	7,055	6,202	87.9
2003	825	706	85.6	8,341	7,429	89.1
2004	963	810	84.1	9,996	8,727	87.7
2005	1,156	951	82.3	11,848	10,107	85.3
2006	1,198	966	80.6	13,758	11,469	82.7

In 2006, 71 persons took the Community Association Managers examination, and 64 (90.1%) passed.

FISCAL YEAR	FY 2004	FY 2005	FY 2006
RENEWALS PAID			
Community Association Managers	39	59	80
Salespersons	22,955	19,336	22,723
Brokers	5,468	4,885	5,306
Firms	3,170	2,887	3,693
Total Renewals	31,632	27,167	31,802
NEW INDIVIDUAL LICENSES ISSUED			
Resident Salespersons	8,443	9,645	11,233
Resident Associate Brokers and Brokers	861	896	1,321
Resident Community Association Manager	27	46	54
Total Resident New Licenses	9,331	10,587	12,608
Nonresident Salespersons	870	1,254	1,301
Nonresident Associate Brokers and Brokers	164	362	478
Nonresident Community Association Manager	1	0	3
Total Nonresident New Licenses	1,035	1,619	1,782
Total New Licenses	10,366	12,203	14,390
NEW FIRMS LICENSED			
Resident Sole Proprietorships	256	193	200
Resident Corporations	364	676	393
Resident Partnerships	2	2	2
Resident Limited Liability Companies	261	370	425
Total Resident New Firms	883	1,241	1,020
Nonresident Sole Proprietorships	26	65	78
Nonresident Corporations	16	70	80
Nonresident Partnerships	1	4	1
Nonresident Limited Liability Companies	11	50	45
Total Nonresident New Firms	54	189	204
Total New Firms	937	1,658	1,224
FIRMS REOPENED	16	61	67
FIRMS CLOSED	160	189	259
TRANSFERS TO OTHER FIRMS			
Salespersons	9,187	8,534	9,061
Associate Brokers	2,439	1,770	2,277
Total Transfers	11,626	10,304	11,338

FISCAL YEAR	FY 2004	FY 2005	FY2006
ADDRESS CHANGES			
Firms	690	583	525
Individuals	5,833	11,125	7,436
Total Address Changes	6,523	11,708	7,961
NAME CHANGES			
Firms	151	179	198
Licensees	567	451	408
Total Name Changes	718	630	606
CERTIFICATIONS OF LICENSURE			
For Courts	411	473	371
Others	4,007	5,490	4,791
Total Certifications	4,418	5,963	5,162
APPLICATIONS FOR INACTIVE STATUS			
Salespersons	3,982	8,532	6,241
Brokers/Associate Brokers	380	866	600
Total Inactive Applications	4,312	9,398	6,841
LICENSES VOLUNTARILY SURRENDERED	351	549	348
LAPSED LICENSES			
Education not completed	1,663	1,992	2,358
Renewal fees not paid	4,272	4,309	5,070
Total Lapsed Licenses	5,935	6,301	7,428
LICENSES REACTIVATED			
From Inactive Status	3,745	4,593	5,086
From Lapsed Status	882	1,636	2,102
Total Reactivated	4,627	6,229	7,188
DUPLICATE CERTIFICATE REQUESTS	3,779	3,956	3,607
EDUCATION CERTIFICATIONS FILED			
Post License Course	7,151	7,763	10,336
Continuing Education	69,729	78,612	100,829
Total Education Certificates Filed	76,880	86,375	111,165
TRUST ACCOUNT REGISTRATIONS			
New	1,708	1,740	1,584
Closed	1,265	597	1,346
OTHER (biographical data and computer records changes)	19,835	28,812	23,612
TOTAL	185,405	213,840	235,928

**FISCAL YEAR 2006 ACTIONS BY THE COMMISSION
TO IMPROVE REGULATION**

I. NEW OR MODIFIED LAWS

A. License Law Changes

1. Any member of the Commission against whom the Commission brings formal charges of a license law violation must not participate as a member in those proceedings. O.C.G.A. § 43-40-2 (c)
2. A disciplinary action against a Commission member becomes a ground for the Governor to remove that member. O.C.G.A. § 43-40-2 (d)
3. If an applicant for a community association manager license fails to meet the law's age, residency, education, or examination requirements for a license, then, as with all other types of license, such failure shall be grounds for denial of the license without a hearing. O.C.G.A. § 43-40-8 (a)
4. Approved schools who offer real estate education must name an individual who is to be responsible for seeing that the school complies with the law's requirements governing schools. O.C.G.A. § 43-40-8 (i)
5. The requirement for a salesperson's or associate broker's license for closely held corporations whose sole brokerage function was to receive payment of commissions for individuals affiliated with a broker was repealed. O.C.G.A. § 43-40-10
6. Modified two unfair trade practices to:
 - a. allow a broker to pay commissions to an affiliated licensee's unlicensed firm (see item 5. above); and O.C.G.A. § 43-40-25 (b) (17)
 - b. permit more than one licensee to obtain a non-exclusive listing on the same property. This unfair trade practice continues to prohibit allowing more than one licensee to obtain an exclusive listing. O.C.G.A. § 43-40-25 (b) (26)
7. The Commission shall inform the Governor if a member of the Commission becomes the subject of a contested case that results in a hearing. O.C.G.A. § 43-40-27 (d)

