



Annual Report for FY 2008

The 80th session of the Texas Legislature in 2007 was one of the most successful for TREC in recent years. The Sunset Advisory Commission bill, SB914, continued TREC for another 12 years and made a number of modifications in the area of enforcement and education. The bill included a total of 31 changes that required action. Of those actions, only one is still considered in progress by the Sunset Commission. This remaining action, the 55% pass rate requirement for TREC accredited schools, goes into effect on September 1, 2009.



Chairman John D. Eckstrum

Under one of the new laws passed in 2007, the Commission must conduct a criminal history check of each applicant for a license or renewal of a license. A person can renew a license on inactive status without first getting fingerprinted, but they will need to go through the fingerprinting process before TREC will change their license to active status.

Over 93,000 licensees and applicants have been fingerprinted for TREC as of February 1, 2009. TREC has one year left before all current licensees are fingerprinted; after that date, the Commission will be requiring fingerprinting of new applicants only. Renewing licensees will have to pay an additional \$19.25 along with their renewal fee; this additional fee is the current cost for conducting another background check required by the new law. A new set of fingerprints will not be required.

House Bill 716 amended the Penal Code to make it a punishable offense to knowingly make a materially false or misleading written statement to obtain a mortgage loan and requires certain state agencies, including the Real Estate Commission and the Texas Appraiser Certification and Licensing Board to assist federal, state, and local officials with their investigations of mortgage fraud. In addition, the bill amends the Finance Code to require a lender, mortgage banker, or licensed mortgage broker to provide each home loan applicant with a written notice at closing that warns of the penalties for making a false or misleading statement to obtain property or credit, including a mortgage loan. The bill also provided for more staffing to process complaints that may be forwarded from the Task Force or its agency members.

The General Appropriations Act in 2007 included funding for three additional toll-free lines and communications specialists; funding over a five year period to upgrade the TREC telephone system; additional staffing; funding to begin the process of imaging TREC's master files; and funding to begin upgrading the TREC information licensing system.

The Technology Services Division confronted major programming challenges in implementing the new requirements in the law as well as the emergency rules that were adopted because of Hurricane Ike. The Commission is in the process of undertaking significant enhancements to its systems and the implementation of imaging technology.

Governor Perry appointed Avis Wukasch, Adrian A. Arriaga, and Chris Day as new members of the Commission. All three of the new Commissioners hit the ground running and are doing an excellent job along with the other six Commissioners.

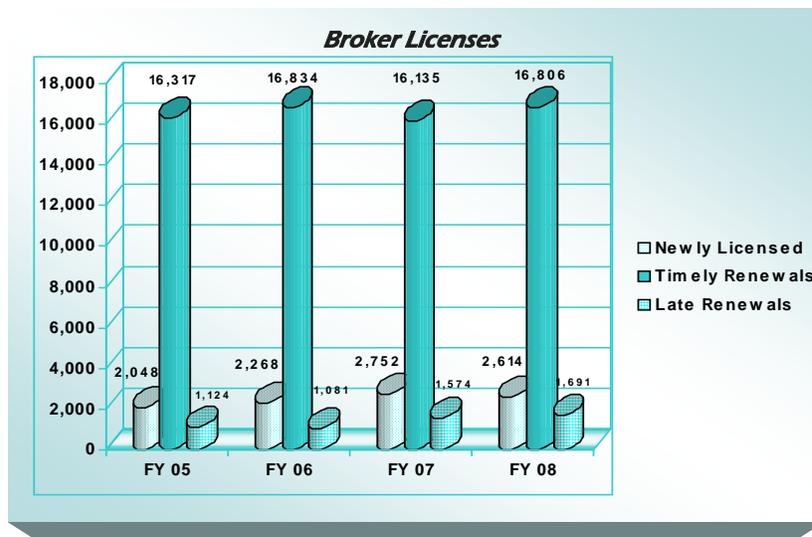
Tim Irvine joined the TREC staff on September 1, 2007 as the TREC administrator. In December of 2008, Mr. Irvine decided to return to the Texas Department of Housing and Community Affairs and the Commission appointed Loretta DeHay as Interim Administrator. The administrator position is currently vacant.

The Commission appointed a Broker Responsibility Committee to develop rule recommendations regarding the nature and scope of broker responsibilities. They also appointed an Education Committee to make recommendations regarding the providing, reporting, and monitoring of continuing education; and improving the quality of educational offerings.



Licensee Trends

When Fiscal Year 2008 closed on August 31, 2008 the State of Texas had a total of 148,427 licensed real estate brokers and salespersons, 4,018 licensed inspectors, and 1,764 easement or right-of-way registrants, for a total of 154,209 licensees (not including schools and instructors), compared to 158,966 licensees at the end of FY 2007. The number of brokers remained relatively unchanged, while the total number of salespersons decreased by 5,192 or 4.7%. There were 72,924 broker and salesperson timely renewals in 2008 compared to 70,567 in 2007. Over 85% of all brokers renewed their licenses in a timely fashion in FY 2008, while just over 75% of experienced salespersons did the same. There were 13,537 new broker and salesperson licenses issued in FY 2008, and 10,570 previously licensed salespersons and brokers regained a license.



