

GEORGIA REAL ESTATE COMMISSION
GEORGIA REAL ESTATE APPRAISERS BOARD

ANNUAL REPORT

FISCAL YEAR

2004

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**GEORGIA
REAL ESTATE
COMMISSION**

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Vice Chair

BILL BONNER
GEORGE W. HOLTZMAN
BURT WILKERSON
GWEN FULCHER YOUNG

STAFF

CHARLES CLARK
Real Estate Commissioner

August 31, 2004

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, 2003 through June 30, 2004. 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.

In FY 2004, Licensees across the state continued to describe their real estate brokerage markets mostly as "good" to "very good". Reflecting probably both those good markets and displacement of job opportunities in other sectors of our economy, for an eighth (8) consecutive year we had over 5,000 applications for new individual licenses. In FY 2004, we issued a total of 10,366 new individual licenses, an increase of 1,195, or 13% over FY 2003. FY 2003 had also exceeded FY 2002, by 27%.

Another good indicator of the continuing strong real estate markets is our increase in the number of persons renewing Licensee in FY 2004. Experience indicates that within the first four (4) years of their initial licensure, up to one-half of new Licensees will leave the business and not renew. This year significantly more than one-half of those persons first licensed in FY 2000 paid another four-year renewal. Thus our annual number of Licensees paying renewing fees increased from around 20,000 to 30,000.

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No general tax revenues may be used to support our Agency's operations. All funding comes entirely from user fees from Licensees. For a fifth (5) 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 and to achieve the proper mix of budget enhancements and fee reductions to achieve the balance of revenues and costs that law requires.

We appreciate the fact that you and your Office of Planning and Budget (OPB) have recognized in the budgeting process that our Agency and a few others in State Government do not rely on general tax revenues to pay our Agency's costs of operation. Thus, you recommended a budget for our Agency in FY 2004 and FY 2005 that better funds the Agency's critical operations. It will allow us to meet our Agency's Strategic Plan goals to investigate complaints more promptly. It will also allow us to provide better and quicker licensing services and the general public through the Internet.

Other, statistical data and activities of special note include:

- Our system for allowing licensees to renew licenses using a credit card over the Internet continues to be a successful program. The number of Licensees using it continues to grow steadily. This year 67% of all renewals were made on the Internet. Since we began Internet renewals in FY 2000, its usage has increased each year from 9.5% to 24.2% to 31.5% to 61% to 69%. (Since the system saves many hours of staff work, we pass on that savings to Licensees who use the system in the form of a reduced renewal fee.) The Agency processed 15,164 electronic renewals. The program allows the Commission to mail new pocket cards to Licensees the day after they pay their fees. It also significantly reduces the Agency's accounting and application processing costs.

- The Commission must maintain records on over 193,000 active, inactive and lapsed Licensees. During FY 2004, the Agency processed over 203,000 data entries to maintain those records. Over 85,000 of those entries were processed through on-line systems. The new systems for on-line initial licensing, for on-line continuing education credit posting, and for online renewing of licenses have helped the GREC avoid having to employ additional processing personnel while still timely processing the growing number of applications.
- The Agency received and processed 89,103 telephone calls (6,908 more than FY 2003). That increase resulted largely from the increase in the number of new applicants and an increase in the number of inquiries from Licensees regarding continuing education credits. Our Information Services Section not only handled these calls promptly but also utilized a Voice Response System that provides information for 67,507 inquiries from Licensees about their continuing education credits and license status 24 hours a day, seven days a week.
- Approximately 27% (5% less than in FY 2003) of the 203, 107 applications processed in FY 2004 came to us by mail, 31% (10% less than in FY 2003) came by fax and 42% (a 15% increase over FY 2003) via the Internet. In-coming mail has fallen precipitously since the Agency began accepting fax online applications in the mid 90's. The major factors leading to decreased mail activity are (a) the use of online renewals, (b) the issuance most new licenses at the time of examination, and (c) the uploading continuing system by approved schools. Thus, while the number of applications the Agency processed in FY 2004 increased by over 40,000 from FY 2003, electronic technology and online renewals has allowed us to absorb the increases without having to hire new personnel.
- Requests for Investigations from the public numbered 630, 26% above the year average in the 1990's of 478 and 4.6% above the 602 in FY 2003.

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- The Agency concluded 2,337 investigations, a 6% decrease from FY 2003. The decreased number of Investigations resulted from turnover in three investigative staff positions. Average case production per Investigator rose from 285 to 292. Thus, the expected decrease in production resulting from the loss of experienced staff was significantly minimized.
- The Commission imposed disciplinary actions on 263 Licenses arising from investigative cases, including revoking 58 licenses and imposing a total \$65,850 in fines and \$75,100 in costs on 97 Licensees. The number of disciplinary actions slightly exceeded the number in FY 2003.
- We worked to modify our advertising rules to eliminate out-dated requirements and to address better how changing media has influenced advertising. Commission especially appreciates the help in this process that it has received from various trade associations including: The Building Owners and Managers Association, the Community Associations Institute, the Empire Real Estate Board, the Georgia and Atlanta Apartment Associations, the Georgia Association of Realtors, and the Real Estate Educators Association.