B. Rule and Regulation Changes

1. Changed the term "applicant" to "candidate for licensure" since by statute a person does not become an "applicant" until the person has met all statutory requirements for a license (such as, age, education, examination, experience, and payment of fees). [Rule 520-1-.04 (3)]
2. Allowed passing scores on qualifying examinations to be based on the type of examinations to be used. [The Commission made no change in the type and scoring of the examinations for salesperson and community association manager candidates (multiple choice questions - passing requiring correct answers to 75% of all questions asked). However, in March, 2006, the Commission initiated a new type of examination for broker candidates (simulation questions - passing requiring successful performance in two different performance areas)]. [Rule 520-1-.04 (3)]
3. Provided for a different treatment for veteran's preference points on the new broker's examination. These changes reflected the requirements of O. C. G. A. § 43-1-11 for awarding veteran's preference on such two part examinations. [Rule 520-1-.04 (3)]
4. Clarified the licensing requirements for both non-resident applicants for licensure and applicants for licensure who are moving to Georgia from another state and made the provisions of the two different rules consistent. [Rule 520-1-.04 (3) (g) & 520-1-.06 (6) (g)]
5. Clarified that applicants denied a license by the Commission must have paid all required fees in addition to meeting the age, education, and examination requirements for a license before requesting a hearing on the denial. [Rule 520-1-.04 (12)]
6. Permitted non-resident licensees to meet Georgia's Salespersons Postlicense Course requirement by taking or having taken a similar course in their state of residence. [Rule 520-1-.05 (1) (c)]

7. Clarified the provision that licensees acting as principals must report such activity to their brokers not only in situations in which the licensee is acting as an individual principal but also when the licensee is acting through a business entity. This change made the rule expressly consistent with O.C.G.A. Section 43-40-25 (c). [Rule 520-1-.11 (1)]
8. Required approved schools to include in their pre-license course curricula instruction on Georgia's Residential Mortgage Fraud law and methods for identifying possible fraud in transactions as well as properly reporting alleged fraud. [Rule 520-2-.04 (6)]

II. GENERAL ACTIVITIES

- A. Elected Bill Bonner of Fayette County as Chair and Gwen Fulcher Young of Augusta as Vice Chair.
- B. Filled the seat of Dena Rodrigues of Marietta who completed her term when Governor Perdue named Robert T. Love of Dunwoody to the Commission.
- C. Held a planning session to prioritize its work toward meeting goals, revised the Agency Strategic Plan and the Information Technology Strategic Plan; and adopted a Results Based Budget Program including program goals, program results/objectives, and associated result measures.
- D. Published newsletters and license law manuals on the Internet (www.grec.state.ga.us) rather than printing them in order to permit timely updating of material at substantially reduced costs.
- E. Created and facilitated a Task Force charged with examining the issue of "full service" brokerage versus "limited service" brokerage that many regulatory agencies around the country are examining. After extensive discussion and review of the issues, the Task Force recommended to the Commission that Georgia's license law be amended to be consistent with the "opt out" provisions of the Brokerage Relationships in Real Estate Transaction Act. That Act requires real estate licensees to perform certain services if the parties have not agreed otherwise in writing that the broker will not perform all of those services or will perform different services. Persons selected to serve on the Task Force included: Tim Adams - Savannah; Linda Avery - Stone Mountain; Chris Ballard - DeKalb County; Richard Boone - Atlanta; Kim W. Bragg - Augusta; Ron Branch - Tifton; Bill Collins - Athens; Louie Curry - Dublin; Cantey Davis - Atlanta; Rhonda Spear Duffy - Alpharetta; Gene Dunlap - Bainbridge; Greg Dunn - Columbus; Clayton Foster - Gainesville; Anne Gault - DeKalb County; John Hallman - Atlanta; Keith Hatcher - Atlanta; Neal Jackson - Walton County; Chuck Jonaitis - Cumming; Bob Kinard - Dalton; Kenneth Koon - Sharpsburg; Donnie Laurens - Macon; Ed London - Atlanta; Paul Mahaffey - Columbus; Kathy Murphy - Fayette County; Ronnie Perry - Brunswick; Judy Presley - Gainesville; Charlotte Sears - Atlanta; James Dellie Stratton - St. Simons Island; Gilmer (Buddy) Weston - Atlanta.
- F. Updated its reciprocal licensing agreements with other states so that licensees may obtain licenses in 28 other states without additional qualifications (including Alabama, North Carolina, South Carolina, and Tennessee) and in 14 other states with reduced additional qualifications (including Florida). Eleven jurisdictions are currently either unwilling or legally prevented from entering into reciprocity agreements.
- G. Made available on its web site a Customer Satisfaction Survey to help assure quality service to customers.
- H. Adopted or modified existing policies to:
 1. update its Investigative Policies and Procedures to revise the *Basis for Issuance of License* policy under which the staff acts when applicants report lesser criminal violations;
 2. revised procedures for filing vacancies in key staff positions;

3. voted to create a Task Force next fiscal year to evaluate the educational needs of licensees;
4. voted to seek license law amendments related to applications process for persons with criminal convictions and to identify more precisely "crimes of moral turpitude."

