

2019 Bylaws

2019 Bylaws

of the

*** NATIONAL ASSOCIATION OF REALTORS®**

Incorporating Amendments and Interpretations
effective on or before November 5, 2018.

The Constitution and Bylaws were adopted at San Francisco, California, May 31, 1922. Since that adoption they have from time to time been revised; their last revision having been made at the Annual Convention in Chicago, Illinois on November 6, 2017.

* Formerly National Association of Real Estate Boards. Name change authorized at National Convention, Honolulu, Hawaii, November 15, 1972.

NATIONAL ASSOCIATION OF REALTORS®

430 North Michigan Avenue

Chicago, Illinois 60611-4087

REALTOR® is a registered collective membership mark which identifies real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

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2019 Bylaws
of the
NATIONAL ASSOCIATION OF REALTORS®

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BYLAWS

ARTICLE I

MEMBERSHIP

Section 1.

(A) Local boards shall be enrolled as Member Boards when their written applications have been received and presented to the Board of Directors and when the Board of Directors shall find that the applicants have complied with the requirements of the Constitution and Bylaws. An applicant for REALTOR® membership pursuant to Article III, Section 1(C) 1.(b) shall be enrolled as a REALTOR® Member of the local Board designated in their application as their primary Board, and that Member Board shall accept the applicant as such when their written application has been received and presented to the National Association Board of Directors, the Board of Directors has found that the applicant has complied with the requirements of the Constitution and Bylaws, and the applicant has paid their initial dues, and any applicable initiation and processing fees to their primary Board.

(B) The application of any local board for membership in the National Association shall be in such forms as may be prescribed by the Board of Directors and shall contain a statement to the effect that it has been approved by a majority of the REALTOR® Members of the applicant board. Effective January 1, 1974.

Section 2.

(A) No Member Board, nor any multiple listing service owned by one or more Member Boards, nor any Institute, Society or Council, shall apply any arbitrary numerical or other inequitable limitation on its membership nor adopt any rule, regulation, practice or policy inconsistent with or contrary to any policy adopted by the Board of Directors.

(B) Member Boards and their multiple listing services shall be honest and truthful in their communications and shall present a true picture in their advertising, marketing, and other representations. Member Boards and their multiple listing services shall avoid false, deceptive, or misleading advertising and marketing practices and shall not knowingly or recklessly make false or misleading statements about other Member Boards, or Member Boards' programs, products or services.

Section 3. Unless qualified salesmen and independent contractors employed by or affiliated with a REALTOR® Member are eligible for REALTOR® membership in Member Boards, such salesmen and independent contractors shall be eligible for REALTOR-ASSOCIATE® membership in such Member Boards, and all Member Boards from and after January 1, 1974, shall make provision for such REALTOR-ASSOCIATE® membership.

Section 4. Resignations of local boards shall be considered and acted upon by the Board of Directors of the National Association; provided, however, that any local board tendering its resignation shall not be delinquent in its dues to the National Association, and provided further, that such resignation shall state the reasons therefore and shall verify that at least a majority of all its REALTOR® Members shall have voted in favor of such resignation.

ARTICLE II

ANNUAL DUES

Section 1.

(A) The annual dues of each Member Board (local Board) as defined in Article III, Section 1(B)(1) of the Constitution, shall be in an amount established annually by the Board of Directors at the Midyear Meeting times the sum of the number of REALTOR® and REALTOR-ASSOCIATE® members of the Board and the number of individuals who are licensed with such REALTOR® members of the Board and who are not themselves REALTOR®, REALTOR-ASSOCIATE® or Institute Affiliate members of the Board provided such individuals are not otherwise included in the computation of dues payable by another Member Board.

The annual dues of each Member Board (State Association) as defined in Article III, Section 1(B)(2) of the Constitution, shall be the amount established by the Board of Directors pursuant to Section 1(A) hereof times the sum of the number of REALTOR® and REALTOR-ASSOCIATE® members of the Board whose real estate office is located in a territory within the state which is outside the jurisdiction of any local Board and who are not primary members of any local board and the number of individuals who are licensed with such REALTOR® members of the Board and who are not themselves REALTOR®, REALTOR-ASSOCIATE® or Institute Affiliate members of the Board.

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The annual dues of each Institute, Society or Council of the National Association shall be one hundred five dollars (\$105.00) times the number of individuals who hold a professional designation awarded by that Institute, Society or Council or who hold a class of membership in the Institute, Society or Council which confers the right to hold office and who are not included in the calculation of dues payable by any Member Board or other Institute, Society or Council of the National Association.

(B) For the purpose of this section, a REALTOR® Member of a Member Board shall be held to be any Member who holds primary membership in the Member Board and who, as a sole proprietor, partner, or officer of a real estate firm or corporation or an individual in a position of management control on behalf of principals who are not physically present and engaged in the real estate business in connection with the firm's office, is actively engaged in real estate business as defined in Article III, Section 1 of the Constitution or who is a REALTOR® member of a Member Board pursuant to Article III, Section 1(C)(1)(b) of the Constitution. A REALTOR-ASSOCIATE® Member of a Member Board shall be held to be any Member employed by or affiliated with a REALTOR® Member as a sales employee or independent contractor unless such Member is classified by the member Board as a REALTOR® Member in which case he shall be deemed a REALTOR® Member. An individual licensed in the state within which the board is located or within the state in which the real estate firm of the REALTOR® is located shall be deemed to be licensed with a REALTOR® if the license of the individual is held by a REALTOR® or by any broker who is licensed with the REALTOR®, provided that such licensee is not otherwise included in the computation of dues payable by a sole proprietor, partner, corporate officer or individual in a position of management control of the entity. Upon payment to the National Association of the dues required under Section 1(A) hereof, each REALTOR® and REALTOR-ASSOCIATE® Member in good standing of a Member Board shall be deemed respectively a REALTOR® or REALTOR-ASSOCIATE® Member in good standing of the National Association.