We would like to express our appreciation for our Staff. They have continued their exceptional work and generated record production in many areas, despite budget reductions the statewide economic slowdown made necessary. We note especially outstanding performances by Jeff Angel, Joyce Baity, Bess Buckley, Craig Coffee, Durward Forbes, Delories Gibson, Alan Gloer, Shin Shin Liu, Doug Milton, Nick Nichols, Wanda Sorrells and Ric Wilson.

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

For the Commission

Neal Jackson
Chair

Enclosures

**GEORGIA REAL ESTATE COMMISSION
INVESTIGATIVE ACTIVITIES**

FY2002 – FY2004

	FY2002	FY2003	FY2004
SOURCE OF REQUESTS FOR INVESTIGATIONS			
Public	394	504	534
Licensees/Appraisers	129	98	108
Commission	865	1,502	1,478
Other	50	65	35
Appraisal Board	<u>192</u>	<u>346</u>	<u>352</u>
TOTAL	1,630	2,515	2,507
ANONYMOUS COMPLAINTS (Not investigated)	6	14	9
CASES INVESTIGATED	1,789	2,568	2,337
TRUST ACCOUNT EXAMINATIONS AND REVIEWS	1,145	1,272	1,475

In addition to the written complaints cited above, the Commission's staff processes daily a number of informal complaints, grievances, and inquiries. 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 refers the complaining party to an attorney or 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 4,923 visits that sought information about our investigative procedures or a Request for Investigation form (up from 4,645 in FY 2003). In FY 2004 the staff also mailed 1,196 Request for Investigation forms to persons who called our office with a real estate brokerage or appraisal problem. 630 persons used the forms to request an investigation. In FY2003, the Agency had mailed out 1,087 forms, and 602 persons used them to request investigations.

	FY2002	FY2003	FY2004
DISPOSITION OF GREC INVESTIGATIVE CASES¹			
Disciplinary Process Ordered	248	226	298
Cases A.G. declined to prosecute	1	3	1
Licenses Issued - No Hearing	555	1,075	1,281
Licenses Denied - No Hearing	46	48	69
Letters of finding written ²	207	228	176
Closed due to no violation	440	421	413
Cease and Desist Orders or Agreements ³	13	9	14
Sent to other agencies for prosecution	1	1	-
GREC FORMAL DISCIPLINARY ACTIONS¹			
Dismissed or No violation	1	-	-
Citations (for minor violations)	23	17	40
License Denied After Notice of Hearing Filed	27	32	42
License Issued After Notice of Hearing Filed	3	4	9
Fine and/or Education and/or Audit Reports	1	-	5
Reprimand and/or Educ. and/or Audit and/or Fine	57	77	36
Suspension and/or Educ. and/or Audit and/or Fine	57	51	73
Revocation	52	74	55
Revoke Broker and Issue Salesperson License	3	5	3
Other	1	-	-
TOTAL	225	260	263

Formal Disciplinary Actions are either citations (generally, for minor technical violations - 40 in FY2004) or sanctions (more serious violations - 223 in FY2004). In FY2004 the Commission imposed 13 sanctions when two or more Requests for Investigation (RFI) filed regarding the same person. 11 licensees had two RFIs, and four had three.

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	FY2002	FY2003	FY2004
ADMINISTRATIVE ISSUES Most frequent types: Prelicense Investigations Application Problems	842	1,379	1,397
SALES TRANSACTIONS Most frequent types: Agency Issues Earnest Money Issues Handling of Offers Misrepresentations	404	327	450
MANAGEMENT TRANSACTIONS Most frequent types: Rent/Security Deposit Management Problems	47	47	30
NON LICENSE LAW MATTERS Most frequent types: Commission/Fee Dispute License Not Required	53	130	54
APPROVED SCHOOLS	80	89	38
SPECIALIZED TRANSACTIONS	0	1	0
TRUST ACCOUNT EXAMINATIONS	59	106	93
TRUST ACCOUNT REVIEWS	1,145	1,166	1,382
APPRAISALS Most frequent types: Standards Violations Application Investigations	297	489	622
TOTALS	2,927	3,734	3,812
INVESTIGATIONS PENDING AT END OF FY	315	300	534

AGENCY'S SEPARATE BUDGET UNIT STATUS

According to a 1977 court ruling and subsequently adopted state statutes, 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 has significantly exceeded its costs of operation. The increased income has resulted largely from the fact that real estate economy in Georgia has remained strong while the remainder of the economy has become weaker. 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). 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 and for FY2005. If the real estate economy cools and the Agency has fewer renewals and new applicants, the Commission and the Board may not adjust their fee structures. If Agency's fees continue to exceed significantly 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
7 Year Totals	19,902,244	15,623,888	78.5

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
7 Year Totals	3,718,327	2,898,329	77.9

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
7 Year Totals	23,620,571	18,522,217	78.4

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 - 2000	2,823,874.84	2,066,663.49
2001	139,880.00	99,797.85
2002	178,380.00	42,960.50
2003	207,100.00	25,900.86
Sub-totals	3,349,234.84	2,235,322.70
TOTAL INCOME:	5,584,557.54	