III. INFORMATION SERVICES

- A. Maintained records on 213,937 active, inactive, and lapsed licensees. During FY2006, the Agency processed 252,658 data entries to those records. 180,433 of those entries were processed through on-line systems. The on-line systems for initial licensing, for posting education course by approved schools, and for renewal of licenses have help the Agency avoid having to employ additional processing personnel while still timely processing its growing number of applications.
- B. Issued a total of 14,390 new individual licenses, an increase of 2,187, or 17.9 % over FY 2005. FY 2005 had also exceeded FY 2004 by 17.7%. Reflecting generally good real estate brokerage markets, FY 2006 marked the tenth consecutive year the Commission issued over 5,000 applications for new individual licenses and the second consecutive year of over 10,000 such applications.
- C. Another good indicator of the continuing good real estate markets is the number of persons renewing licenses. In 2005, 16,188 licensees were scheduled to renew; 14,407 actually paid renewals. That 89.9 % renewing rate confirms historical data that suggests higher renewal rates in years with strong real estate markets and lower renewal rates in years with weaker markets.
- D. Continued to allow licensees to pay renewal fees through the Internet (www.grec.state.ga.us) with the use of credit cards. 14,407 of the 16,188 licensees scheduled to renew in FY2006 (89%) used the GeorgiaNet on-line renewal system. Only 9.5% used the on-line system in the first year of its operation, 24.2% the second year, 31.5% the third year, 61% the fourth year, 67% the fifth year, 69% the sixth year, and 89.9% this year. Reports from ARELLO members indicate that Georgia's on-line renewal system is used significantly more than similar programs in most other states. These systems allow the Commission to mail new pocket cards to licensees the day after they pay their fees. They also significantly reduce the Agency's accounting and application processing costs. (Since the system saves many hours of staff work, the Commission reduces the renewal fee for licensees who use the system in order to pass on the cost savings to them.)
- E. Continued improvements to computer programs to (1) allow non-financial transactions (for example, transfers of licenses) to be completed on-line; (2) allow approved schools to upload electronically course completions directly into individual licensee records; (3) allow approved schools and instructors to renew their approvals on-line using a credit card; and (4) allow licensees to view a list of their completed continuing education courses on the Agency's web site.
- F. Processed 247,247 applications (235,928 Commission and 11,319 Board) for licensure, renewal, transfer, inactive, reactivation, trust account registration, name change, change of status, certification of licensure, address change, duplicate license, and reporting education courses. Over 180,000 of those entries were processed through on-line systems.
- G. Continued program of clarifying applications by telephone whenever possible instead of returning them by mail to applicants (handled over 1,732 such applications). Continued computerized tracking of incomplete applications to reduce the time required to notify such applicants of their errors.
- H. Responded to 103,365 telephone calls (a decrease of 14,672, or 12.4%, fewer than FY2005) and 5,333 walk-in customers (an increase of 2,283 over FY2005) regarding licensing and real estate license law and appraising matters. In addition, 49,538 callers used the Agency's Fax on Demand and Integrated Voice Response systems (available 24 hours a day, seven days a week) for accessing applications and licensee data (a 40.2% decrease in usage of these systems from

FY2005). The decreases in volumes cited above reflect (a) implementation of a more reliable accounting system and (b) increasing use of the Internet by customers. The Agency maintained its Internet Web Page (www.grec.state.ga.us) that provides printable applications, school listings, and other information needed by consumers and licensees.

- I. Received approximately 10% (down 24% from FY2005) of applications by mail, 15% (up 3% over FY2005) by fax, and 75% (up 22% over FY2005) by the Internet. These figures reflect the significant decrease in coming mail the Agency has experienced since it began accepting electronic applications in the mid 90s. The major factors leading to this decreased mail activity are on-line renewals, the issuance of most new licenses at the time of examination, and the uploading of continuing education completion certificates directly into the Agency's computer system by approved schools.
- J. Revised all applications to comply with new rules.

IV. ENFORCEMENT AND INVESTIGATION

- A. Used a complaints analyst process of experienced staff to review all Requests for Investigation received by the agency to evaluate both whether the Request lay within the Agency's jurisdiction and what investigative priority it should receive. About one fourth of all Requests for Investigation involved issues that fall outside Agency jurisdiction. Persons making those requests are immediately referred to more appropriate resources to help with their problems. The system has also allowed the agency to respond more quickly to Requests for Investigation requiring immediate action.
- B. Made available *Request for Investigation* forms to members of the public who contacted the Commission's office with a complaint about the activities of a real estate licensee. The Agency's staff mailed such forms, and the public also accessed those forms on the Agency's Internet site (that section of the site had 15,616 users in FY2006) and through its fax-on-demand system. 803 persons used the forms to request an investigation of a real estate licensee.
- C. Opened 3,097 new investigative cases, an increase of 9% over FY2005. The total Requests for Investigation filed by the public increased by 10.1% to 803. Requests for Investigations from the public numbered 703, nearly equaling last years 729, 52% above the yearly average of 478 in the 1990s, and 13.5% above the 642 in FY 2004.
- D. Completed a total of 2,948 investigative cases and 2,058 trust account examinations and reviews.
- E. Imposed disciplinary actions on 295 individuals and firms for violations of the License Law arising from 306 investigative cases, including revoking 69 licenses, issuing 125 Citations, and imposing a total of \$102,900 in fines and \$104,850 in costs on 178 licensees.
- F. Processed twelve cases involving potential claims against the Real Estate Education, Research, and Recovery Fund were pending in court at the end of FY2006. In FY2006, one case resulted in a judgment obtained by a consumer and necessitating a payment from the Fund.
- G. Completed the field investigation of Requests for Investigation (our most complex types of investigative cases) in an average of 164 days (up 15 days over FY2005). The average for all types of investigative cases was 68 days (up 21 days over FY2005) including pre-license background checks that are often completed in less than a week.
- H. Continued a computer cross check of licensee data bases with the Department of Human Resources Delinquent Parents Data Bases to assist in the collection of delinquent child support

payments. Three licensees had to be suspended this year as a result of matches in that cross check. (The Commission has suspended 19 licensees since the inception of this program in FY1998.)

- I. Continued a computer cross check of licensee databases with the Georgia Student Finance Commission to assist in the collection of delinquent college loans. Suspended 39 licenses as a result of matches in that cross check. (The Commission has suspended 240 licensees since the inception of this program in 1999. GSFC reports that the first 61 of those suspensions resulted in the collection of \$160,373.93.)