(C) A REALTOR® with a direct or indirect ownership interest in an entity engaged exclusively in soliciting and/or referring clients and customers to the REALTOR® for consideration on a substantially exclusive basis shall annually file with the REALTOR®'s primary board on a form approved by the National Association a list of the licensees affiliated with that entity and shall certify that all of

the licensees affiliated with the entity are solely engaged in referring clients and customers and are not engaged in listing, selling, leasing, managing, counseling or appraising real property. The individuals disclosed on such forms shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this Section.

The Member Board dues shall be adjusted for any licensee included on a form submitted to a Board who during the same calendar year applies for REALTOR® or REALTOR-ASSOCIATE® membership in a Member Board as provided in Section 2(B) hereof, except that in the case of a new Member who held REALTOR® or REALTOR-ASSOCIATE® membership during the preceding calendar year the adjustment to Member Board dues shall not be prorated. The adjustment to Member Board dues for all new Members under this Section 1(C) shall be due and payable to the National Association by the last day of the month following the month active REALTOR® status is granted as evidenced in the National REALTOR® Database System.

(D) A REALTOR® may file annually with the REALTOR®'s primary board on a form approved by the National Association a list of the licensees affiliated with that entity that are authorized to provide mortgage loan origination services based upon their real estate license and shall certify that those licensees included on the list are solely engaged in mortgage loan origination and are not engaged in listing, selling, leasing, managing, counseling or appraising real property. The individuals disclosed on such forms shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this Section.

The Member Board dues shall be adjusted for any licensee included on a form submitted to a Board who during the same calendar year applies for REALTOR® or REALTOR-ASSOCIATE® membership in a Member Board as provided in Section 2(B) hereof, except that in the case of a new Member who held REALTOR® or REALTOR-ASSOCIATE® membership during the preceding calendar year the adjustment to Member Board dues shall not be prorated. The adjustment to Member Board dues for all new Members under this Section 1(D) shall be due and payable to the National Association by the last day of the month following the month active REALTOR® status is granted as evidenced in the National REALTOR® Database System.

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Section 2.

(A) Each year each Member Board shall file with the National Association a list of the names of the REALTOR® and REALTOR-ASSOCIATE® Members of the Board and the numbers of individuals licensed with REALTOR® Members of the Board who are not themselves Board Members, which list and number shall be certified by the President and Secretary of the Board.

At the time such list is filed each Member Board shall pay dues for the current fiscal year based upon such list, which dues shall be adjusted each month to reflect any net increase in the number of individuals licensed with REALTOR® Members of the Board who are not themselves Board Members.

(B) Member Board dues shall also be adjusted for new Members enrolled by the Member Board who were not previously licensed with a REALTOR® Member of the Board during the current fiscal year, except that in the case of a new Member who held REALTOR® or REALTOR-ASSOCIATE® membership during the preceding calendar year the adjustment to Member Board dues shall not be prorated. The adjustment to Member Board dues for all new Members under this Section 2(B), except as provided for herein, shall be prorated monthly and be due and payable to the National Association by the last day of the month following the month active REALTOR® status is granted as evidenced in the National REALTOR® Database System.

(C) In calculating the dues payable to the National Association by a Member Board, no member holding primary membership in another Member Board shall be considered, provided such member has notified the state association, and each local board to which he belongs of the identity of the Member Board where he holds primary membership.

(D) The policies and procedures for the reporting of members and payment of dues by the Institutes, Societies and Councils of the National Association shall be established by the Board of Directors of the National Association.

Section 3. The annual dues payable by International Members as defined in Article III, Section 1(E) of the Constitution shall be established from time to time by the Board of Directors of the National Association with due consideration to the cost of the membership services provided.

Section 4. Each REALTOR® Member as defined by Article III, Section 1(C) 1.(b) of the Constitution shall pay dues to their primary Board annually in advance in accordance with the Bylaws of the Member's primary Board. Any REALTOR® Member as defined by Article III, Section 1(C)(1)(ii) of the Constitution delinquent in payment of dues to the Member's primary Board shall be suspended or terminated automatically if their membership in the Member's primary Board is suspended or terminated by that Board for non-payment of dues, fees, fines or other financial obligations. A REALTOR® Member as defined by Article III, Section 1(C)(1)(ii) of the Constitution terminated for non-payment of an amount owed to the Member's primary Board shall not be eligible for reinstatement to membership in the National Association unless such amount shall have been paid to the Board or otherwise satisfied.

Section 5. The dues of each Member Board, International Member, Student Member and National Affiliate Member shall be paid annually in advance and shall be due to the National Association on January 1 of each year. If annual dues are not paid by April 1, the Association may assess such late charges and administrative fees as may be established by the Board of Directors. Any Member Board, International Member, Student Member and National Affiliate Member delinquent in payment of dues by more than 90 days may be required to show cause as to why the Board of Directors, at its discretion, should not revoke the membership and/or charter of such member.

Any member failing to pay an assessment which has been duly approved by the Board of Directors within ninety (90) days of the due date established for payment of that assessment by the Board of Directors may be assessed such late charges and administrative fees as may be established by the Board of Directors. Any member delinquent in payment of an assessment by more than one hundred eighty (180) days from the due date established for payment of that assessment may be required to show cause as to why the Board of Directors, at its discretion, should not revoke the membership and/or charter of such member.

Section 6. Each person attending the National Convention shall pay such registration fee as shall be prescribed by the Board of Directors.

Section 7. Upon giving at least thirty (30) days' notice in writing, and subject to the approval of the Board of Directors, any Institute, Society or Council, in accordance with its Bylaws, may:

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- (A) Increase its annual membership dues;
- (B) Establish active, associate, and sustaining forms of membership.