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 - 2000	130	773,947.90	178	2,337,333.97
2001	1	15,018.00	7	72,986.33
2002	0	416.00	5	168,440.31
2003	1	6,228.00	4	129,281.29
Sub-totals	132	795,607.90	194	2,708,041.90
TOTAL DISBURSEMENTS:				3,503,649.80

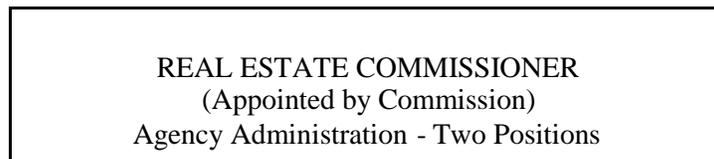
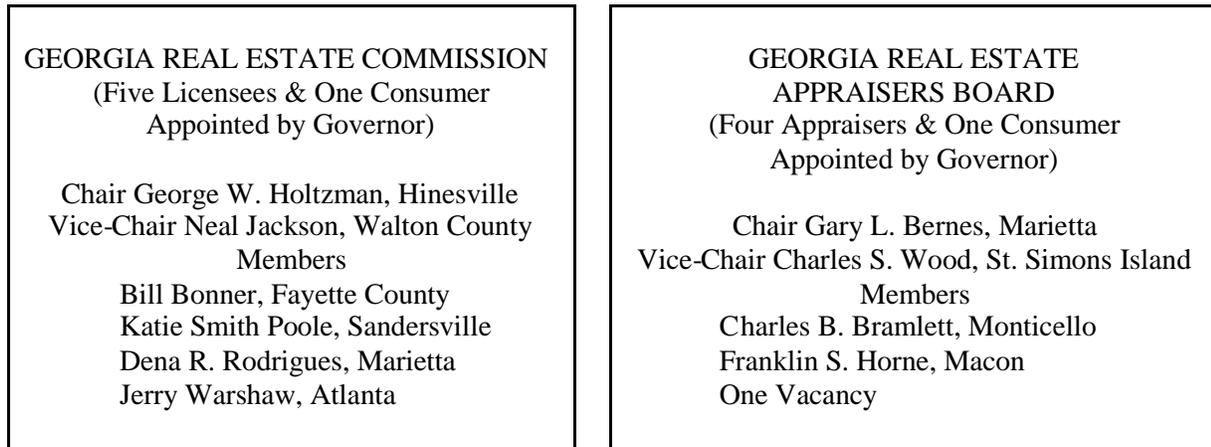
TOTAL INCOME:	5,584,557.54
LESS DISBURSEMENTS:	3,503,649.80
BALANCE ON HAND:	2,080,907.74

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

^bDuring FY 1981-2003 the Commission collected \$89,658.85 on judgments it had paid. After paying \$24,544.56 in collection costs, the Commission redeposited the balance into the Recovery Fund.

^cThe Department of Administrative Services invests all state funds.

FY2003 ORGANIZATIONAL CHART



<p>Information Services Thirteen Positions</p>	<p>Education and Training One Position</p>	<p>Investigations Fifteen Positions</p>
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(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, 2004

Charles Clark, Real Estate Commissioner

Jeffrey Ledford, Deputy Real Estate Commissioner

Mattie Abbott (24), Data Transcriber I
 Jeff Angel (6), Systems Programmer 2
 Joyce Baity (24), Administrative Clerk
 Audrey Brown (9), Investigator
 Bess Buckley (8), Investigator
 Donna Burnett (5), Information Specialist
 Vivian L. Chang (4), Investigator
 Craig Coffee (4), Information Specialist
 Deborah Dupree (18), Administrative Clerk
 Durward Forbes (14), Investigator
 Delories Gibson (16), Assistant Director of IS
 Alan Gloer (20), Investigator
 Teresa Holder (6), Director of IS
 Julia M. Howard (4), Investigator

Felicia Hubbard (11), Information Specialist
 Diane M. Keys (4), Investigator
 Devi Iverson (1), Information Specialist
 Shin Shin Liu (3), Network Specialist
 Shonda Mason (5), Secretary II
 Doug Milton (25), Investigator
 Kenyatta Mitchell (1), Director of Investigations
 Nick Nichols (9), Information Specialist
 Rosa Scott (8), Investigator
 Wanda J. Sorrells (24), Investigator
 Matt Rcihardson (1), Investigator
 Ric Wilson (15), Director of Education
 Kimberley Wimby (5), 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

All 55,760 active individual licensees are affiliated with 9,730 firms that conducted business as sole proprietors (3,911), corporations (4,633), limited liability companies (1, 093), or partnerships (93). 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
1995	507	372	73.3	4,756	3,274	68.8
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	87.3

In 2004, 40 persons took the Community Association Managers examination, and 29 passed for a percentage passing of 72.5%.