V. EDUCATION

- A. Provided twelve electronic newsletters containing information on brokerage topics of general interest and information fliers about the 2005 School Meeting, four instructor workshops, and a major conference on mortgage fraud by posting on the Commission's web site and by automatic e-mail notification as a means of providing updated information for licensees, schools, instructors, and students.
- B. Revised the Commission's Statement of Policy on Funding Education Grants.
- C. Conducted ten seminars on trust account and brokerage issues at locations throughout the state.
- D. Conducted four workshops of two days each for instructor training and a one day advanced instructor workshop for approved instructors.
- E. Convened the annual 2005 School Meeting with over 200 licensees, school directors, and instructors in attendance. An advanced instructor workshop attended by 100 approved instructors preceded the meeting.
- F. Examinations:
 - 1. issued new licensees to qualified, successful examinees on the day they passed the examination;
 - 2. continued electronic registration procedures, daily computerized testing, and instant score reports at four sites in Duluth, Marietta, Macon, and Savannah.
 - 3. continued the use of multiple forms in each test center for security;
 - 4. reviewed the bank of examination questions dealing with Georgia law in order to correct or retire questions that are no longer valid due to law changes.
 - 5. provided failing examinees with score reports reflecting how they performed in the various subject areas of the examination;
 - 6. provided examinees who failed examinations with a series of written suggestions on how they might better prepare themselves for future examinations;
 - 7. administered 22,545 examinations to applicants (a 30.3% increase over FY2005);
 - 8. tested 71 community association manager applicants with 64 passing (90.1%); and
 - 9. instituted the new simulations broker qualifying examination that tests both abilities to gather relevant data and make reliable judgments using real world scenarios and requiring examinees to gather necessary information and make appropriate decisions rather than answer multiple choice questions testing text book knowledge.
- G. Participated in 31 programs serving 2,490 persons around the state and nationally to inform the public and licensees on the license law and Georgia's real estate licensing system.
- H. Evaluated and approved 34 new schools and 40 new pre-license instructors; and authorized 46 pre-license courses, 74 post-license courses, and 1,457 new continuing education courses.
- I. Reviewed ten contract proposals requesting \$335,981 for educational and research programs and committed funding of \$335,981 for the ten programs including: (1) administering and offering at least 10 brokerage and trust account seminars, (2) providing five workshops for new and

prospective pre-license instructors, (3) producing the annual continuing education meeting for approved instructors and schools, (4) developing and producing monthly electronic newsletters distributed through the Commission's website and automated e-mail notification service, (5) supplementing funds available for scholarships to licensees for approved courses, (6) identifying subject areas that approved schools should consider in developing continuing education courses and researching investigative policies and procedures of other states; (7) evaluating the Commission's information services and web site in its service to licensees regarding education requirements and general information and making recommendations for improvements; (8) establishing a program for approving special education offerings and projects for continuing education credit in addition to the approved courses offered by approved schools; (9) a training course for person who teach only continuing education; and (10) completing and receiving approval for the Agency's new simulations qualifying examination for real estate brokers.

- J. Paid \$218,286.47 toward funding in ten different education contracts.
- K. Continued work on a revised broker curriculum.
- L. Participated in a major symposium on mortgage fraud in an effort to raise awareness of mortgage fraud and increase knowledge of the various means by which mortgage fraud is perpetrated among licensees and the general public.

Georgia Real Estate Commission Georgia Real Estate Appraisers Board



Strategic Plan 2006

Introduction

In 1926 the Georgia General Assembly created the Real Estate License Law (License Law) and established the Georgia Real Estate Commission (Commission) to regulate licensees. Through the License Law the Legislature sought to protect the public in real estate transactions from either intentional or unintentional harm that could arise in their relationships with real estate brokers. Initially, the License Law required only a simple registration process for all persons engaged in real estate brokerage in five of the state's largest counties. Modifications of the License Law in 1956 sought to assure minimum competency levels of new licensees by requiring pre-license education and the passing of an examination and made licensing of real estate practitioners applicable statewide. In 1977 lawmakers made the Agency a separate budget unit and added provisions that require that fees it charges must be set by the Agency so that they are reasonably calculated to generate only sufficient revenue to fund its direct and indirect costs of operations. In 1980 lawmakers added post-license and continuing education requirements of licensees.

From inception, the License Law allowed the Commission to discipline licensees found guilty of violating its provisions by reprimanding, suspending, or revoking a license. Later new provisions gave the Commission the flexibility to require education and accountant's reports for trust accounts violations in lieu of, or in addition to, the traditional sanctions. Other additions to the License Law authorized the Commission to impose fines when the Commission deemed them appropriate; revoke the license of a broker found incompetent to exercise those duties and simultaneously issue a salesperson's license if the broker otherwise demonstrated honesty and trustworthiness; and to impose fines or educational requirements for relatively minor violations by issuing citations.

Federal legislation adopted in 1989 required appraisers to be state licensed or certified in order to appraise real property used as security for certain loan transactions involving agencies of the federal government. In 1990 in response to that law, the General Assembly created the Georgia Real Estate Appraisers Board (Board) by adopting the Real Estate Appraiser Licensing and Certification Act (Appraiser Act). The Board began its formal operations on July 1, 1990, with staff support to be supplied by the Commission. The Appraiser Act requires that anyone conducting real estate appraisals in Georgia must obtain state registration, licensure, or certification before undertaking appraisal work. It grants to the Board final authority within federal and state guidelines (1) to establish standards for real estate appraisals, (2) to set qualifications for real estate appraisers, and (3) to discipline real estate appraisers.

The Planning Process

Since the mid-1990's the Commission and the Board (the Agency) have been developing and refining the Agency's mission and goals and objectives. In 1997 the Agency produced its first strategic plan that also included an Information Technology Strategic Plan element. The Agency's Strategic Plan evolved out of meetings and discussions with the members of the Commission and the Board, representatives of the regulated real estate brokerage and appraisal industries (including both practitioners and educators), and all staff members of the Agency. Based on the views of those groups, supervisory personnel representing all five major work divisions of the Agency wrote and edited the Plan. The members of the Commission and Board reviewed and approved drafts and the final version of the plan. Using a similar methodology, the Commission and Board refined the strategic plan and adopted those revisions in 1998, 1999, 2000, and 2001.

