

GEORGIA REAL ESTATE COMMISSION
GEORGIA REAL ESTATE APPRAISERS BOARD

ANNUAL REPORT

FISCAL YEAR

2005

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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BILL BONNER
Chair

GEORGE W. HOLTZMAN
Vice Chair

SCOTT FREE
DENA R. RODRIGUES
BURT WILKERSON
GWEN FULCHER YOUNG

STAFF

CHARLES CLARK
Real Estate Commissioner

August 31, 2005

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, 2004, through June 30, 2005. 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 2005, we issued a total of 12,203 new individual licenses, an increase of 1,837, or 17.7% over FY 2004. FY 2004 had also exceeded FY 2003 by 13%. Reflecting probably both good real estate brokerage markets and fewer job opportunities in other sectors of our economy, FY2005 marked the ninth consecutive year the Commission issued over 5,000 applications for new individual licenses.

Another good indicator of the continuing strong real estate markets is the number of persons renewing licenses. In 2005, 15,641 licensees were scheduled to renew; 13,534 actually paid renewals. That 86.5 % renewing rate confirms historical data that suggests higher renewal rates in years with strong real estate markets and lower rates in years with weaker markets.

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, 2005
The Honorable Sonny Perdue
Page 2

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 a budget for our Agency in FY 2005 that better funded the Agency's critical operations at no cost to general state revenues.

Other, statistical data and activities of special note include:

- Allowing licensees to renew licenses using a credit card over the Internet continues to be a successful program. In FY 2005 79.5% of all renewals were made on the Internet. Since the Commission began Internet renewals in FY 2000, they have increased each fiscal year from 9.5% to 24.2% to 31.5% to 61% to 67% to 79.5% this fiscal year. 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. (Since the system saves many hours of staff work, the Commission passes on that savings to licensees who use the system in the form of a reduced renewal fee.)
- The Commission must maintain records on over 198,000 active, inactive and lapsed Licensees. During FY 2005, the Agency processed over 230,000 data entries to maintain those records. Over 112,000 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 118,037 telephone calls (29,024 more than FY 2004). 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. To help handle those calls, the Commission also utilized a Voice Response System that provided information for 82,867 (15,360 more than FY 2004) inquiries from licensees about their continuing education credits and license status 24 hours a day, seven days a week.

In FY 2005 approximately 33% (6% more than in FY 2004) of the 230,682 applications processed came to the Agency by mail, 12% (19% less than in FY 2004) came by fax, and 53% (an 11% increase over FY 2004) via the Internet. In-coming mail has fallen precipitously since the Agency began accepting electronic applications in the mid 90's. The major factors

leading to decreased mail activity are (a) the use of online renewals, (b) the issuance of most new licenses at the time of examination, and (c) the uploading of continuing education credits by approved schools directly into our computer system. The numbers of applications the Agency processed in FY 2005 increased by over 25,000 from FY 2004. Without electronic technology, the Agency could not have absorbed that increase without unreasonable delays in processing.

- Requests for Investigations from the public numbered 729, 52% above the yearly average of 478 in the 1990s and 13.5% above the 642 in FY 2004.
- The Agency concluded 2,543 investigations, an 8.8% increase over FY 2004. Average case production per Investigator remained a little over 280.
- The Commission imposed disciplinary actions on 253 licensees arising from 272 investigative cases, including revoking 57 licenses and imposing a total of \$93,900 in fines and \$106,350 in costs on 111 licensees.
- Because appraisal cases referred from financial institutions are good indicators of the possibility of mortgage fraud, the Commission and the Appraisers Board have devoted more investigative resources and given priority to working those cases in an effort to reduce the financial harm to the public from such fraudulent activities. The Attorney General's office has joined us in making special arrangements to expedite prosecution of those cases through a Special Assistant Attorney General.
- The Commission implemented changes in its advertising rules to eliminate out-dated requirements and to address better how changing media has influenced advertising. The 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.
- In the area of education, the Commission funded \$50,000.00 in scholarships for real estate licensees to take advanced education courses. With the help of the Georgia Real Estate Educators Association, the Commission also reorganized our rules regulating schools to simplify them and to eliminate out-dated or unnecessary requirements.