FISCAL YEAR	FY 2002	FY 2003	FY 2004
RENEWALS PAID			
Community Association Managers	37	30	39
Salespersons	13,538	14,581	22,955
Brokers	3,669	4,041	5,468
Firms	3,525	2,960	3,170
Total Renewals	20,769	21,612	31,632
NEW INDIVIDUAL LICENSES ISSUED			
Resident Salespersons	5,828	7,581	8,443
Resident Associate Brokers and Brokers	574	799	861
Resident Community Association Manager	17	25	27
Total Resident New Licenses	6,419	8,405	9,331
Nonresident Salespersons	537	544	870
Nonresident Associate Brokers and Brokers	275	222	164
Nonresident Community Association Manager	0	0	1
Total Nonresident New Licenses	812	766	1,035
Total New Licenses	7,231	9,171	10,366
NEW FIRMS LICENSED			
Resident Sole Proprietorships	207	201	256
Resident Corporations	495	605	364
Resident Partnerships	6	6	2
Resident Limited Liability Companies	152	216	261
Total Resident New Firms	860	1,028	883
Nonresident Sole Proprietorships	16	38	26
Nonresident Corporations	20	53	16
Nonresident Partnerships	0	0	1
Nonresident Limited Liability Companies	5	16	11
Total Nonresident New Firms	41	107	54
Total New Firms	901	1,135	937
FIRMS REOPENED	4	6	16
FIRMS CLOSED	294	171	160
TRANSFERS TO OTHER FIRMS			
Salespersons	7,201	8,853	9,187
Associate Brokers	559	1,683	2,439
ADDRESS CHANGES			
Firms	839	817	690
Individuals	4,901	5,579	5,833

FISCAL YEAR	FY 2002	FY 2003	FY2004
NAME CHANGES			
Firms	108	138	151
Licensees	530	586	567
CERTIFICATIONS OF LICENSURE			
For Courts	363	311	411
Others	2,232	2,334	4,007
Total Certifications	2,595	2,645	4,418
APPLICATIONS FOR INACTIVE STATUS			
Salespersons	3,845	3,804	3,982
Brokers/Associate Brokers	260	340	380
Total Inactive Applications	4,105	4,144	4,312
LICENSES VOLUNTARILY SURRENDERED	400	331	351
LAPSED LICENSES			
Education not completed	1,434	1,644	1,663
Renewal fees not paid	4,570	4,235	4,272
LICENSES REACTIVATED			
From Inactive Status	3,996	3,867	3,745
From Lapsed Status	2,023	1,426	882
Total Reactivated	6,019	5,293	4,627
CHANGE OF STATUS			
Broker/Associate Broker to Salesperson	0	0	0
Associate Broker to Broker	73	67	241
Broker to Associate Broker	35	28	76
Total Change of Status	108	95	317
DUPLICATE CERTIFICATE	3,114	3,542	3,779
EDUCATION CERTIFICATIONS FILED			
Post License Course	5,957	6,363*	7,151*
Continuing Education	17,253	40,532*	69,729*
TRUST ACCOUNT REGISTRATIONS			
New	1,712	1,874	1,708
Closed	1,310	873	1,265
OTHER (biographical data and computer records changes)	NA	22,059*	19,835*
TOTAL	91,914	143,381*	185,405*

*In FY 2003, we identified a variety of data entry activities that we had not previously accounted for in this report (see "Other" above) and began our process of allowing approved schools to enter completion data directly into our computers (thus, each course completed is counted as a discrete entry instead of the old practice of counting multiple course submitted by one licensee as one entry).

**FISCAL YEAR 2004 ACTIONS BY THE COMMISSION
TO IMPROVE REGULATION**

I. NEW OR MODIFIED LAWS

A. License Law Changes

Deleted the unfair trade practice that appeared to authorize licensees to conduct loan closings in response to the Georgia Supreme Court's ruling that only attorneys may conduct loan closings.

B. Rule and Regulation Changes

1. Clarified that the definition of an incomplete application does not include failure to disclose convictions. [Rule 520-1-.04]
2. Altered fees charged for returned checks and unwarranted credit card charge backs. [Rule 520-1-.04]
3. Provided that a licensee affiliated with a broker in Georgia may also affiliate with a broker in another state, if such other state permits that arrangement and if the Georgia broker approves in writing. [Rule 520-1-.05]
4. Allowed non-resident salespersons to complete the Salespersons Postlicense Course by taking a similar course in their states of residence. [Rule 520-2-.03]
5. Clarified which ARELLO Distance Education Certified courses may count for education credit in Georgia. [Rule 520-2-.06]
6. Modified its instructor approval process to require that new instructors complete an instructor development workshop before gaining their approved status and to permit non-resident instructors reciprocity of approval. [Rule 520-3-.02]
7. Adopted content revisions to the Brokers Prelicense Course. [Rule 520-3-.04]