The 2002 and 2003 planning process built upon those efforts. The Real Estate Commissioner appointed a Strategic Planning Team consisting of the agency's management team. That group, in meetings and individually, reviewed, rewrote, and refined the Mission and Vision Statements, the Goals, and the Strategic Objectives; identified the Business Functions and Information Subject Areas; and either produced or reviewed and approved every aspect of the new draft strategic plan. The Revised Strategic Plan was reviewed and further refined by the Real Estate Commissioner. The Commission and the Board then reviewed the Revised Strategic Plan and adopted it in its final form.

[Details of the Agency's Information Technology Strategic Plan are available upon request.]

The Agency's Mission

The mission of the Georgia Real Estate Commission and the Georgia Real Estate Appraisers Board is to ensure professional competency among real estate licensees and appraisers and to promote a fair and honest market environment for practitioners and their customers and clients in real estate transactions in Georgia.

The Agency's Vision

Georgians who use the services of real estate brokers and appraisers to facilitate real estate transactions will encounter responsive, knowledgeable, and ethical professionals.

Agency Strategic Goal	Desired Long-term Outcomes
Assure that real estate licensees and appraisers meet standards of at least minimum competency and adhere to regulatory requirements in the conduct of business.	Real estate licensees and appraisers will deliver their services competently and within the law.
Resolve timely complaints about real estate brokerage and appraisal activity under the License Law and the Appraisal Act, and assure due process rights under those laws to real estate licensees, appraisers, and members of the public.	Real estate licensees, appraisers, and consumers of their services will see their complaints involving real estate and appraisal activities handled thoroughly and timely.
Develop solutions to minimize or eliminate problems that real estate licensees, appraisers, and members of the public encounter in complying with the License Law and the Appraisal Act.	Enforcement of the License Law and the Appraisal Act will effectively protect the public interest in real estate transactions without being unduly burdensome or unnecessarily inhibiting those transactions.
Maintain effective communication between the Agency and real estate licensees, appraisers, and consumers of their services.	Real estate licenses, appraisers, and members of the public will realize effective access to the resources of the Commission and the Board.
Enhance the efficient and cost effective operation of the agency.	The Agency will effectively protect the public interest and provide services to licensees, appraisers, and the public while maintaining reasonable licensing and classification fees.

ACTIONS TAKEN TO IMPLEMENT AGENCY'S STRATEGIC PLAN

The Agency has taken a number of steps to implement its Strategic Plan. Among those and the fiscal year in which they began are:

General

- Entered into reciprocal agreements with all adjoining states in order to provide increased economic opportunity for Georgia licensees. FY 1990 and following.
- Created a variety of task forces to advise the Agency on a variety of regulatory matters. FY1994, FY1996, FY1997, FY 1998, FY1999, FY 2000, FY 2003, and FY 2006.

Licensing and Administrative Services

- Contracted with a private vendor to develop and administer examinations and to issue initial licenses to qualified real estate applicants. FY1997
- Contracted with a private vendor to issue initial classifications to appraiser applicants who qualify by examination. FY2002
- Implemented technological programs to allow quicker responses to inquiries regarding regulated activities and quicker processing of applications from regulated entities. FY1997, FY2000, FY2001, FY2004, FY2005, FY2006
- Streamlined application processing to meet maximum five day processing goal. FY1998
- Implemented programs to permit licensees to renew licenses and transfer between firms via the Internet with the use of a credit card. FY2000, FY2003, FY2004, FY2005, FY2006
- Developed additional features of the Core Licensing System to provide resolution of incomplete and incorrect applications on same day received, to trace returned applications, and to ensure proper collection of and accounting for fees. FY1999, FY2000
- Implemented web technologies to allow development of on-line applications and database search capabilities while maintaining database integrity. FY2000, FY2001, FY2002, FY2003, FY2004, FY2005, FY2006
- Converted school and instructor records to electronic format integrated into the Core Licensing System. FY2000, FY2001
- Developed and implemented electronic programs to eliminate the need for approved schools to issue education certificates by allowing them direct up-loading into the agency's database. FY2000, FY2001, FY2002, FY2003

- Revised filing system to eliminate the need for paper storage. FY1999, FY2000, FY2001

Education

- Revised regulations of approved schools to allow those schools greater flexibility in the offering of courses desired by licensees thereby creating more time for Agency personnel to evaluate educational performance on-site. FY1997
- Encouraged the use of computer technology to provide for independent study courses throughout the state and the development of a distance learning program using television technology in southwest Georgia. FY1998
- Provided newsletters to licensees on the Internet. FY1999 - FY2006
- Developed and made available on-line exercises for use in agent training that simulate real brokerage experiences and provide virtual opportunities for decision making in ethics, handling trust funds, and interaction with customers and clients. FY2002 - FY2006
- Implemented program enabling all real estate and appraisal schools to enter course completions for individual students directly into the Agency's database, thus eliminating the requirement that schools issue paper certificates of course completion and significantly reducing staff time spent on processing paper applications. FY2004
- Implemented increased qualifying requirements for licensed and certified appraisers and revised criteria for all courses that qualify for classification to ensure that appraisers meet national standards of minimum competency. FY2005 – FY2006
- Instituted a new simulations broker qualifying examination that tests both abilities to gather relevant data and make reliable judgments using real world scenarios and requiring examinees to gather necessary information and make appropriate decisions rather than answer multiple choice questions testing text book knowledge. FY2006

Investigations

- Developed a new program of providing preliminary approval/denial decisions to applicants with criminal convictions prior to their incurring the expense of education and examination cost. This program also reduces the number of formal hearings required and their related costs. FY1997
- Assigned additional personnel to investigative activities and revising its program for the selection of firms for detailed trust account audits. FY1998, FY2005