Section 8.

(A) The payment of dues in an Institute, Society or Council shall entitle every member to such rights and privileges as may be provided in its Bylaws, subject to the approval of the Board of Directors of the National Association, except that the exercise of such rights and privileges at any session of an Institute, Society or Council held in conjunction with the National Convention shall be further subject to the payment of the convention registration fee and to conformance with the convention regulations of the National Association.

(B) Any member in good standing of an Institute, Society or Council who holds a professional designation awarded by an Institute, Society or Council affiliated with the National Association that addresses a specialty other than residential brokerage shall be entitled to Institute Affiliate membership in the National Association and in the Member Boards provided for in Section 11 of this Article.

Section 9. Notwithstanding anything in this Article to the contrary, the dues payable by a Member Board to the National Association shall be reduced by the amount established by the Board of Directors pursuant to Section 1(A) hereof, times the number of REALTOR® Emeriti, Past Presidents of the National Association, Past Treasurers of the National Association and recipients of the Distinguished Service Award who are members of the Board.

Section 10. The Board of Directors may assess the members by class, provided that notice of the classes of membership to be assessed, the amount of the assessment for each of the classes to be assessed, the purpose of the assessment and when the assessment shall be due is submitted to the Member Boards at least 30 days in advance of its adoption. For assessments imposed on Member Boards, the amount to be paid by a Member Board shall be the amount of the assessment as stated in the notice times the sum of the number of REALTOR® and REALTOR-ASSOCIATE® members of that Member Board as certified by the President and Secretary of the Member Board pursuant to Section 2(A) hereof. Notwithstanding the foregoing, the amount to be paid by a Member Board shall be reduced by the amount of the assessment as stated in the notice times the

number of REALTOR® Emeriti, Past Presidents of the National Association and recipients of the Distinguished Service Award who are members of the Board.

Section 11. From the dues paid by the Institutes, Societies and Councils of the National Association in accordance with Article II, Section 1 hereof, the National Association shall credit thirty-five dollars (\$35.00) to the account of the Member Board (Local) for each individual included on the list provided by the Institute, Society or Council whose office address is within the assigned territorial jurisdiction of that Member Board, provided however, if the office location is also within the territorial jurisdiction of a Commercial Overlay Board, as provided for in Article III, Section 4 of the National Association's Constitution, the thirty-five dollars (\$35.00) amount will be credited to the Commercial Overlay Board, unless the Institute Affiliate Member directs that the dues be credited to the other board.

The National Association shall also credit thirty-five dollars (\$35.00) to the account of the Member Board (State) for each individual included on the list provided by the Institute, Society or Council whose office address is within the assigned territorial jurisdiction of that Member Board (State).

ARTICLE III

TERRITORIAL JURISDICTION

Section 1. Except as provided in Section 2 of this Article, the territory of a Member Board shall be defined by the Board of Directors of the National Association, taking into consideration the ability of the Board to service its members and the public, to enforce the Code of Ethics, and to safeguard the registered marks of the National Association. All Member Boards shall have the same privileges and responsibilities set forth in this Article.

Section 2. Disputes concerning the jurisdiction and/or the name of a Member Board shall be determined by the Membership Policy and Board Jurisdiction Committee at a hearing conducted in accordance with the procedures approved by the Board of Directors. The decision of the hearing panel will be final except that the Board of Directors may require a new hearing before a different panel of the Committee if it determines the procedures failed

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to provide due process. Mergers, voluntary dissolutions, and uncontested changes of jurisdiction and/or changes of name of member boards may be administratively approved in accordance with the procedures approved by the Board of Directors.

Section 3. Jurisdiction of a Member Board is hereby defined to mean:

(A) The right and duty to control the use of the term REALTOR®, REALTORS®, and REALTOR-ASSOCIATE® jointly and in full cooperation with the NATIONAL ASSOCIATION OF REALTORS® subject to the conditions set forth in these Bylaws, including the duty to promptly report to the NATIONAL ASSOCIATION OF REALTORS® any unauthorized or improper use of such terms and to fully cooperate and coordinate with the NATIONAL ASSOCIATION OF REALTORS® in any and all attempts to halt or prevent any such unauthorized or improper use of these terms, and;

(B) The duty to enforce the Code of Ethics, and;

(C) The authority to accept as a REALTOR®, REALTOR-ASSOCIATE® or Institute Affiliate Member any person engaged in the real estate business, including brokerage, management, appraising, land development and building, and other related aspects of the real estate business who maintains an office within the state or within a state whose border is contiguous with that state and who complies with any licensure or other regulatory requirements applicable to his business activities within the state.

Section 4. If the territory of a Member Board has never been approved, the Board of Directors of the National Association shall, upon notice to such Member Board and an opportunity for hearing, define its territory, and such action shall be binding upon the Member Board concerned.

Section 5. Any Member Board within whose territory a provision of this Article is violated by a member of another Member Board may complain of such violation to the Member Board of which the violator is a member, which Board thereupon shall take the necessary steps to enforce such provision. If it fails to do so, the complaining Board shall have the right to submit the matter to the National Association for appropriate action.

Section 6. Any Member Board which shall neglect or refuse to maintain and enforce the

provisions of this Article or neglect or refuse to cooperate with the NATIONAL ASSOCIATION OF REALTORS® in the maintenance and enforcement of this Article with respect to its members may, after due notice and opportunity for hearing, be expelled by the Board of Directors from membership in the National Association.

ARTICLE IV

CODE OF ETHICS

Section 1. Each Member Board shall adopt the Code of Ethics of the National Association as a part of its governing regulations for violation of which disciplinary action may be taken.