II. GENERAL ACTIVITIES

- A. Elected Neal Jackson of Walton County as Chair and Dena Rodrigues of Marietta as Vice Chair.
- B. Alfred L. Knox, Jr. of Atlanta completed 14 years of service and Governor Perdue named Bill Bonner of Fayetteville to fill his seat. Katie Smith Poole of Sandersville completed 20 years of service and Governor Perdue named Burt Wilkerson of Macon to fill her seat. Jerry Warshaw of Atlanta completed five years of service and Governor Perdue named Gwen Fulcher Young of Augusta to fill his seat.
- C. Established the position of Deputy Real Estate Commissioner.
- D. Revised the Agency Strategic Plan and the Information Technology Strategic Plan; adopted a Results Based Budget Program including program goals, program results/objectives, and associated result measures.
- E. 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.
- F. Received a report from an Industry Trade Group that the Commission asked to examine its Rules on advertising to make recommendations. The Trade Group sought advice from members of the Building Owners and Managers Association, the Community Associations Institute, the Empire Real Estate Board, the Georgia and Atlanta Apartment Associations, the Georgia Association of Realtors, and the Georgia Real Estate Educators Association. Trade Group participants included: Chair Arlene Davis, Lawrence Batiste, Bill Boatman, Linda Durrence, Emily Fu, Gloria Key-Taylor, Elaine Lee, David London, Raymond Morris, Judy Presley, David Thomas, Rusty Willis, and Buddy Weston.
- G. 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). 11 jurisdictions are currently either unwilling or legally prevented from entering into reciprocity agreements.
- H. Continued work with its Education Advisory Committee to develop a comprehensive education strategic plan.
- I. Continued utilizing a system of Customer Satisfaction Survey Reports to help assure quality service to customers.
- J. Adopted or modified existing policies to:
 - a. update its Investigative Policies and Procedures to be consistent with law changes and to define how investigators should respond to inquiries;
 - b. revise its Substantive Regulations so that similar subject matters can be found by users in one rule;
 - c. adopt a plan to reduce expenditures consistent with the requirements of the Office of Planning and Budget and Legislative budget reductions.

- K. Implemented new procedures to assist the Commission in assuring consistency in its imposition of sanctions. The new program includes two steps. First, the nature and severity of the offense is identified (e.g. theft of funds would be among the most severe and advertising offenses would usually be among the least severe). Second, any mitigating or aggravating factors are identified (e.g. a violation that does not result in significant harm to the public would mitigate, while one that harms the public or is a repeat offense would be aggravating);
- L. Implemented a new requirement that all applicants for licensure must obtain a Georgia Crime Information Center (GCIC) report (and an FBI report, if needed) of arrests and convictions in order to provide more thorough background checks of applicants.
- M. Completed work on creating a database of sanctions imposed in disciplinary actions for use by the Commission and the public.
- N. Met with industry representatives to discuss their concerns about various unfair trade practices cited in the license law.

III. INFORMATION SERVICES

- A. The Agency's computer system now allows licensees to pay renewal fees through the Internet (www.grec.state.ga.us) with the use of credit cards. 10,195 of the 15,318 licensees scheduled to renew in FY2004 (67%) used the GeorgiaNet on-line renewal system. Only 9.5% used the on-line system in the first year of its operation, 24.2% did so in the second year, 31.5% did so in its third year, and 61% did so in its fourth year. Reports from ARELLO members indicate that Georgia's on-line renewal system is used significantly more than similar programs in other states.
- B. The Agency completed the work in the Agency's agreement with the developer of the Agency's computer system to produce programs that will allow non-financial transactions (for example, transfers of licenses) to be completed on-line.
- C. Processed 203,107 applications (185,405 Commission and 17,702 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. Continued program of clarifying applications by telephone whenever possible instead of returning them by mail to applicants. (Handled over 1,342 such applications.) Continued computerized tracking of incomplete applications to reduce the time required to notify such applicants of their errors.
- D. Responded to 89,013 telephone calls (an increase of 6,908, or 8.4%, over FY2003) and 2,943 walk-in customers regarding licensing and real estate license law and appraising matters. In addition, 67,507 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 40.8% increase in usage of these systems over FY2003). Maintained an Internet Web Page (www.grec.state.ga.us) that provides printable applications, school listings, and other information needed by consumers and licensees.

- E. Approximately 27% (5% less than in FY2003) of applications came to us by mail, 31% (10% less than in FY2003) came by fax, and 42% (15% increase over FY2003) via the Internet. In-coming mail has fallen precipitously since the Agency began accepting fax and on-line 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.
- F. Revised all applications to comply with new laws and rules.
- G. Developed and implemented on-line course completion program that allows approved schools to upload electronically course completions directly into individual licensee records.
- H. Developed and implemented a program to allow approved schools and instructors to renew their approvals on-line using a credit card.

IV. ENFORCEMENT AND INVESTIGATION

- A. The agency's complaints analyst process includes the use of a senior experienced staff member to review all Requests for Investigation received by the agency to evaluate both whether the Request lies within the Agency's jurisdiction and what investigative priority it should receive. About one fourth of all Requests for Investigation involve 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 1,196 such forms, and the public also accessed those forms on the Agency's Internet site (that section of the site had 4,923 users in FY2004) and through its fax-on-demand system. 630 persons used the forms to request an investigation of a real estate licensee.
- C. Total Requests for Investigation filed by the public increased by 4.6% to 630 in FY2004.
- C. Opened 2,028 new investigative cases.
- D. Completed a total of 2,337 investigative cases and 1,475 trust account examinations and reviews.
- E. Conducted on-site inspections of 21 approved schools.
- F. Updated questionnaires used in our Office Examination program.
- G. Imposed disciplinary actions on 263 individuals and firms for violations of the License Law arising from 289 investigative cases, including revoking 58 licenses, issuing 40 Citations, and imposing a total of \$65,850 in fines and \$75,100 in costs on 97 licensees.