- Created complaint analyst position to expedite investigative services. FY 2000
- Implemented program to require all applicants to submit criminal activity reports for the Georgia Crime Information Center (and if needed from the National Crime Information Center). FY2003
- Reduced time for obtaining National Crime Information Center reports from three months to two weeks. FY2005

**Fiscal Year 2006
Results-based Budget Program Request**

SECTION 1: PROGRAM RESULTS AND MEASURES

- 1.1. Agency Name:** Georgia Real Estate Commission
Georgia Real Estate Appraisers Board
- 1.2. Program Name:** Regulation, through licensing of practitioners, of real estate brokers and real estate appraisers.
- 1.3. Program Purpose:** To protect individuals involved in real estate transactions by regulating real estate brokers and real estate appraisers.
- 1.4 Is this program composed of subprograms?**

(No subprograms)

SECTION 2: PROGRAM GOALS DESIRED RESULTS AND RESULTS MEASURES

- 2.1 Goal 1:** Real estate brokers and real estate appraisers will be qualified and provide competent service.
- 2.2 Desired Result 1.a:** Findings of negligence (does not include findings of dishonesty) will occur in no more than 33% of all completed investigations.

Actual Results 1.a								
Real Estate Broker and Appraiser negligence found in investigative cases *								
FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
28% (411)	23% (385)	23.9% (380)	27.5% (527)	23.1% (414)	18.2% (469)	17.3% (405)	13.7% (348)	29.6% (433)

* Formula revised in FY2006 to assure more accurate results.

Desired Result 1.b: Georgia's passing rates on the qualifying examinations will be within 5 points of the average passing rates of other states giving the same examinations; thereby ensuring that persons successfully passing them are minimally qualified.

Actual Results 1.b Examination Passing Rates								
FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
not calculated	8.8% above	10.4% above	7.6% above	8.1 % above	11.1% above	10.5% above	11.2% above	8.4% above

Goal 2: Staff will respond to all applicants, licensees, and the public's requests for information within agency guidelines.

Actual Results 2 Service Provided	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
80% of telephone customers seeking information will reach a staff member directly or use IVR or Fax on Demand.	82%	75%	82.7%	92%	90%	92%	92.75 %	94.7%	87%
Fewer than 20% of telephone customers will have to exercise the option of leaving a voice mail message to which a staff member will respond within 2 business hours.	18%	25%	17.3%	8%	10%	8%	7.25%	5.3%	13%
95% of requests for applications and materials will be filled within one business day.	95%	99%	99%	99%	99%	99%	99%	99%	99%
95% of requests for written responses to questions will be responded to within 2 business days.	95%	99%	99%	99%	99%	99%	99%	99%	99%
95% of all completed applications will be processed within 5 business days of receipt.	85%	94%	94.3%	96.4%	95%	96%	94%	90%	96%
90% of successful examination applicants will have the option of obtaining a license the same day of meeting all qualifications.	90%	94%	93.8%	95%	94.1%	89.8%	90.6%	94.1%	92.3%

**FISCAL YEAR 2006 ACTIVITY
GEORGIA REAL ESTATE APPRAISERS BOARD**

APPRAISERS BY CLASSIFICATIONS

	FY 2004	FY 2005	FY 2006
State Registered	3,722	3,572	3,444
State Licensed	1,235	1,358	1,489
State Certified Residential	952	999	1,133
State Certified General	<u>1,419</u>	<u>1,420</u>	<u>1,544</u>
TOTAL	7,328	7,349	7,610

REVENUES AND EXPENDITURES¹

	FY 2004	FY 2005	FY 2006
State Fees Collected	666,985	614,210	600,336
Federal Registry Fees	102,525	102,920	112,970
Budgeted Appropriation	403,381	545,145	519,974
Budget + 15% ²	464,406	626,917	597,970

INVESTIGATIONS

	FY 2004	FY 2005	FY 2006
Cases Opened*	486	550	515
Cases Worked*	492	515	495
Dispositions			
Closed No Violation	77	109	112
Letter of Finding	29	33	33
Issue/Deny Applications	294	242	213
Disciplinary Process Ordered	92	131	137
Disciplinary Actions Imposed			
Citations	10	21	24
Revocations	25	28	56
Suspensions	20	11	9
Other	10	20	11
Applications Denied	22	26	9
Cease and Desist	-	-	-

* Calculation errors in 04 & 05 corrected

¹Figures supplied by the Secretary of State's fiscal office.

²Minimum revenue Board must raise through its fee structure, not including Federal Registry Fees.

I. NEW OR MODIFIED LAWS

A. Appraisal Act Changes

1. Clarified that sanctions permitted to be imposed on classified appraisers may also be imposed on Board approved schools and instructors, [O.C.G.A. § 43-39A-8]
2. Provided for the recusal of a Board member when an investigation involves the appraisal activities or application of a Board member, [O.C.G.A. § 43-39A-3]
3. Authorized the Board to provide investigative information to the Governor when an investigation involves a member of the Board, [O.C.G.A. § 43-39A-22 (d)]
4. Provided that the Board may choose not to investigate appraisals when the dispute is over value and the appraised value is less than 20% different than the sales, lease, or exchange price or assessed value, and [O.C.G.A. § 43-39A-22 (a)]
5. Made the Appraisal Act consistent with federal guidelines by allowing the opening of investigations on appraisals within five years of the appraisal instead of three years. [O.C.G.A. § 43-39A-22 (a)]