August 31, 2005
The Honorable Sonny Perdue
Page 4

- As the numbers above indicate, our staff has done an outstanding job of increasing production without new personnel. Yet, three statistics from this FY2005 Report raise special concern about their ability to continue to meet the workload with current staffing. First, the average time to complete Requests for Investigations rose from 109 days to 149 days. Second, completed applications that could not be processed in five days rose to over ten per cent of our workload. Third, the volume of telephone calls the Agency must handle rose over 29,000 leading to long delays in service. These statistics reflect increases in our workload that existing staff can not effectively handle. The Agency will make appropriate budgetary recommendations in its FY2007 budget request.

The Commission members would like to express our appreciation for our Staff. They have continued their exceptional work and generated record production in many areas, despite significant workload increases in all areas of our operations. We note especially outstanding performances by our managers and by staff members Jeff Angel, Joyce Baity, Bess Buckley, Vivian Chang, Craig Coffee, Alan Gloer, Felicia Hubbard, Shin Liu, Doug Milton, Nick Nichols, Matthew Richardson, and Wanda Sorrells.

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

Sincerely

Bill Bonner
Chair

Enclosures

**GEORGIA REAL ESTATE COMMISSION
INVESTIGATIVE ACTIVITIES**

FY2003 – FY2005

	FY2003	FY2004	FY2005
SOURCE OF REQUESTS FOR INVESTIGATIONS			
Public	504	534	596
Licensees/Appraisers Commission	98	108	133
Other	1,502	1,478	1,682
Appraisal Board	65	35	78
TOTAL	<u>346</u> 2,515	<u>352</u> 2,507	<u>351</u> 2,840
 ANONYMOUS COMPLAINTS (Not investigated)	 14	 9	 18
 CASES INVESTIGATED	 2,568	 2,337	 2,543
 TRUST ACCOUNT EXAMINATIONS AND REVIEWS	 1,272	 1,475	 1,162

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 10,022 visits that sought information about our investigative procedures or a Request for Investigation form (up from 4,923 in FY 2004). In FY 2005 the staff also mailed Request for Investigation forms to persons who called our office with a real estate brokerage or appraisal problem. 642 persons used either the mailed forms or a downloaded form to request an investigation. In FY2003, 630 persons used them to request investigations.

	FY2003	FY2004	FY2005
DISPOSITION OF GREC INVESTIGATIVE CASES¹			
Disciplinary Process Ordered	226	298	255
Cases A.G. declined to prosecute	3	1	5
Criminal Convictions Reported			
Licenses Issued - No Hearing	1,075	1,281	1,554
Licenses Denied - No Hearing	48	69	100
Letters of finding written ²	228	176	108
Closed due to no violation	421	413	399
Cease and Desist Orders or Agreements ³	9	14	17
Sent to other agencies for prosecution	1	-	-
GREC FORMAL DISCIPLINARY ACTIONS¹			
Dismissed or No violation	-	-	-
Citations (for minor violations)	17	40	59
License Denied After Notice of Hearing Filed	32	42	34
License Issued After Notice of Hearing Filed	4	9	10
Reprimand and/or Educ. and/or Audit and/or Fine	77	41	35
Suspension and/or Educ. and/or Audit and/or Fine	51	73	58
Revocation	74	55	54
Revoke Broker and Issue Salesperson License	5	3	3
Other	-	-	-
TOTAL	260	263	253

Formal Disciplinary Actions are either citations (generally, for minor technical violations - 59 in FY2005) or sanctions (more serious violations - 194 in FY2005). In FY2005 the Commission imposed 9 sanctions when two or more Requests for Investigation (RFI) filed regarding the same person. 9 licensees had two RFIs, and none 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	FY2003	FY2004	FY2005
ADMINISTRATIVE ISSUES Most frequent types: Prelicense Investigations Application Problems	1,379	1,397	1,684
SALES TRANSACTIONS Most frequent types: Agency Issues Earnest Money Issues Handling of Offers Misrepresentations	327	450	432
MANAGEMENT TRANSACTIONS Most frequent types: Rent/Security Deposit Management Problems	47	30	68
NON LICENSE LAW MATTERS Most frequent types: Commission/Fee Dispute License Not Required	130	54	123
APPROVED SCHOOLS	89	38	2
SPECIALIZED TRANSACTIONS	1	0	0
TRUST ACCOUNT EXAMINATIONS	106	93	47
TRUST ACCOUNT REVIEWS	1,166	1,382	1,115
APPRAISALS Most frequent types: Standards Violations Value Disputes Application Investigations	489	622	579
TOTALS	3,734	3,812	4,050
INVESTIGATIONS PENDING AT END OF FY	300	534	780