- H. Nineteen cases involving potential claims against the Real Estate Education, Research, and Recovery Fund were pending in court at the end of FY2004. In FY2004, no cases resulted in a judgment obtained by a consumer and necessitating a payment from the Fund.
- I. Completed the field investigation of Requests for Investigation filed with the Commission in an average of 109 days. Requests for Investigations are our most complex types of investigative cases. The average for all investigative cases was 40 days.
- J. 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. One licensee had to be suspended this year as a result of matches in that cross check. (The Commission has suspended 15 licensees since the inception of this program in FY1998.)
- K. Continued a computer cross check of licensee databases with the Georgia Student Finance Commission to assist in the collection of delinquent college loans. Suspended 38 licenses as a result of matches in that cross check. (The Commission has suspended 168 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. Received recommendations from an Education Advisory Committee (EAC) for an outline of a revised broker pre-license curriculum and received and implemented a recommendation from the EAC to amend requirements for approved prelicense instructors. The following persons served on the Committee: Tim Adams, Lewis Conn, Robert Collins, Gene Dunlap, Gregory Dunn, Kay Evans, Rebecca Fletcher, Mickel Graham, Robert Hart, Wayne Hise, Teresa Lambert, Frank Mears, Juanita Motley, Joseph Rabianski, Barry Richardson, Bobbie Sanford, and James Town.
- B. Provided electronic and printed newsletters and information fliers about the 2003 School Meeting and three instructor workshops to all approved schools and instructors by direct mail and on the Commission's web site as a means of providing updated information for schools, instructors, and students.
- C. Revised the Commission's Statement of Policy on Funding Education Grants.
- D. Conducted three workshops of for instructor training and an advanced instructor workshop for approved instructors.

- E. 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 Atlanta (2), Macon, and Savannah.
 3. continued the use of multiple forms in each test center for security;
 4. Agency staff 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.
 6. provided failing examinees with score reports reflecting how they performed in the various subject areas of the examination;
 7. provided examinees who failed examinations with a series of written suggestions on how they might better prepare themselves for future examinations;
 8. administered 14,489 examinations to applicants (a 22.5% increase over FY2003); and
 9. tested 40 community association manager applicants with 29 passing (72.5%).
- F. Participated in 23 programs serving 2,139 persons around the state and nationally to inform the public and licensees on the license law and Georgia's real estate licensing system.
- G. Evaluated and approved 26 new schools and 11 new prelicense instructors; and authorized 44 prelicense courses and 933 new continuing education courses.
- H. Reviewed seven contract proposals requesting \$214,141 for educational and research programs and committed funding of \$214,141 for the seven programs including: (1) administering and offering at least eight trust account and ethics seminars, (2) providing five workshops for new and prospective prelicense instructors, (3) administering the annual continuing education meeting for approved instructors and schools, (4) developing and presenting a training course on personal safety issues for licensees and producing a DVD version of the course to be distributed to every brokerage firm in Georgia, (5) supplementing funds available for scholarships to licensees for approved courses, (6) printing a special 2003 edition of the GEORGIA REAL ESTATE LICENSING LAWS AND REGULATIONS containing the newly reorganized Rules Chapter 1 and mailing a copy to each brokerage office; and (7) evaluating the current presentation of real estate education related material on the Commission's web site and developing new educational materials for the education area of the site.

- I. Paid \$159,299.39 to fund eight different education contracts.
- J. Continued work on a revised broker curriculum.
- K. Revised the requirements for approved instructor by adding a requirement that within a year prior to application for approval, an instructor applicant must successfully complete a classroom salespersons prelicense course taught by an instructor who has completed an instructor workshop and making the instructor workshop a prerequisite for applying for approval.
- L. Began comprehensive review of Chapters 590-2 and 520-3 of the Commission's Rules for schools, courses, and instructors.

Georgia Real Estate Commission Georgia Real Estate Appraisers Board



Strategic Plan 2004

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 its 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.
Timely resolve 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, 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, and FY 2003.

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
- 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
- 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
- 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 in on-line formats. FY1999
- 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
- 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

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
- 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

**Fiscal Year 2004
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	FY2002	FY2003	FY2004
28% (411)	23% (385)	23.9% (380)	27.5% (527)	23.1% (414)	18.2% (469)	17.3% (405)

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 insuring that persons successfully passing them are minimally qualified.

Actual Results 1.b.: Real Estate Qualifying Examination						
FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
not calculated	8.8% above	10.4% above	7.6% above	8.1% above	11.1% above	10.5% above

Goal 2: Respond promptly to requests from applicants, licensees, and the public for information and materials.

Desired Result 2.a.: Ninety percent of applicants, licensees, and the public requesting information or materials during the fiscal year will report that staff provided useful and complete information.