Adoption of the Code of Ethics includes responsibility for providing applicant/new member Code of Ethics orientation and ongoing member ethics training that satisfies the learning objectives and minimum criteria established by the National Association from time to time.

Section 2. Any Member Board which shall neglect or refuse to maintain and enforce the Code of Ethics with respect to the business activities of its members may, after due notice and opportunity for hearing, be expelled by the Board of Directors from membership in the National Association. Enforcement of the Code of Ethics also requires Member Boards to share with the state real estate licensing authority final ethics decisions holding REALTORS® in violation of the Code of Ethics in instances where there is reason to believe the public trust may have been violated. The "public trust", as used in this context, refers to demonstrated misappropriation of client or customer funds or property, willful discrimination, or fraud resulting in substantial economic harm. Enforcement of the Code of Ethics also requires Member Boards to provide mediation and arbitration services to members and their clients so that the dispute resolution requirements of Article 17 of the Code of Ethics can be met.

Enforcement of the Code of Ethics also includes responsibility for ensuring that persons primarily responsible for administration of enforcement procedures have successfully completed training that meets the learning objectives and minimum criteria established by the National Association from time to time.

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Enforcement of the Code of Ethics also prohibits Member Boards from knowingly granting REALTOR® or REALTOR-ASSOCIATE® membership to any applicant who has an unfulfilled sanction pending which was imposed by another Board or Association of REALTORS® for violation of the Code of Ethics.

ARTICLE V

USE OF THE TERMS REALTOR®, REALTORS® AND REALTOR-ASSOCIATE®

Section 1. Upon application of a Member Board, the Board of Directors may license such Board to use the term REALTOR® or REALTORS® as a part of its name under the following conditions:

(A) Such Board shall sign a written agreement with the Board of Directors of the National Association agreeing to eliminate the term REALTOR® or REALTORS® from its name immediately when and if it either shall cease to maintain or shall lose its membership in the National Association.

(B) The use of the term REALTOR® or REALTORS® in the name of such Board shall be in such manner as may be prescribed by the Board of Directors.

Section 2. REALTOR® Members are hereby licensed to use the term REALTOR®, REALTORS® or REALTOR-ASSOCIATE® in connection with their business, subject to the right of each Member Board to control, jointly and in full cooperation with the NATIONAL ASSOCIATION OF REALTORS® such use within its territory.

Section 4.

(A) A firm, partnership, corporation, or branch office whose principals actively engaged in the real estate business are REALTOR® members of a Member Board, except for the corporations of those REALTOR® members who hold membership pursuant to Article III, Section 1(C) 1.(b) of the Constitution, may use the term REALTOR® or REALTORS® in connection with, but not as a part of, its name thus: 'The _____ Real Estate Company, REALTORS®', but this privilege shall cease upon suspension or expulsion of any such principal from membership in the Board, and shall not revive unless or until he is readmitted to

membership therein or his suspension expires or he severs his connection with the firm, partnership or corporation.

(B) The right to use the term REALTOR® or REALTORS® in connection with a firm, partnership, corporation or branch office shall be limited to office locations which a principal, partner, corporate officer or branch office manager of the firm, partnership or corporation holds REALTOR® membership. If a firm, partnership or corporation operates additional places of business which no principal, partner, corporate officer, or branch manager holds REALTOR® membership, the term REALTOR® or REALTORS® may not be used in any reference to those additional places of business.

Section 5. Each Member Board is hereby licensed to use the term REALTOR® or REALTORS® in the name of its headquarters building, in the title of its official publication, and of educational or civic meetings, services, or clinics sponsored by the Board, provided that the affiliation of the undertaking with the Member Board or the National Association is indicated, and that Board Members may participate therein.

Section 6. REALTOR® members are hereby licensed to use the terms REALTOR® or REALTORS® in connection with activities in support of specific candidates in specific elections to public office or nomination for election to public office, provided the definition of the term REALTOR® as a registered collective membership mark which identifies members of the NATIONAL ASSOCIATION OF REALTORS® and the identification of those conducting such activities as members of a member Board(s) is included on all letterhead and other written campaign literature, in all campaign media aids and on other materials unless not reasonably practical. Any such use must cease immediately after the election.

Section 7. Except as specifically otherwise provided in this Article, use of descriptive words or phrases in connection with the term REALTOR®, REALTORS® or REALTOR-ASSOCIATE® is expressly prohibited.

Section 8. Wherever the terms REALTOR®, REALTORS® or REALTOR-ASSOCIATE® are used in these Bylaws, they shall be understood to include the imprint of the emblem seal of the National Association.

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Section 9. Any Member Board which shall neglect or refuse to maintain and enforce the provisions of this Article, or neglect or refuse to cooperate with the NATIONAL ASSOCIATION OF REALTORS® in the maintenance and enforcement of this Article with respect to its members may, after due notice and opportunity for hearing, be expelled by the Board of Directors from membership in the National Association.

Section 10.

(A) No Member Board shall sponsor, endorse, recognize, or award, directly or indirectly, any professional designation or certification that is confusingly similar to those available through the National Association, the Real Estate Buyer's Agent Council, or the Institutes, Societies, and Councils of the National Association.

(B) In the event a Member Board sponsors, endorses, recognizes or awards, directly or indirectly, any professional designation or certification that is not offered by the National Association, such Member Board shall clearly and affirmatively state in all course materials and related advertising and promotional materials that the professional designation or certification is not affiliated with or endorsed by the National Association of REALTORS®.

ARTICLE VI

COMMITTEES

Section 1. The President shall appoint such standing and special committees as shall be designated from time to time by the Board of Directors and such other special committees as he may deem necessary or appropriate.

Section 2. Unless otherwise provided in the NATIONAL ASSOCIATION OF REALTORS® Constitution or in these Bylaws, any action by a committee shall be subject to the approval of the Board of Directors.