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 the 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; FY2005 - 12,203). 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 need to 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
2005	3,939,067	2,419,904	61.4
8 Year Totals	23,841,311	18,043,792	75.7

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
8 Year Totals	4,332,537	3,525,245	81.3

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
8 Year Totals	28,173,848	21,569,037	76.5

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 - 2002	3,112,548.29	2,209,421.84
2003	203,833.00	25,900.86
2004	236,434.97	18,789.08
2005	276,562.67	36,012.68
Sub-totals	3,829,378.93	2,290,124.46
TOTAL INCOME:	6,119,503.39	

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 - 2002	131	789,866.51	189	2,618,990.50
2003	1	6,228.00	4	127,397.25
2004	0	6.00	7	158,685.37
2005	0	0	6	96,133.95
Sub-totals	132	796,100.51	206	3,001,207.07
TOTAL DISBURSEMENTS:		3,797,307.58		

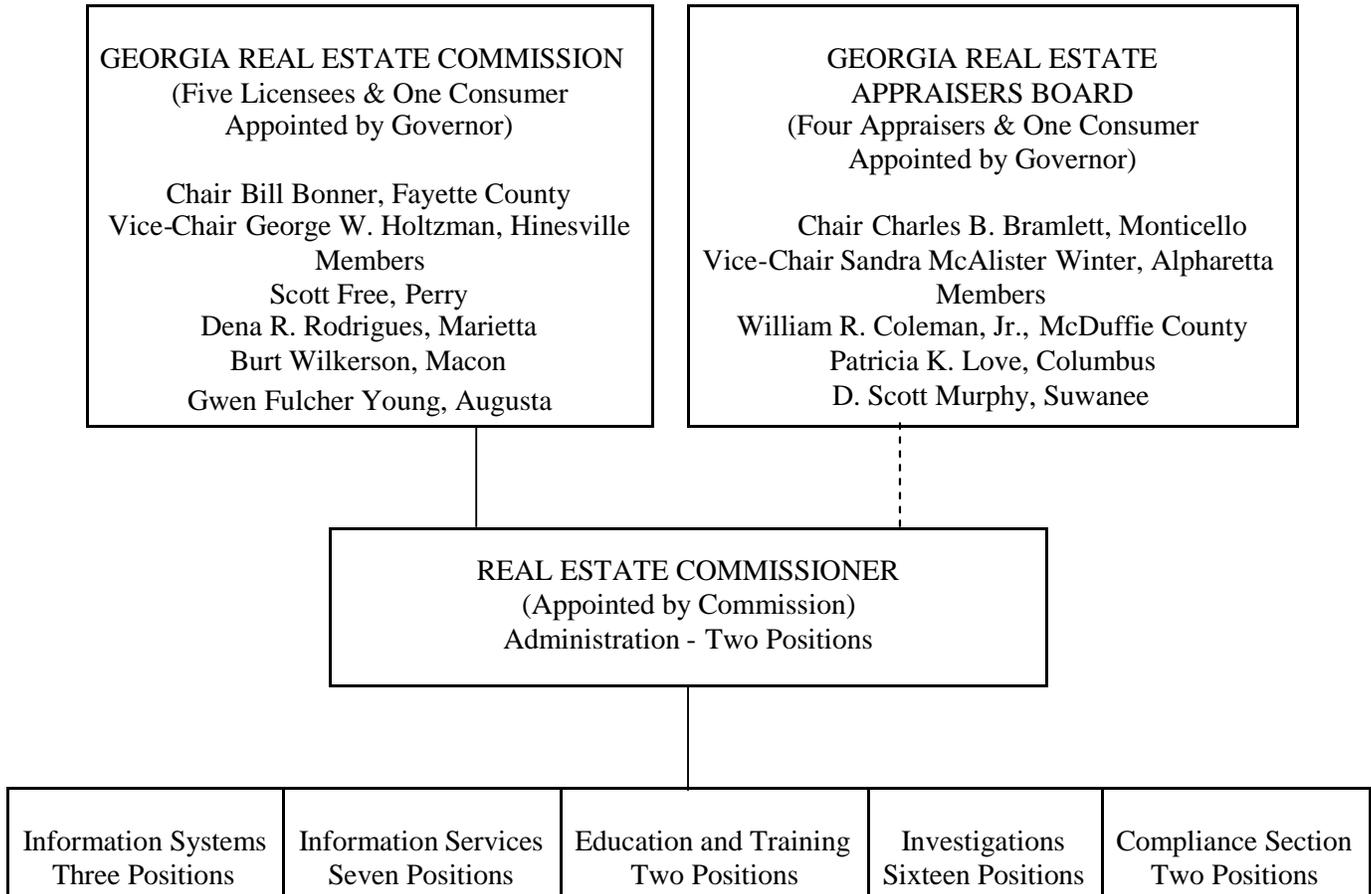
TOTAL INCOME:	6,119,503.39
LESS DISBURSEMENTS:	3,797,307.58
BALANCE ON HAND:	2,332,195.81