B. Rule and Regulation Changes

1. Clarified how a lesser classified appraiser may perform appraisal activity for which a higher appraiser classification is required in order to earn experience to meet the experience criteria for a higher classification. [Rule 520-1-.16]
2. Adopted classification criteria changes in order to be consistent with federal requirements for determining and verifying appraiser experience. Recent federal changes in classification requirements and new state requirements related to supervised experience make it necessary to adjust this rule to provide for:
 - a. eliminating the definition that 1,000 hours of experience is a year of experience since federal requirements now dictate differing standards for the time periods in which experience must be earned;
 - b. deleting verification of experience by affidavit alone; and
 - c. clarifying how experience must be documented. [Rule 520-1-.16]
3. Required approved schools to include in their pre-classification course curricula instruction on Georgia's Residential Mortgage Fraud law and methods for identifying possible fraud in transactions as well as properly reporting alleged fraud. Rule 539-2-.03 (2)
4. Authorized approved schools to include in their continuing education courses instruction on Georgia's Residential Mortgage Fraud law and methods for identifying possible fraud in transactions as well as properly reporting alleged fraud. Rule 539-2-.05
5. Defined more clearly what the Board expects the working relationship to be between an appraiser who is seeking qualifying experience to become licensed or certified and his or her supervising appraiser and made the rule more consistent with federal requirements for such experience. [Rule 520-1-.16]
6. Revised the rules on appraisal standards to provide appraisers with clearer statements of the standards with which they must comply in appraisals. [Rule Chapter 539-3]

II. GENERAL ACTIVITIES

- A. In January the Board elected Charles Bramlett of Monticello as its Chair and Sandra McAlister Winter of Alpharetta as its Vice Chair. Other Board members included William Coleman Jr. of McDuffie County, Patricia K. Love of Columbus, and D. Scott Murphy of Suwanee.

- B. Governor Perdue named public member William R. Coleman, Jr., of McDuffie County to a full five year term.
- C. For the first time since the Board's inception, revenues generated by user fees (\$614,210) fell slightly below costs of operation (budget plus 15% or \$626,917).
- D. Adopted or modified existing policies to:
 - 1. update its Investigative Policies and Procedures to revise the Basis for Issuance of License policy under which the staff acts when applicants report lesser criminal violations;
 - 2. seek to have the Board made a separate budget program because of the special oversight of the federal government to which our sister agency the Real Estate Commission is not subject; and
 - 3. seek license law amendments related to applications process for persons with criminal convictions and to identify more precisely "crimes of moral turpitude."
- E. Posted information on its web site to inform appraisers about the requirements for supervising new appraisers and how the new legal requirements for Certificates of Permanent Location for manufactured housing will affect appraisal reports.
- F. Georgia has the nation's 6th largest population of licensed and certified appraisers and ranks 4th in the number of sanctions imposed after an investigation.
- G. Continued its request that the Appraisal Subcommittee make a complete public accounting for the expenditure of funds it gives to the Appraisal Foundation. The ASC continues to decline to do so.
- H. Continued work with the Association of Appraiser Regulatory Officials (AARO) to help reduce problems for appraisers in working across state lines.
- I. Continued reciprocal classification agreements with states of Alabama, Arizona, California, Florida, Kansas, Kentucky, Louisiana, Maine, Maryland, Minnesota, Missouri, New Hampshire, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Washington, and Wyoming. (All states must grant classifications to applicants from Canada and Mexico because of the provisions of the North Atlantic Free Trade Agreement.)
- J. Supported efforts of AARO and the American Society of Appraisers to amend Title XI to provide for easier issuance of temporary practice authorizations to Georgia appraisers who wish to practice in other states.
- K. Opposed the adoption of House Resolution 1295 in the U. S. House of Representatives since it increases federal control of regulation and authorizes the Appraisal Foundation to establish appraiser criteria and to profit from its control of the industry. The proposed legislation would effectively terminate the authority of state governments in the regulation of real estate appraisers except for certain ministerial functions.
- L. Held three of its twelve meetings by conference call in order to reduce costs and save time when no person was scheduled to appear before the Board.
- M. Continued utilizing a system of Customer Satisfaction Survey to help assure quality service to customers.
- N. Supported efforts of the Association of Appraiser Regulatory Officials (AARO) to combat inappropriate pressure on appraisers from lenders to produce particular values.

- O. Expressed written concerns to the Appraisal Standards Board regarding its proposed "Scope of Work" project, particularly with its lack of enforceable standards.
- P. Continued research to develop improved systems for checking appraiser logs submitted by applicants for new classifications and for assuring better supervision of new appraisers.

III. INFORMATION SERVICES

- A. Increased the number of classified appraisers in Georgia only slightly. 291 new appraisers reflected an increase of approximately 4%. In FY2002 the rate of increase was 15.8%; in FY2003 it was 14.4%; in FY 2004 it was 6.2%, in FY2005 it was 0.6%. The number of Registered Appraisers continued to decline (-128). Licensed and Certified Appraisers increased (+389) at three times the FY2005 rate. This increased reflects Registered Appraisers seeking to become licensed or certified before new significantly increased education and experience requirements imposed by the federal government will go into effect in 2008.
- B. Continued to make available to appraisers and the public (1) a fax on demand system and an integrated voice response system to enable appraisers to obtain information on their classifications and needed applications twenty-four hours a day and (2) computer programs to allow (a) appraisers to change their addresses via the Internet, (b) approved schools to upload electronically course completions directly into individual licensee records, (c) approved schools and instructors to renew their approvals on-line using a credit card, and (d) appraiser to view a list of their completed education courses on our website.
- C. Continued to allow appraisers to renew their classifications using the Internet and credit cards. 5,922 of the 7,050 appraisers scheduled to renew in FY2005 (84%) did so on the Internet. Those numbers have increased yearly since the online renewal program began: 27% in FY2001, 45% in FY2002, 73% in FY2003, 76% in FY2004, and 77.2% in FY2005.