ARTICLE VII

AMENDMENTS

Section 1. These Bylaws may be amended at any meeting by two-thirds of the Directors present at such meetings, provided that a quorum is present at such meeting, and provided the substance of the proposed amendments shall have been submitted to the Member Boards at least 30 days in advance of their adoption. The notice may be sent by first-class mail, electronic communication, including e-mail, or any other means permitted by law that has been approved by the Board of Directors for sending such notices.

ARTICLE VIII

RULES FOR MEETINGS

Section 1. Wherever notice of meetings or of the subjects to be considered at meetings is required or authorized by these Bylaws, publication of such notice in an official publication which is mailed to all members of the National Association within the required time limits, shall be deemed to be good and sufficient notice.

Section 2. The order of business of the National Association and its Institutes, Societies and Councils and committees, except where otherwise provided, shall be:

1. Call to Order
2. Taking of the Roll
3. Applications for Membership
4. Reading of Minutes
5. Reports of Officers
6. Reports of Committees.
7. Reports of Institutes, Societies and Councils
8. Unfinished Business
9. New Business
10. Appointment of Committees
11. Election of Officers

Section 3.

(A) The substance of any resolution to be acted upon at any National Convention or other meeting of delegates shall be submitted in writing to the Member Boards at least 45 days in advance of the convention or meeting.

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(B) This provision may be waived by the consent of two-thirds of the delegates present and entitled to vote at such convention or meeting.

(C) This provision shall not apply to any resolution adopted by the affirmative vote of at least two-thirds of the Directors present at any regularly constituted meeting of the Board of Directors.

Section 4. All resolutions and motions must be made in writing, if the presiding officer so requests, or if the request is by majority vote of the delegates present at any convention or meeting.

Section 5. Robert's Rule of Order, Latest Edition, shall be recognized as the authority governing the meetings of the National Association and its Institutes, Societies and Councils, and committees, except where otherwise provided, and when not in conflict with its Constitution and Bylaws.

ARTICLE IX

DEFENSE AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. In the event of suits or claims in which one or more current or past officers or directors or employees of the Association are named as a result of their status as such or decisions or actions taken in good faith and reasonably understood to be within the scope of their authority or employment during their term as such, the National Association shall, directly or through insurance secured for the benefit of such officers and directors and employees, secure counsel to act on behalf of and provide a defense for such officers, directors and employees; pay reasonable defense expenses incurred in advance of final disposition of such case; and indemnify such officers, directors and employees with respect to any liability assessed or incurred as a result of any such claim, suit or action.

Section 2. The above stated defense and indemnification of officers, directors and employees shall extend to those individuals when serving at the request of the Association as a director, officer or employee of another entity, but only after indemnification and insurance coverage from such other entity has been exhausted.

ARTICLE X

REALTORS® INFORMATION NETWORK

Section 1. The President or, in the event the President is unable or unwilling to act, the President-Elect, shall have the authority and responsibility for voting the shares of stock of the REALTORS® Information Network owned or controlled by the National Association. The President or President-Elect shall always vote those shares in accordance with the instructions of the Board of Directors or, where authorized elsewhere in this Article, the Leadership Team.

Section 2. Unless a matter to be considered by the stockholder of the REALTORS® Information Network will be voted upon prior to the next meeting of the Board of Directors of the National Association, all such matters shall be submitted to the Board of Directors of the National Association which shall determine how the President or President-Elect shall vote the shares owned or controlled by the National Association. If the vote of the shareholder is without instruction from the Board of Directors, any matter to be considered by the shareholder shall be submitted to the Leadership Team, which shall determine how the President or President-Elect shall vote the shares owned or controlled by the National Association, provided however, that any shareholder vote regarding items set forth in Article II, Section 6 of the bylaws of the REALTORS® Information Network, Inc. must be submitted to the National Association's Board of Directors for a determination of how shares owned or controlled by the National Association shall be voted.

Section 3. Upon receipt by the Secretary of the National Association of either a written statement signed by the President of the National Association or a petition signed by any four Regional Vice Presidents of the National Association, which statement or petition names a Director of the REALTORS® Information Network and requests the removal of that Director from the Board of Directors of the REALTORS® Information Network, the Secretary shall forward the statement or petition to the Executive Committee to make a recommendation to the Board of Directors which shall vote on whether to remove the Director. If the Executive Committee and Board of Directors are not scheduled to meet within thirty days of receipt of the statement or petition, the Secretary shall forward the statement or petition to the Leadership Team for a vote on whether to remove the Director.

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In the event the Board of Directors or, where appropriate, the Leadership Team, votes to remove the Director from the Board of Directors of the REALTORS® Information Network, the President or, if the President is unable or unwilling to act, the President-Elect, shall act forthwith to remove that Director, including, if necessary, calling a special meeting of the shareholder and voting the shares owned or controlled by the National Association in accordance with the instructions of the Board of Directors or Leadership Team.

ARTICLE XI MISCONDUCT

Any member or appointed officer of the Association may be reprimanded or removed from a committee or an appointed leadership position for sexual harassment of an Association member or employee. The discipline to be imposed shall be determined by the President, President-Elect, First Vice President, Treasurer and one member of the Board of Directors selected by the President after an investigation in accordance with established procedures and after consultation with legal counsel.

Any elected officer of the Association may be reprimanded or removed from office for sexual harassment of an Association member or employee. The discipline to be imposed shall be determined by five members of the Executive Committee selected by the highest ranking officer not named in the complaint after an investigation in accordance with established procedures and after consultation with legal counsel. If the recommendation is to remove the elected officer from office, the officer will be given the opportunity to resign. If he or she refuses to resign, the report from the investigatory team will be provided to the Executive Committee for final determination. The Executive Committee may remove the officer from office by a two-thirds vote.