Actual Result 2.a.:							
Real Estate Commission - Customer Satisfaction							
FY 1998	FY 1999	FY2000	FY 2001		FY 2002	FY 2003	FY 2004
Data not available due to budgetary constraints.	Data not available due to budgetary constraints.	Survey system and personnel assembled in June of 2000	Surveys mailed	11,162	14,510	23,883	20,114
			Responses	Excellent 326	563	326	287
				Good 198	334	166	118
				Fair 23	33	9	4
				Poor 36	26	13	6

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

	FY 1998	FY 1999	FY 2000	FY2001	FY2002	FY2003	FY2004
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%
Not more 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%
95% of requests for applications and materials filled within one business day.	95%	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%
95% of all completed applications will be processed within 5 business days of receipt.	85%	94%	94.3%	96.4%	100%	100% (3.1days)	100% (3.82 days)
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%

**FISCAL YEAR 2004 ACTIVITY
GEORGIA REAL ESTATE APPRAISERS BOARD**

APPRAISERS BY CLASSIFICATIONS

	FY 2002	FY 2003	FY 2004
State Registered	2,709	3,440	3,722
State Licensed	991	1,084	1,235
State Certified Residential	894	918	952
State Certified General	<u>1,430</u>	<u>1,448</u>	<u>1,419</u>
TOTAL	6,024	6,890	7,323

REVENUES AND EXPENDITURES¹

	FY 2002	FY 2003	FY 2004
State Fees Collected	527,216	627,861	666,985
Federal Registry Fees	86,350	93,175	102,525
Budgeted Appropriation	371,447	361,028	403,381
Budget + 15% ²	427,164	415,182	464,406

INVESTIGATIONS

	FY 2002	FY 2003	FY 2004
Cases Opened	322	470	399
Cases Worked	288	535	502
Dispositions			
Closed No Violation	49	115	77
Letter of Finding	33	43	29
Issue/Deny Applications	130	265	294
Disciplinary Process Ordered	76	112	92
Disciplinary Actions Imposed			
Citations	5	3	10
Revocations	17	38	25
Suspensions	15	18	20
Other	12	23	10
Applications Denied	10	24	22
Cease and Desist	3	1	-

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

None

B. Rule and Regulation Change

Established (1) criteria for "supervising" appraisers in working with State Registered Real Property Appraisers seeking to acquire the experience necessary for higher classifications and (2) better controls for maintaining logs required to document experience. [Rule 520-1-16]

II. GENERAL ACTIVITIES

A. In January the Board elected Gary L. Bernes of Marietta as its Chair and Charles S. Wood of St. Simons Island as its Vice Chair. Other Board members included Charles B. Bramlett of Monticello and Franklin S. Horne, Jr. of Macon.

B. Underwent a periodic review of its operations by the Appraisal Subcommittee of the federal government. The reviewers found Georgia's "program functions effectively and in a manner consistent with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended."

C. Opposed the Appraisal Subcommittee's efforts to dictate the terms of State regulatory agency's contract with private vendors supporting the work of a state agency.

D. Posted information on its web site to inform appraisers how the new legal requirements for Certificates of Permanent Location for manufactured housing will affect appraisal reports.

E. Opposed proposals by the Appraiser Qualifications Board (AQB) to require a college degree for appraiser classification, to dictate content and hours in continuing education courses on USPAP, to create and administer a uniform national examination, to dictate how soon after passing an examination an applicant must activate a classification, to usurp the States' processes of instructor approval for USPAP continuing education courses, and to double the education requirements for classifications since they produced no objective empirical evidence of the need to do so.

F. Testified before a Senate Subcommittee citing the monopoly activities of the Appraisal Foundation and urged Congress to amend Title XI as follows:

1. Require that lenders utilize appraisers classified by state regulatory agencies in all "federally related transactions" (as that term is currently defined in Title XI);

2. Require that lenders require that all appraisals conducted in "federally related transactions" be conducted in accordance with the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of The Appraisal Foundation;
3. Authorize lenders to use any classified appraiser they choose so long as that appraiser holds a classification issued by the regulatory agency in such appraiser's state of residence;
4. Sunset the Appraisal Subcommittee;
5. Provide that any unexpended funds collected by the Appraisal Subcommittee as previously authorized by Title XI shall be paid to The Appraisal Foundation to establish an endowment to help fund the operation of the Appraisal Standards Board;
6. Allow the members of Federal Financial Institutions Examinations Council to contract with the Appraisal Standards Board to research issues and promulgate appraisal standards; and
7. Allow states to establish reasonable education, examination, and experience criteria for appraiser classifications (rather than the Appraisal Qualifications Board, a private entity) after affording interested parties (for example, local appraisers, the AQB, and consumers such as lenders) the opportunity to express their recommendations.

The Board believes these amendments are necessary to assure a cost efficient regulation of the industry, to allow consumers and appraisers more direct access to the regulatory process, and to reduce to appropriate levels the involvement of the federal government in a regulatory area reserved to the states by the United States Constitution.

- G. Georgia has the 6th largest population of licensed and certified appraisers and ranks 4th in the number of sanctions imposed after an investigation.
- H. 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 has declined to do so as of the date of this report.
- I. As required by law, revenues generated by user fees exceeded costs of operation (budget plus 15% or \$464,406).
- J. Continued work with the Association of Appraiser Regulatory Officials (AARO) to help reduce problems for appraisers in working across state lines.
- K. Continued reciprocal classification agreements with states of Alabama, Arizona, California, 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. Continued working with the Florida Real Estate Appraisers Board on reciprocity with Florida. While limited mutual recognition exists now (GA appraisers must take only part of FL exam and vice versa), in the Spring of 2003 their legislature passed the requisite law to allow the Florida Board to have full reciprocal agreements. (All states must grant classifications to applicants from Canada and Mexico because of the provisions of the North Atlantic Free Trade Agreement.)