^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.

FY2005 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, 2005

Charles Clark, Real Estate Commissioner

Jeffrey Ledford, Deputy Real Estate Commissioner

Mattie Abbott (25), Data Transcriber I
 Jeff Angel (7), Systems Programmer 2
 Joyce Baity (25), Administrative Clerk
 Audrey Brown (10), Investigator
 Bess Buckley (9), Investigator
 Vivian L. Chang (5), Investigator
 Craig Coffee (5), Information Services Manager
 Deborah Dupree (19), Administrative Clerk
 Charlotte Durant (8), Education Advisor
 Delories Gibson (17), Compliance Manager
 Alan Gloer (21), Investigator
 Lorine S. Hall (1), Information Specialist
 Teresa Holder (7), Director of IS
 Julia M. Howard (5), Investigator

Felicia Hubbard (12), Information Specialist
 Diane M. Keys (5), Investigator
 Shin Shin Liu (4), Network Specialist
 Oil Mata (1), Investigator
 Shonda Mason (6), Secretary II
 Doug Milton (26), Investigator
 Joanne Newton (1), Investigator
 Nick Nichols (10), Information Specialist
 Matt Richardson (2), Investigator
 Rosa Scott (9), Investigator
 Wanda J. Sorrells (25), Investigator
 Ric Wilson (16), Director of Education
 Kimberley Wimby (6), 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

All 61,992 active individual licensees are affiliated with 10,454 firms that conducted business as sole proprietors (4,025), corporations (4,860), limited liability companies (1,472), or partnerships (97). 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	87.7
2005	1,156	951	82.3	11,848	10,107	85.3

In 2005, 57 persons took the Community Association Managers examination, and 49 (85.9%) passed.

FISCAL YEAR	FY 2003	FY 2004	FY 2005
RENEWALS PAID			
Community Association Managers	30	39	59
Salespersons	14,581	22,955	19,336
Brokers	4,041	5,468	4,885
Firms	2,960	3,170	2,887
Total Renewals	21,612	31,632	27,167
NEW INDIVIDUAL LICENSES ISSUED			
Resident Salespersons	7,581	8,443	9,645
Resident Associate Brokers and Brokers	799	861	896
Resident Community Association Manager	25	27	46
Total Resident New Licenses	8,405	9,331	10,587
Nonresident Salespersons	544	870	1,254
Nonresident Associate Brokers and Brokers	222	164	362
Nonresident Community Association Manager	0	1	0
Total Nonresident New Licenses	766	1,035	1,619
Total New Licenses	9,171	10,366	12,203
NEW FIRMS LICENSED			
Resident Sole Proprietorships	201	256	193
Resident Corporations	605	364	676
Resident Partnerships	6	2	2
Resident Limited Liability Companies	216	261	370
Total Resident New Firms	1,028	883	1,241
Nonresident Sole Proprietorships	38	26	65
Nonresident Corporations	53	16	70
Nonresident Partnerships	0	1	4
Nonresident Limited Liability Companies	16	11	50
Total Nonresident New Firms	107	54	189
Total New Firms	1,135	937	1,658
FIRMS REOPENED	6	16	61
FIRMS CLOSED	171	160	189
TRANSFERS TO OTHER FIRMS			
Salespersons	8,853	9,187	8,534
Associate Brokers	1,683	2,439	1,770
Total Transfers	10,536	11,626	10,304