ARTICLE XII BUILDING FUND

Section 1. The Treasurer shall maintain in accordance with Generally Accepted Accounting Principles a separate record among the assets of the National Association of all real property owned by the National Association which is, has been or is planned to be used for the offices of the National Association.

Section 2. In the event any asset of the type referred to in Section 1 hereof is sold by the National Association, the proceeds of that sale, less the direct expenses of the sale, shall be held in a Building Fund created by the Treasurer of the National Association.

Section 3. Funds held in the Building Fund shall be deposited in such depositories and in such manner as the Board of Directors may designate and direct or invested in such manner as is consistent with the investment policies for the Building Fund approved by the Board of Directors of the National Association. All or part of the funds held in the Building Fund may be commingled with other funds of the National Association for purposes of their deposit or investment. All interest earned and any gain or loss recognized on the principal of the Building Fund shall be added to or subtracted from the principal of the Building Fund.

Section 4. Expenditures from the Building Fund shall require the approval of the Board of Directors. Expenditures for the purpose of acquiring ownership of real property to be used for the offices of the National Association shall require approval by a majority vote of the Board of Directors. Expenditures for any other purpose or transfers to other of the National Association's designated funds shall require approval by a two-thirds vote of the Board of Directors.

Official Interpretations

of

ARTICLE 1, SECTION 2 BYLAWS of the

* NATIONAL ASSOCIATION OF REALTORS®

ARTICLE 1, SECTION 2

of the

National Association Bylaws

"No Member Board, nor any Institute, Society or Council, shall apply any arbitrary numerical or other inequitable limitation on its membership nor adopt any rule, regulation, practice or policy inconsistent with or contrary to any policy adopted by the Board of Directors."

(Revised November 13, 1973)

IN GENERAL:

In licensing to Member Boards the right and duty to control the use of terms "REALTOR®" and "REALTOR-ASSOCIATE®" and to determine those qualified to use the terms, the NATIONAL ASSOCIATION OF REALTORS® contemplates that local Boards of REALTORS® are best able to investigate and determine the qualifications of applicants as to their ability, responsibility, willingness to abide by the Code of Ethics, integrity and general reputation. It does not contemplate that Member Boards will impose arbitrary regulations contrary to practices governing professional or trade organizations or requiring members to conduct their business according to methods unrelated to ethical conduct.

To protect itself against arbitrary action by a Member Board which could be held violative of the law or of public policy, the National Association Bylaws for many years have included Section 2 of Article 1, which expressed long-standing policy. It is one of several requirements incorporated in its Bylaws that the National Association places upon a Board which

desires to obtain or retain membership in the National Association. This is the only section, however, which is stated in general terms and, therefore, is subject to interpretation. An interpretation, to be official, must be made by the Board of Directors of the NATIONAL ASSOCIATION OF REALTORS®.

The four bases upon which a Board either may be refused membership in the NATIONAL ASSOCIATION OF REALTORS® or its membership in the National Association be terminated are:

- (1) failure to maintain and enforce the Code of Ethics with respect to the business activities of its members;
- (2) failure to maintain and enforce the requirements of the Bylaws relating to the use of the term "REALTOR®";
- (3) applying any arbitrary numerical or other inequitable limitation on its membership; and
- (4) being otherwise in violation of the Constitution and Bylaws of the National Association.

In the event complaint is received by the NATIONAL ASSOCIATION OF REALTORS® that a Member Board is failing in its obligations to the National Association, the Member Board will be required to show cause why its charter from the National Association should not be revoked and its membership terminated.

INTERPRETATION NO. 1

(Adopted November 15, 1960)

"A requirement to participate in a Multiple Listing Service in order to gain and maintain REALTOR® membership is an inequitable limitation on its membership."

When a Multiple Listing Service is available, is well operated and properly organized, it is the duty of the REALTOR® to consider thoroughly whether he can serve the best interests of his clients by participating in it. The decision, however, must be his own. As a REALTOR®, it is possible for him to conduct business in an ethical and efficient manner without participating in a Multiple Listing Service. Therefore, his participation must not be a requirement of REALTOR® membership.

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INTERPRETATION NO. 2

(Adopted January 24, 1961)

"An initiation fee in excess of three times the amount of the annual rates of dues is an inequitable limitation on its membership."

Member Boards must not place unreasonable burdens on applicants for membership. The requirements for membership must be reasonable and non-discriminatory.

The initiation fee, if any, charged by a Board must not constitute unreasonable barrier to membership of a person otherwise qualified. Nor should a Board seek to finance its activities and operations from initiation fees.

The National Association deems any initiation fee in excess of three times the amount of the annual rates of dues, including state and national, to be unreasonable and therefore inequitable.

Since under Interpretation No. 1, participation in a Board Multiple Listing Service is not mandatory, the Board initiation fee, if any must be separate from any participation fee which may be charged for the Multiple Listing Service.

INTERPRETATION NO. 3

(Adopted January 24, 1961)
(Revised May 8, 1973)
(Deleted November, 12, 1990)

INTERPRETATION NO. 4

(Adopted January 24, 1961)
(Revised May 3, 1973)
(Deleted May 19, 1997)

INTERPRETATION NO. 5

(Adopted January 24, 1961)
(Revised May 19, 1997)

"Stated qualifications for memberships should be limited to those affecting licensure, professional conduct, portability of member records, and bankruptcy."

The criteria by which applicants will be considered should be written, reasonable and non-discriminatory

so that there is a clear basis for evaluation. There are two sets of Membership Qualification Criteria of the National Association, one for applicants for REALTOR® and REALTOR-ASSOCIATE® membership who are other than sole proprietors, partners, corporate officers or branch office managers in a real estate firm and the other for applicants for REALTOR® membership who are sole proprietors, partners, corporate officers or branch office managers in a real estate firm.

