

## **Regulating Real Estate Professionals**

If you have ever bought or sold real estate, you have undoubtedly employed the services of a real estate agent to guide and assist you through the process. Consumers are often uncertain who regulates real estate professionals.

Many real estate professionals are subject to two sets of rules. First, each jurisdiction has a governmental agency, typically referred to as the real estate commission, charged with the authority to issue licenses to real estate professionals and enforce related state laws and regulations. Additionally, many real estate professionals, after obtaining a license, choose to become members of a REALTOR® association, whose mission is to promote the profitability and success of its members. Those licensees agree to abide by a strict Code of Ethics, and the local REALTOR® association is responsible for assuring that members adhere to the Code.

### **Real Estate Commissions**

Each jurisdiction has a real estate commission whose primary mission is to protect the public from unqualified real estate practitioners. As such, the real estate commission has the authority to implement and enforce real estate licensing laws. In keeping with this authority, the real estate commission serves various important functions, including:

- Authority to Issue a license, and monitor real estate activities.
- Establish requirements for maintenance of a real estate license, such as continuing education.
- Conduct investigations into alleged violations of jurisdiction licensing laws and regulations based on complaints filed by the public or on the real estate commission's own motion.
- Perform routine audits of trust accounts.
- Enforce licensing laws and take disciplinary action against licensees who have been found in violation, including revoking their ability to practice licensed real estate activities in a respective jurisdiction.

Members of the public who suspect a real estate licensee has violated the licensing laws can direct their complaint to the real estate commission of the respective jurisdiction, which will then review the allegations and determine what action, if any, is appropriate for the jurisdiction to pursue.

### **REALTOR® Associations**

Membership in a REALTOR® association is entirely voluntary, but carries with it the responsibility for each REALTOR® member to adhere to a strict Code of Ethics. Real estate professionals join their local REALTOR® association and, as part of their membership, they automatically become members of

both the state REALTOR® association, and the National Association of REALTORS® (NAR). The NAR Code of Ethics, which establishes a public and private standard of behavior for REALTOR® members when dealing with the public and other real estate professionals, is enforced at the local level through the local REALTOR® association. It is therefore the function and authority of the local REALTOR® association to:

- Conduct hearings into alleged violations of the NAR Code of Ethics.
- Take disciplinary action against a REALTOR® member, which can include the ordering of fines or revocation of a real estate professional's membership in the REALTOR® association.

Similar to filing a complaint with the state real estate association, members of the public can also contact their local REALTOR® association and file a complaint where they suspect a violation of the Code of Ethics has occurred. It is important to understand, however, that a REALTOR® association does not have any authority over a real estate professional's license, as this is the exclusive jurisdiction of the respective real estate commission. REALTOR® associations only discipline REALTOR® members for violations of the NAR Code of Ethics. For all other alleged wrong doing, consumers should contact the respective real estate commission or consult with an attorney.

In conclusion, real estate professionals are held to high standards under which they must conduct their business. The real estate commission enforces its license laws, while members of a REALTOR® association must agree to follow the NAR Code of Ethics. If a real estate professional fails to adhere to these standards, appropriate action can be taken.

*This article was written by the National Association of REALTORS®, in collaboration with the Association of Real Estate License Law Officials.*