FISCAL YEAR	FY 2003	FY 2004	FY2005
ADDRESS CHANGES			
Firms	817	690	583
Individuals	5,579	5,833	11,125
Total Address Changes	6,396	6,523	11,708
NAME CHANGES			
Firms	138	151	179
Licensees	586	567	451
Total Name Changes	724	718	630
CERTIFICATIONS OF LICENSURE			
For Courts	311	411	473
Others	2,334	4,007	5,490
Total Certifications	2,645	4,418	5,963
APPLICATIONS FOR INACTIVE STATUS			
Salespersons	3,804	3,982	8,532
Brokers/Associate Brokers	340	380	866
Total Inactive Applications	4,144	4,312	9,398
LICENSES VOLUNTARILY SURRENDERED	331	351	549
LAPSED LICENSES			
Education not completed	1,644	1,663	1,992
Renewal fees not paid	4,235	4,272	4,309
Total Lapsed Licenses	5,879	5,935	6,301
LICENSES REACTIVATED			
From Inactive Status	3,867	3,745	4,593
From Lapsed Status	1,426	882	1,636
Total Reactivated	5,293	4,627	6,229
DUPLICATE CERTIFICATE REQUESTS	3,542	3,779	3,956
EDUCATION CERTIFICATIONS FILED			
Post License Course	6,363	7,151	7,763
Continuing Education	40,532	69,729	78,612
Total Education Certificates Filed	46,895	76,880	86,375
TRUST ACCOUNT REGISTRATIONS			
New	1,874	1,708	1,740
Closed	873	1,265	597
OTHER (biographical data and computer records changes)	22,059	19,835	28,812
TOTAL	143,381	185,405	213,840

**FISCAL YEAR 2005 ACTIONS BY THE COMMISSION
TO IMPROVE REGULATION**

I. NEW OR MODIFIED LAWS

A. License Law Changes Proposed

1. clarify that sanctions permitted to be imposed on classified appraisers may also be imposed on Commission approved schools and instructors,
2. provide for the recusal of a Commission member when an investigation involves the appraisal activities or application of a Commission member, and
3. authorize the Commission to provide investigative information to the Governor when an investigation involves a member of the Commission.

Legislation making these changes passed the Senate and the House but was VETOED by the Governor.

B. Rule and Regulation Changes

1. Modified advertising requirements to include having firm names as large as or larger than affiliates, and deleted requirement that franchisees must have a special legend in their advertisements. [Rule 520-1-.09]
2. Clarified how firms must register trade names with the Commission. [Rule 520-1-.04]
3. Allowed licensees to use a special legend or their license numbers when advertising real property they own. [Rule 520-1-.11]
4. Required licensees to use their license numbers on all brokerage engagements and on offers to purchase, sell, lease, or exchange real property. [Rule 520-1-.10]
5. Modified procedures for election of the Commission's officers. [Rule 520-1-.01]
6. Modified rules for veterans' preference to correct internal references and to base decisions of what periods of time constitute war or declared conflicts to coincide with those periods established by the United States Government's Office of Personnel Management. [Rule 520-1-.04]
7. Clarified types of criminal history reports that applicants for a reciprocal license must file and authorized persons seeking a reciprocal license in another state who were licensed by reciprocity here to take our state's qualifying examination if necessary to obtain a license in another state. [Rule 520-1.04]
8. Reorganized rules governing schools and instructors. [Rule Chapter 520-2]

II. GENERAL ACTIVITIES

- A. Elected Bill Bonner of Fayette County as Chair and George Holtzman of Hinesville as Vice Chair.