They are the most rigorous qualifications which may be required by a Board of REALTORS® in the consideration of applicants for REALTOR® and REALTOR-ASSOCIATE® Membership.

The Board's Membership Committee (or other duly constituted group) may be properly charged with the responsibility of reviewing applicants for membership, determining the qualification, interviewing them personally, and requiring that they record their qualifications in a written form of "Application for Membership" (many Boards publish and use their own forms and the National Association has such a suggested form available to Boards).

Each applicant's qualifications must be considered under the established criteria consistently applied.

A Membership Committee should retain a record of applicants for membership and in the event that rejection of an applicant is recommended, a record of the basis of denial should be made and reviewed with Board legal counsel.

INTERPRETATION NO. 6

(Adopted January 24, 1961)

"Any regulation restricting or limiting the practice of a REALTOR® in the conduct of his business, unless it concerns ethical practice, is an inequitable limitation on its membership."

This Interpretation establishes a rather general guide to the type of rules which a board may adopt, i.e., in furtherance and support of the Code of Ethics, but guards against the type of rules which unreasonably restrict the member in the conduct of his business on a basis other than related to the Code of Ethics.

The intent of this Interpretation is to avoid the necessity of the Board of Directors passing upon innumerable details about which Boards constantly inquire. The administrative staff is under instruction

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to advise a Member Board, upon inquiry, as to whether a practice or proposed rule appears to be inconsistent with, or in violation of, the Bylaw against inequitable rules. If the Member Board then wishes to request an official Interpretation by the Board of Directors, it may do so.

Any member also is entitled to an Interpretation upon request. However, as a matter of policy, the National Association prefers that inquiries come from Member Boards. It cannot, however, deny any member the right to request an Interpretation.

INTERPRETATION NO. 7

(Adopted January 24, 1961)
(Revised January 30, 1984)

"Restrictions which prohibit REALTOR® membership to a person who has his principal place of business in the jurisdiction of another Board of which he is a REALTOR® Member, merely because he has only a branch office in the jurisdiction of the Board to which he applied, is an inequitable limitation on its membership."

If an individual maintains an office within the jurisdiction of the Board, whether that office be a principal office or a branch office, that fact qualifies the principal broker or the branch office manager as an applicant for membership. Whether as an applicant the principal broker or the branch office manager meets the established requirements of the Board is a matter for decision by the Board.

It is intended that in those instances in which a sole proprietor, partner, or corporate officer is not physically present and actively engaged in the real estate profession in connection with the firm's branch office located within the jurisdiction of the Board, and the principal broker of the firm chooses not to hold REALTOR® Membership in the Board, the individual exercising management control shall stand in the shoes of the owner(s) and shall be the 'designated' REALTOR® to whom the Board shall look for compliance with all duties and obligations of REALTOR® Membership.

In those instances in which the firm's principal office is located within the jurisdiction of the Board, and the firm maintains one or more branch offices also within the jurisdiction of the Board, the Board may require that the supervising partner (i.e., the 'chief principal' of the firm whether a sole proprietor, partner, or corporate officer) be the 'designated' REALTOR®

for all of the firm's offices within the jurisdiction of the Board.

INTERPRETATION NO. 8

(Adopted January 24, 1961)
(Revised April 24, 1990)
(Revised November 12, 1990)

"It is not an inequitable limitation on membership for a Board of REALTORS® to require that applicants for REALTOR® Membership who are principals in a real estate firm must maintain a real estate broker's or salesperson's license or must be licensed or certified by an appropriate state regulatory agency to engage in the appraisal of real property."

The National Association recognizes the right of the Board to determine who is engaged in the real estate business and thereby eligible for membership.

It should be noted that Boards which limit REALTOR® Membership to principals in a real estate firm must make REALTOR-ASSOCIATE® Membership available to otherwise qualified applicants affiliated with the REALTOR®'s firm.

INTERPRETATION NO. 9

(Adopted January 24, 1961)
(Revised May 8, 1973)

"Requirement of a 'Waiting Period' before being considered for REALTOR® membership is not an inequitable limitation on its membership if related to the period of time necessary to process the application, not to exceed six months."

It is consistent with assurance of ethical business practice for a Board of REALTORS® to require that an applicant for membership submit an application detailing past history. The National Association, as a matter of policy, urges thorough investigation into the background of applicants for membership. This affords the Board an opportunity to investigate the individual's business conduct and record.

An applicant is entitled to prompt consideration of his application and final disposition of such application must be made within six months.

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INTERPRETATION NO. 10

(Adopted May 9, 1961)

"A Board rule purporting to require a REALTOR® who holds an exclusive listing to give blanket consent to either sub-agents or cooperating brokers to negotiate directly with the owner, rather than through him, obstructs observance of Article 3, and thereby is an inequitable limitation on its membership."

This Interpretation affirms the basic agency relationship between the listing broker and his principal as defined in the listing contract. A Board or MLS rule may not properly interfere with or supersede the relationship established by the terms of the agreement between the broker and his principal.

The cooperating broker as a sub-agent of the listing broker enjoys only such rights to show or sell the listing as are granted to him by the listing broker who is ultimately responsible to his principal.

INTERPRETATION NO. 11

(Adopted May 9, 1961)

"A rule of a Member Board prohibiting the acceptance of open listings by members is an inequitable limitation on its membership."

Although the Preamble of the Code of Ethics places upon the REALTOR® the aspirational ideal that he urge the exclusive listing of property, it does not provide that a non-exclusive listing should not be accepted.

The REALTOR® must be free to enter into any form of listing contract mutually agreeable to the REALTOR® and the client.

INTERPRETATION NO. 12

(Adopted May 9, 1961)

"A rule of practice prohibiting members from keeping their offices open on Sunday is a restriction on a member's business practice unrelated to the Code of Ethics and, therefore, is an inequitable limitation on its membership."