- L. 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.
- M. Held three of its ten meetings by conference call in order to reduce costs and save time when no person was scheduled to appear before the Board.
- N. Notified all County Boards of Assessors that persons with whom they contract for appraisal assessment work must hold appraiser classifications issued by the Board.
- O. Sent a number of investigative cases that appeared to involve mortgage fraud to the Attorney General's special office prosecuting such crimes.
- P. Continued utilizing a system of Customer Satisfaction Survey Reports to help assure quality service to customers.
- Q. Supported efforts of the Association of Appraiser Regulatory Officials (AARO) to combat inappropriate pressure on appraisers from lenders to produce particular values.
- R. Adopted a plan to reduce expenditures consistent with the requirements of the Office of Planning and Budget and the General Assembly for a 2.5% budget reduction;
- S. Completed work on creating a database of sanctions imposed in disciplinary actions for use by the Board and the public;
- T. 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. The number of classified appraisers in Georgia increased by 6.2 (433) in FY2004. That rate of increase is a slowing from FY2002 when it was 15.8% and FY2003 when it was 14.4%. Nearly all of that increase was again in the number of Registered Appraisers (282) and Licensed Appraisers (151), the two entry-level classifications.
- B. Made available to appraisers and the public 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.

- C. Completed development of and implemented computer programs to allow appraisers to change their addresses via the Internet.
- D. Working with GeorgiaNet, continued to allow appraisers to renew their classifications using the Internet and credit cards. 4,969 of the 6,581 appraisers scheduled to renew in FY2003 (73%) did so on the Internet – an increase from the 73% who renewed using the Internet in FY2003, the 27% who did so in FY2001, and the 45% who did so in FY2002.
- E. Developed and implemented on-line course completion program that allows approved schools to upload electronically course completions directly into individual licensee records.
- F. Developed and implemented a program to allow approved schools and instructors to renew their approvals on-line using a credit card.

IV. INVESTIGATIONS

- A. Engaged a retired Certified General Appraiser to provide technical expertise in the investigation of complicated appraisals.
- B. Continued working with the Department of Law and the Department of Banking and Finance to investigate and prosecute possible law violations in "flip" loan transactions.
- C. Continued supporting a Fraud Coalition Task Force in educating appraisers and developing effective methods for discouraging and preventing "flip" loan transactions.
- D. Completed 399 investigations that included 264 investigations of applicants with prior convictions or sanctions, 12 school reviews, and 75 value disputes or possible standards violations. Opened 486 new investigations. Ordered disciplinary proceedings in 92 cases.
- E. Issued citations to nine appraisers. Imposed disciplinary actions on 82 persons for violations of the Appraiser Act arising from 96 investigative cases, including revoking 25 classifications and imposing a total of \$22,700 in fines and \$27,200 in costs on 29 appraisers.
- F. 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. 137 persons used the forms to request an investigation of an appraiser.
- G. Continued its policies and procedures governing investigations
 - to share investigative findings with its affiliated agency, the Georgia Real Estate Commission;
 - in most cases, to take no action on appraisal referrals from HUD when that agency's disposition revealed that it had only required that the appraiser take some additional education;
 - to establish guidelines for extending deadlines in Consent Orders and for recommending settlements;

- to refer cases to the Attorney General's office solely on credible findings of a review appraiser;
 - to impose sanctions on non-resident appraisers who are disciplined by their resident state regulatory body that are consistent with that state's action;
 - to impose the same sanction on a "supervisory" appraiser as it imposes on an appraiser, unless the supervisor demonstrates extraordinary circumstances;
 - to authorize the Real Estate Commissioner to approve issuance of classifications to persons convicted of misdemeanors.
- H. 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.
- I. 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 2003 School Meeting and three instructor workshops to all approved schools and instructors by direct mail and on the Commission's web site as a means of providing updated information for schools, instructors, and students
- C. Conducted three workshops of two days each for instructor training and a one-day advanced instructor workshop for approved instructors.
- D. Approved 4 new schools, 40 new preclassification courses, 180 new continuing education courses, and 9 pre-classification instructors. The Board now has approved for appraiser education a total of 224 pre-classification courses (184 in FY 2003) and 1056 continuing education courses (876 in FY 2003).
- E. Tested 345 applicants (271 passing) seeking to become state licensed real property

appraisers; 93 applicants (77 passing) seeking to become state certified residential real property appraisers; and 48 applicants (46 passing) seeking to become state certified general real property appraisers.

- F. Passing percentages on state qualifying examinations in FY2004 were calculated in two ways: (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 than ten percent usually never pass.) The results were as follows:

	Licensed	Certified Residential	Certified General
1 st Time	54.0%	69.1%	82.6%
Total Persons	78.6%	72.8%	95.8%

- 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 two sites in Atlanta or one each in Macon and Savannah, and (3) obtain a score report immediately upon completion of the examination and receive a classification the same day.