- B. Neal Jackson of Walton County completed his term and Governor Perdue named Scott Free of Perry to fill his seat.
- C. Opposed the adoption of Senate Bill 254 which deleted language from the license law that had made the Commission a separate budget unit in order to comply with a court decision in 1976. The Governor VETOED the bill.
- D. 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.
- 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. Acted on 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. Made available on its web site a Customer Satisfaction Survey to help assure quality service to customers.
- J. Adopted or modified existing policies to:
 - 1. update its Investigative Policies and Procedures to be consistent with law changes and to revise the *Basis for Issuance of License* form used by the staff when applicants report lesser criminal violations; and
 - 2. revise procedures for applicants who must submit Federal Criminal Information Center reports to shortened the time involved in that process.

IV. 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. 10,768 of the 15,641 licensees scheduled to renew in FY2005 (69%) 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, and 69% this year. Reports from ARELLO members indicate that Georgia's on-line renewal system is used significantly more than similar programs in other states.
- B. 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, and (3) allow approved schools and instructors to renew their approvals on-line using a credit card.
- C. Processed 230,682 applications (213,840 Commission and 16,842 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 1,654 such applications.) Continued computerized tracking of incomplete applications to reduce the time required to notify such applicants of their errors.
- D. Responded to 118,037 telephone calls (an increase of 29,024, or 32.6%, over FY2004) and 3,050 walk-in customers regarding licensing and real estate license law and appraising matters. In addition, 82,867 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 22.7% increase in usage of these systems over FY2004). 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.
- E. Approximately 34% (up 6.8% over FY2004) of applications came to us by mail, 12% (down 19% from FY2004) came by fax, and 53% (up 11% over FY2004) via 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.

- F. Revised all applications to comply with new rules.

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 such forms, and the public also accessed those forms on the Agency's Internet site (that section of the site had 10,022 users in FY2005) and through its fax-on-demand system. 729 persons used the forms to request an investigation of a real estate licensee.
- C. Total Requests for Investigation filed by the public increased by 15.7% to 729 in FY2005.
- C. Opened 2,840 new investigative cases.
- D. Completed a total of 2,543 investigative cases and 1,162 trust account examinations and reviews.
- G. Imposed disciplinary actions on 261 individuals and firms for violations of the License Law arising from 269 investigative cases, including revoking 57 licenses, issuing 56 Citations, and imposing a total of \$93,900 in fines and \$106,350 in costs on 111 licensees.
- H. Thirteen cases involving potential claims against the Real Estate Education, Research, and Recovery Fund were pending in court at the end of FY2005. In FY2005, no cases 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 149 days (up 40 days over FY2004). The average for all types of investigative cases was 47 days (up 7 days over FY2004).

- 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. One licensee had to be suspended this year as a result of matches in that cross check. (The Commission has suspended 16 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 33 licenses as a result of matches in that cross check. (The Commission has suspended 201 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. Rewrote and reorganized the two Chapters of the Commission's Education Rules based upon review and recommendation from the Commission's Education Advisory Committee (EAC). The following persons served on that Committee: William Aaron, Tim Adams, Linda Bardach, Lewis Conn, Robert Collins, Gene Dunlap, Gregory Dunn, Kay Evans, Rebecca Fletcher, Mickel Graham, Rhonda Haran, Robert Hart, Teresa Lambert, Frank Mears, Juanita Motley, Joseph Rabianski, Barry Richardson, Bobbie Sanford, and Hank Tanner.
- B. Provided six electronic newsletters containing information on brokerage topics of general interest and information fliers about the 2004 School Meeting, four instructor workshops, and a major conference on mortgage fraud by posting on the Commission's web site and by email notification as a means of providing updated information for licensees, schools, instructors, and students.
- C. Revised the Commission's Statement of Policy on Funding Education Grants.
- 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 2004 School Meeting with over 200 licensees, school directors, and instructors in attendance. An advanced instructor workshop attended by 80 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 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.
 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 17,306 examinations to applicants (a 19.4% increase over FY2004); and
 8. tested 57 community association manager applicants with 49 passing (85.9%).
- G. Participated in 28 programs serving 2,706 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 32 new schools and 17 new prelicense instructors; and authorized 43 pre-license courses and 1,097 new continuing education courses.
- I. Reviewed seven contract proposals requesting \$136,746 for educational and research programs and committed funding of \$136,746 for the six programs including: (1) administering and offering at least 11 brokerage and trust account seminars, (2) providing four workshops for new and prospective prelicense 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, and (6) providing funds to offset some of the costs of developing a new broker qualifying examination that will test both knowledge and judgment with simulations rather than solely multiple choice questions.
- J. Paid \$96,133.95 to fund five 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 2005

