



October 29, 2018

## Proposal to Change NAR Required Two-year Ethics Training

**Issue:** NAR should eliminate the biennial ethics training in favor of more effective state-controlled strategies including timing of training

### Summary of Position

- The mandated two-year requirement is out of sync with some states' DRE requirements.
- The mandated training requirement is not as effective as other approaches, if it is effective at all.
- Using a voluntary approach such as integrating the information throughout other programs is a superior way of increasing professionalism
- Proactive approaches, such as a publication, citations, expedited hearings, targeting information campaigns and working with brokers directly, are more effective in increasing professionalism.
- If mandated training remains, states should be allowed to coordinate this requirement with their DRE requirements, so long as the course is taken at least once every 4 years.

### Possible Action Relating to the Mandatory NAR Two-Year Ethics Training.

1. Eliminate the two-year ethics training while emphasizing other efforts.
2. If the ethics training remains, states should be allowed to set their own timelines to coordinate the training with their own licensing authorities' education requirements.
3. NAR should allow each state to make its own ethics training requirements for their state based on needs.

### Background

NAR has always required ethics training for new members. However, in 2001, NAR passed an additional requirement for existing members. It was initially going to be every three years, but at C.A.R.'s request, they made it a four-year requirement. California's DRE CE requirement was every four years and included a required ethics class (and had for decades). Because it was a licensing requirement, California never had to track the CE. Many states followed suit and had their real estate commissions adopt a similar ethics CE requirement so that they did not have to track the requirement separately. However, most other states have a two- or three-year license cycle and California's four-year cycle is either the only one or one of very few states.

In 2014 NAR changed the ethics training requirement to two years when it also passed the separate motion to adopt the Commitment to Excellence, a voluntary program that includes more than ethics proficiencies. This impacted a few of the states with three-year requirement but did not impact most other states. The first biennial cycle began January 1, 2017 and will end December 2018.

### **C.A.R. Policy**

C.A.R. had initially advocated, and NAR agreed, that the cycle should be four years. That was a condition of California's initial support for the requirement. C.A.R. also promoted its own ethics course that complied with the N.A.R. guidelines and at some point made it free as part of the free CE for C.A.R. members. California associations simply did not track its members courses as it was assumed that completing the DRE mandatory CE Ethics courses sufficed.

C.A.R. members are now facing the deadline of the new biennial NAR requirement and it will involve extensive recordkeeping, tracking, and suspending noncompliant members in addition to all of our members having to comply with DRE education requirements. The administrative burden is significant due to California's four-year licensing cycle.

### **Cincinnati Letter**

NAR recently received a letter from an Association that was requesting a reprieve from the new biennial requirement and implied a suggestion to possibly eliminate the requirement. The matter is being referred to the NAR AE Committee for discussion. If they pass a motion to eliminate or modify the training before the December 2018 deadline, the matter will go to the NAR Professional Standards Committee at their November 2018 meeting.

### **California's History of Professionalism**

Over the years, C.A.R. has formed at least three Professionalism Task Forces to explore ways to increase real estate licensee's professionalism in California. They have included legislative approaches, training, and the last effort included an ambitious project of collecting ethics violations statewide, publishing (for members' eyes only) violations that met the publication guidelines. All AORs in California were required to adopt the publication protocols allowing C.A.R. to publish, with pictures, violators that have reprimands, fines, suspension or expulsion. After 5 years, NAR has adopted the option nationwide. C.A.R. also led the charge to increase fines for ethics violators to match that of MLS violations so it is now \$15,000. California takes professionalism seriously.

### **NAR's Biennial Training Requirement**

Notwithstanding the many efforts, concerns about professionalism exists. The question now to be considered is whether the additional and more frequent

training requirement of NAR is effective or if it is time for other approaches. Many have commented that even though it is free, and widely available, there is little indication that this mandated training approach has improved professionalism. While ignorance of the standards is always a concern, other proactive measures may be more effective.

Examples could be:

2. Using the new voluntary Commitment to Excellence program which includes the following competency:

Understanding the [Code of Ethics](#) is a living document, and keeping themselves informed about its duties and obligations on an ongoing basis.

3. Having guidelines that increase (double?) training required as part of discipline if the violator has not taken prior training within 2-4 years.
4. Having local AORs give incentives to members to complete training and combining it with other events.
5. Focus on meaningful and entertaining training.
6. Use various communications vehicles to send out tips, war stories and other ways to communicate.
7. Continue to integrate elements of the Code of Ethics in mandatory DRE training.
8. Support and promote ways to profile existing materials such as:  
Pathway to Professionalism  
<https://www.nar.realtor/sites/default/files/publications/2014/Policy/2014-Pathways-to-Professionalism.pdf>.  
and REALTORS' Pledge of Performance and Service  
<https://store.realtor.org/product/brochure/coe-realtors-pledge-performance-and-service?sku=E166-290>.
9. Using innovative programs that allow fast track enforcement and broker engagement about the behavior of their own salespersons.