***Fiscal Year 2008
Applicant Examination
Pass Rate***

Broker	93.8%
Salesperson	83.4%

The overall broker examination pass rate has remained over 93% for the past four years, while the salesperson pass rate remains over 80%. This is a good sign for continuing a high level of service and competency among real estate professionals in Texas.

Broker license renewal rates remained in line with recent years with approximately 85.4% of brokers choosing to retain their license. Salesperson renewal rates are down, however, nearly 75% of experienced salespersons (those with two-year licenses) renewing their licenses in FY 2008 compared to 83% in FY 2007. Similarly, 64% of newer salespersons (those still under Salesperson Annual Education) applied to renew their real estate license in 2008, again somewhat down from 2007 (68.6%). These percentages do not include the 10,570 individuals who filed a "late renewal" shortly after their license had expired. Finally, approximately 19% of all real estate licenses (28,166) are "inactive," held by those who wish to retain a license for possible future use.

FY 2008 License Renewal Rates

Broker Timely Renewal	85.4%
Salesperson 2 year License Renewal	74.8%
Salesperson 1 year License Renewal	63.8%

Real Estate Education

The Texas Real Estate Commission is responsible for the oversight of many aspects of real estate education, including the registration of real estate providers, instructors and courses for both pre-licensure and continuing education. While accredited colleges and universities can provide pre-licensure real estate courses without TREC approval, any proprietary school or association wishing to offer pre-licensure courses must apply and obtain approval from the Commission. All continuing education providers, including accredited colleges and universities, must obtain TREC approval as a provider as well as obtain approval for each continuing education course they wish to offer. At the end of Fiscal Year 2008, there were 59 approved providers of pre-licensure education in Texas and 333 approved continuing education providers. These totals reflect a sizeable increase over a five-year period as there were only 42 core education providers and 160 MCE providers at the end of FY 2003. During FY 2009 the Commission will begin to publish exam pass rates and may appoint a review committee to review the performance of educational programs that perform below the standards set by the Commission. TREC Investigators also have the authority to conduct onsite audits of these education providers to ensure compliance with provisions of the Real Estate License Act (Chapter 1101, Texas Occupations Code).

TREC's Online Services

The TREC website provides an array of services to consumers and licensees with nearly three million pages viewed every month. Almost 80% of all broker, sales and corporation applications are completed online, and over 86% of all licenses are renewed online. Consumers have the ability to search online for licensee information such as education hours completed, expiration date of license and disciplinary actions. Among other things, the TREC website contains contract, application, and complaint forms; rules; meeting minutes; staff reports; strategic plans; and annual reports.

Fiscal Issues

In Fiscal Year 2008, the Texas Real Estate Commission collected over twenty million dollars in fees and other revenue. Of this amount, over six million dollars were available for operations by the Commission and the Appraiser Board. Although the amount of revenue may vary each year due to the number of individuals who renew or obtain a new license, the agency is appropriated a fixed sum of money by the General Appropriations Act and cannot spend beyond that amount.

Enforcement

The number of complaints processed by TREC's Enforcement Division has grown steadily over the past five years, from a total of 3,691 complaints filed in Fiscal Year 2003 up to 4,623 in Fiscal Year 2008. This has resulted in the average time to close a complaint increasing due to the greatly expanded workload for investigators, staff attorneys, and administrative personnel in the division. However, the addition of new staff in FY 2008 will assist the Division in its ability to reduce the average time to review and close an enforcement action.

The Enforcement Division opened 4,623 complaint matters in FY 2008, consisting of both consumer concerns (29% of complaints) and administrative issues (33% of complaints) such as bad checks, late MCE, failure to comply with license requirements, or failure to provide required information, and investigations when an application or renewal indicated that a criminal violation may have occurred. Sometimes an applicant will seek advice as to whether he or she is likely to meet the standard of honesty, integrity, and trustworthiness required of a licensee before taking the requisite real estate courses and license examination. In these instances, the division is called upon to render a moral character determination providing advice to a potential applicant as to whether or not it is feasible to pursue a real estate license.

Among the results from complaint matters taken to completion in FY 2008, there were 115 instances of a reprimand, 21 licensees placed on probation, 9 license suspensions, 83 license revocations, 142 matters resulting in a fine or administrative penalty and 606 advisory letters. Advisory letters are issued when the Enforcement Division believes a formal action is not warranted, but that the licensees involved in the transaction should be cautioned regarding certain ways in which the transaction was handled by them. Additionally, enforcement investigations resulted in the issuance of 34 probationary licenses. While many of these outcomes were the result of a hearing conducted before an Administrative Law Judge with the State Office of Administrative Hearings in Austin, others were the result of an agreed order between the Enforcement Division and the licensee, similar to a plea bargain in a criminal case. TREC favors agreed resolutions, when possible, as an efficient way to resolve cases.

Outlook

Although the Commission accomplished the implementation of several new programs in FY 2008, there are significant challenges that it is currently facing, including the implementation of a new licensing management system, a transition to imaging most of the agency licensee records to eventually eliminate paper files, and overall improvement in efficiency as a result of both new technologies. In addition, a sampling of recently filed bills in the 81st Legislative Session indicates that the Commission may have additional new programs to implement in the fall of 2009.