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, FY2005
- 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
- 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
- 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 - FY2005
- 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 - FY2005
- 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
- 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

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 2005
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
28% (411)	23% (385)	23.9% (380)	27.5% (527)	23.1% (414)	18.2% (469)	17.3% (405)	13.7 (348)

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	FY 2005
not calculated	8.8% above	10.4% above	7.6% above	8.1 % above	11.1% above	10.5% above	11.2% above

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

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
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%
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%	5.3%
95% of requests for applications and materials filled within one business day.	95%	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%
95% of all completed applications will be processed within 5 business days of receipt.	85%	94%	94.3%	96.4%	95%	96%	94%	90%
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%

**FISCAL YEAR 2005 ACTIVITY
GEORGIA REAL ESTATE APPRAISERS BOARD**

APPRAISERS BY CLASSIFICATIONS

	FY 2003	FY 2004	FY 2005
State Registered	3,440	3,722	3,572
State Licensed	1,084	1,235	1,358
State Certified Residential	918	952	999
State Certified General	<u>1,448</u>	<u>1,419</u>	<u>1,420</u>
TOTAL	6,890	7,328	7,349

REVENUES AND EXPENDITURES¹

	FY 2003	FY 2004	FY 2005
State Fees Collected	627,861	666,985	614,210
Federal Registry Fees	93,175	102,525	102,920
Budgeted Appropriation	361,028	403,381	545,145
Budget + 15% ²	415,182	464,406	626,917

INVESTIGATIONS

	FY 2003	FY 2004	FY 2005
Cases Opened	470	399	529
Cases Worked	535	502	579
Dispositions			
Closed No Violation	115	77	109
Letter of Finding	43	29	33
Issue/Deny Applications	265	294	242
Disciplinary Process Ordered	112	92	131
Disciplinary Actions Imposed			
Citations	3	10	21
Revocations	38	25	28
Suspensions	18	20	11
Other	23	10	20
Applications Denied	24	22	26
Cease and Desist	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

Sought law changes to:

1. clarify that sanctions permitted to be imposed on classified appraisers may also be imposed on Board approved schools and instructors,
2. provide for the recusal of a Board member when an investigation involves the appraisal activities or application of a Board member,
3. authorize the Board to provide investigative information to the Governor when an investigation involves a member of the Board,
4. provide 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
5. meet federal guidelines by allowing the opening of investigations on appraisals within five years of the appraisal instead of the current three years.

Legislation making these changes passed Senate and House but was VETOED by the Governor.

B. Rule and Regulation Changes

1. Required that appraisers search and report a three year sales history for all subject properties in order to be consistent with USPAP. [Rule 539-3-.01]
2. Revised election procedures for officers of the Board. [Rule 539-1-.01]
3. Reorganized rule for schools and instructors. [Rule Chapter 539-2]
4. Clarified types of criminal history reports that applicants for a reciprocal license must file and authorized persons seeking a reciprocal license in another state who were licensed by reciprocity here to take our state's qualifying examination if necessary to obtain a license in another state. [Rule 539-1-.03]

5. Revised education and experience criteria rules to comply with new increased criteria required by the federal government. [Rule 539-1-.16]

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 four new members to the Board and reappointed one member:
 1. Sandra McAlister Winter of Alpharetta to succeed George E. Junnier of Blue Ridge who had served nine years;
 2. William R. Coleman, Jr. of McDuffie County to succeed Franklin S. Horne, Jr. of Macon who had served for six years;
 3. D. Scott Murphy of Suwanee to succeed Gary L. Bernes of Marietta who had served for six years;
 4. Patricia K. Love of Columbus to succeed Charles S. Wood of St. Simons Island who had served for five years; and
 5. Charles B. Bramlett to succeed himself.
- 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. Opposed the adoption of Senate Bill 254 which deleted language from the Appraisal Act that had made the Board a separate budget unit in order to comply with federal requirements for appraiser autonomy. The Governor VETOED the bill.
- 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. Opposed proposals by the Appraiser Qualifications Board (AQB) to require a college degree for appraiser classifications, 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 empirical evidence of the need to do so.
- G. 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.