IV. INVESTIGATIONS

- A. Devoted more Board and Real Estate Commission investigative resources to giving priority to working mortgage fraud cases in an effort to reduce the financial harm to the public from such fraudulent activities. Appraisal cases referred from financial institutions are good indicators of the possibility of mortgage fraud. The Attorney General's office has joined us in making special arrangements to expedite prosecution of those cases through a Special Assistant Attorney General.
- B. Engaged various Certified Appraisers to review appraisals involved in investigative cases in order to provide technical expertise on more complicated appraisal issues.
- C. Continued working with the Real Estate Commission, the Department of Law, and the Department of Banking and Finance to investigate and prosecute possible law violations in "flip" loan transactions.
- D. Continued supporting the Georgia Real Estate Fraud Prevention Awareness Coalition in educating appraisers and developing effective methods for discouraging and preventing "flip" loan transactions.
- E. Completed 506 investigations (a decrease of 12% over FY2005) that included 226 investigations of applicants with prior convictions or sanctions and 280 value disputes or possible standards violations. Opened 537 new investigations (an increase of 1.5% over FY2005). Ordered disciplinary proceedings in 137 cases. Had 250 investigative cases pending at the end of the Fiscal Year.
- F. Issued citations to 24 appraisers. Imposed disciplinary actions on 100 persons for violations of the

Appraiser Act arising from 149 investigative cases, including revoking 53 classifications and imposing a total of \$25,950 in fines and \$26,450 in costs on 35 appraisers.

- G. Made available *Request for Investigation* forms to members of the public who contacted the Board's office with an appraisal problem. The Agency's staff mailed such forms upon request, and the public also accessed them on the Agency's Internet site and through its fax-on-demand system. In FY2005, 140 persons used the forms to request an investigation of an appraiser.
- H. Completed our 537 investigations (including pre-license background checks that are often completed in less than a week) in an average time of 83 days, an increase of 19 days over FY2005. The average time to complete an investigation originated as a result of a Request for Investigation from the public was 170 days, an increase of 37 days over FY2005. Requests from the public are typically the most complicated investigations we undertake.
- I. Continued its policies and procedures governing investigations to:
- share investigative findings with its affiliated agency, the Georgia Real Estate Commission;
 - take no action on appraisal referral cases from HUD when that agency's disposition revealed that it had only required that the appraiser take some additional education;
 - establish guidelines for extending deadlines in Consent Orders and for recommending settlements;
 - refer cases to the Attorney General's office solely on credible findings of a review appraiser;
 - impose sanctions on non-resident appraisers who are disciplined by their resident state regulatory body that are consistent with that state's action;
 - impose the same sanction on a "supervisory" appraiser as it imposes on an appraiser, unless the supervisor demonstrates extraordinary circumstances; and
 - authorize the Real Estate Commissioner to approve issuance of classifications to persons convicted of misdemeanors.
- J. Adopted or modified existing policies to:
- update its Investigative Policies and Procedures to be consistent with law changes;
 - revise the *Basis for Issuance of License* form used by the staff when applicants report lesser criminal violations; and
 - revise procedures for applicants who must submit Federal Criminal Information Center reports to shortened the time involved in that process.
- K. Completed a database of all of its sanctions created for access by the public and to assist in assuring the imposition of similar sanctions for similar violations.
- L. Continued its programs of cross-checking its data base (1) with that of the Child Support Division of the Department of Human resources in order to identify parents delinquent in child support payments (one classification suspended as a result of a match) and (2) with that of the Georgia Student Finance Corporation in order to identify appraisers delinquent in student loan payments (six classifications suspended as a result of matches).

V. EDUCATION

- A. Continued its contract with Applied Measurement Professionals (AMP) to offer qualifying examinations and to allow successful applicants to obtain their classifications on the same day they pass the examination.
- B. Provided electronic and printed newsletters and information fliers about the 2005 School Meeting, four instructor workshops, and a major conference on mortgage fraud by posting on the Commission's web site and by automatic e-mail notification as a means of providing updated information for appraisers, schools, instructors, and students.

- C. Conducted four workshops of two days each for instructor training and a one-day advanced instructor workshop for approved instructors.
- D. Approved 3 new schools, 82 new pre-classification courses, 130 new continuing education courses, and 6 pre-classification instructors. The Board now has approved for appraiser education a total of 370 pre-classification courses (288 in FY 2005) and 1,373 continuing education courses (1,243 in FY 2005).
- E. Tested 322 applicants (243 passing) seeking to become state licensed real property appraisers; 142 applicants (112 passing) seeking to become state certified residential real property appraisers; and 42 applicants (40 passing) seeking to become state certified general real property appraisers.
- F. Calculated in two ways the passing percentages on state qualifying examinations in FY2004: (1) the percentage passing on the first try, and (2) the percentage passing regardless of the number of attempts. (Board data shows that those who were within ten percent of passing on the first attempt will usually pass in the second or third attempt. Those who fail the first attempt by more that ten percent usually never pass.) The results were as follows:

	Licensed	Certified Residential	Certified General
1 st Time	48.9%	61.8%	81.6%
Total Persons	75.5%	78.9%	95.2%
- G. Continued a computer assisted examination program that allows applicants to (1) schedule for an examination within five days of completing registration procedures, (2) test at their choice of sites in Duluth, Marietta, Macon, and Savannah, and (3) obtain a score report immediately upon completion of the examination and receive a classification the same day.
- H. Increased qualifying requirements for licensed and certified appraisers and revised criteria for all courses that qualify for classification in order to meet new federal requirements.
- I. Began requiring basic qualifying courses for registered, licensed, and certified real property appraisers to include instruction in Georgia's Residential Mortgage Fraud law and in methods for identifying possible fraud in transactions and properly reporting alleged fraud.