- H. Georgia has the 6th largest population of licensed and certified appraisers and ranks 4th in the number of sanctions imposed after an investigation.
- I. 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.
- J. Continued work with the Association of Appraiser Regulatory Officials (AARO) to help reduce problems for appraisers in working across state lines.
- K. Entered into a new full reciprocal agreement with the Florida Real Estate Appraisers Board. 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. (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. 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.
- N. 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.
- O. Continued utilizing a system of Customer Satisfaction Survey to help assure quality service to customers.
- P. Supported efforts of the Association of Appraiser Regulatory Officials (AARO) to combat inappropriate pressure on appraisers from lenders to produce particular values.
- Q. Expressed written concerns to the Appraisal Standards Board regarding its proposed "Scope of Work" project, particularly with its lack of enforceable standards.
- R. Continued research to develop improved systems for checking appraiser logs submitted by applicants for new classifications and for assuring better supervision of new appraisers.
- S. Sent to Fannie Mae comments on its proposed new forms objecting to its call for disclosing for whom the appraiser may have previously appraised a property, its overly broad intended user definition, and its failure to have a signature block located adjacent to the value estimate.

III. INFORMATION SERVICES

- A. The percentage of increase in the number of classified appraisers in Georgia slowed to only three tenths of one percent (.26) in FY2005. In FY2002 the rate of increase was 15.8%; in FY2003 it was 14.4%; and in FY 2004 it was 6.2%. For the first time the number of Registered Appraisers declined (-150). Licensed Appraisers (+123) increased slightly.
- 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, and (c) approved schools and instructors to renew their approvals on-line using a credit card

- C. Working with GeorgiaNet, continued to allow appraisers to renew their classifications using the Internet and credit cards. 5,232 of the 6,775 appraisers scheduled to renew in FY2005 (77.2%) did so on the Internet. Those numbers have increased yearly since the online renewal program began: 27% in FY 2001, 45% in FY 2002, 73% in FY 2003, and 76% in FY 2004.

IV. INVESTIGATIONS

- A. Because appraisal cases referred from financial institutions are good indicators of the possibility of mortgage fraud, the Board and the Real Estate Commission have devoted more investigative resources to giving priority to working those cases in an effort to reduce the financial harm to the public from such fraudulent activities. 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 a retired Certified General Appraiser to provide technical expertise in the investigation of complicated appraisals.
- 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 579 investigations (an increase of 45% over FY2004) that included 290 investigations of applicants with prior convictions or sanctions and 194 value disputes or

possible standards violations. Opened 529 new investigations (an increase of 9% over FY2004). Ordered disciplinary proceedings in 131 cases. Had 197 investigative cases pending at the end of the Fiscal Year.

- F. Issued citations to 21 appraisers. Imposed disciplinary actions on 89 persons for violations of the Appraiser Act arising from 101 investigative cases, including revoking 28 classifications and imposing a total of \$34,350 in fines and \$36,600 in costs on 46 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, 124 persons used the forms to request an investigation of an appraiser.
- H. The average time for completing our 579 investigations was 64 days. The average time to complete an investigation originated as a result of a Request for Investigation from the public was 133 days. 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;
 - 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.

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 2004 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 6 new schools, 64 new pre-classification courses, 187 new continuing education courses, and 10 pre-classification instructors. The Board now has approved for appraiser education a total of 288 pre-classification courses (224 in FY 2004) and 1,243 continuing education courses (1,056 in FY 2004).
- E. Tested 307 applicants (230 passing) seeking to become state licensed real property appraisers; 110 applicants (90 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. 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 | 56.6% | 68.8% | 90.2% |
| Total Persons | 74.9% | 81.8% | 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 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.
- 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.