While this Interpretation refers to a rule relating to Sunday closings, it is clear that any Board rule limiting office hours or days of work would be an unreasonable restraints and hence an inequitable limitation on membership.

INTERPRETATION NO. 13

(Adopted May 9, 1961)

"A Board may adopt a rule requiring that every member maintain a trust account for funds of clients. But a rule requiring annual audit of such accounts, the filing with the Board copies of such reports, and providing for surprise audit visits to inspect records of such accounts is an inequitable limitation on its membership."

The maintenance of a trust account for funds of clients is a requirement of Article 8 of the Code of Ethics as well as the requirement of many state license laws.

However, the establishment and enforcement of rules providing for audit, inspection, etc. are not properly the function of a voluntary organization such as a Member Board.

INTERPRETATION NO. 14

(Adopted May 9, 1961)
(Revised January 26, 1971)

"A Member Board rule or practice which requires Members to adhere to a schedule of fees or commissions, or which authorizes or includes the preparation or publication of a recommended schedule of fees or commissions, is contrary to the Code of Ethics and to the policy of the NATIONAL ASSOCIATION OF REALTORS® and is an inequitable limitation on its membership."

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INTERPRETATION NO. 15

(Adopted May 9, 1961)

"A Board rule prohibiting REALTORS® or their salesmen from accepting elective or appointive public office, or requiring their resignation if they accept such office, is an inequitable limitation on its membership."

INTERPRETATION NO. 16

(Adopted May 9, 1961)

"A Board rule prohibiting employment of married women as salespersons is an inequitable limitation on its membership."

This Interpretation is a specific application of the general policy of Interpretation No. 20.

INTERPRETATION NO. 17

(Adopted November 16, 1961)

"A Board rule imposing an age limit upon applicants for membership is an inequitable limitation on its membership."

Age is not a reasonable criterion for membership.

INTERPRETATION NO. 18

(Adopted November 16, 1961)
(Revised November 7, 1994)

"A Board rule which seeks to attain the aspirational objectives of the Code of Ethics by requiring, as a condition of Board membership, completion of an objective and non-discriminatory Indoctrination Course with a stated passing grade in an examination thereon is not an inequitable limitation on its membership."

A board rule requiring the applicants for REALTOR® or REALTOR-ASSOCIATE® membership satisfactorily complete an objective and non-discriminatory indoctrination course covering the Constitution and Bylaws of the local board, state association and National Association, the Code of Ethics of the National Association, and anti-trust laws, fair housing laws, and agency laws is not an inequitable limitation.

INTERPRETATION NO. 19

(Adopted November 12, 1962)
(Revised May 8, 1973)

"A Board rule placing upon REALTORS® the responsibility of requiring their salespersons to hold REALTOR-ASSOCIATE® membership in the Board is an inequitable limitation on its members, and a Board rule requiring that a member obtain Board approval for the employment of or contracting with any employee or salesman is also an inequitable limitation on its membership."

A salesman cannot be required by the Board of REALTORS® to become a REALTOR-ASSOCIATE®. REALTOR-ASSOCIATE® membership is **not** mandatory. A REALTOR® in the exercise of his individual discretion may, of course, desire to employ or affiliate himself with salespersons who are willing to become REALTOR-ASSOCIATE®s. This, however, is a matter between the REALTOR® and the salesperson and is not a requirement.

A real estate salesperson shall be eligible to apply for REALTOR-ASSOCIATE® membership immediately upon his employment by or affiliation as an independent contractor with a REALTOR®.

The second clause of this Interpretation is closely related to Interpretation No. 20 to the extent that both Interpretations are intended to make inequitable any rule which would interfere with the REALTOR®'s right to employ or affiliate himself with any salesperson.

INTERPRETATION NO. 20

(Adopted November 12, 1962)
(Revised May 9, 1973)

"A Board rule which restricts its REALTOR® membership in their employment of or contractual relationship with any employee or salesperson is an inequitable limitation on its membership."

The REALTOR® has the right to employ or associate himself with those salespersons of his choice and the Board must not restrict this right.

The REALTOR® Member is responsible to the Board of REALTORS® for the action of employees

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or as associates who are not themselves REALTOR-ASSOCIATE® Members of the Board of REALTORS®.

INTERPRETATION NO. 21

(Adopted November 12, 1962)

"A Board rule regulating the number of married women that may be employed is an inequitable limitation and comes within Interpretation No. 16."

INTERPRETATION NO. 22

(Adopted November 12, 1962)

"A Board rule that requires attendance at a reasonable number of meetings of the Board is not an inequitable limitation on its membership."

Attendance at meetings of the Board -with implied participation in its activities - is consistent with the requirements of the Code of Ethics.

Consideration should be given to extending credit for attendance at related functions such as State and National Association meetings and Institute, Society and Council meetings.

INTERPRETATION NO. 23

(Adopted November 12, 1962)

"A Board rule that requires that members attain a stated earnings level, or complete a stated number of transactions, or both, is an inequitable limitation on its membership."

INTERPRETATION NO. 24

(Adopted February 2, 1965)

"A Board policy or rule deferring for a specified time, or indefinitely, or to a specified date, any consideration of all applications for membership is an inequitable limitation on its membership."

This Interpretation requires Boards of REALTORS® to accept and promptly process applications from individuals desiring membership.

INTERPRETATION NO. 25

(Adopted May 11, 1965)

"A Board rule which prevents the participation of a REALTOR® Member, on equal terms with other REALTOR® Members, in a Multiple Listing Service sponsored, organized or sanctioned by the Board, and which is available to REALTOR® Members throughout the Board's jurisdiction, is an inequitable limitation on its membership."

A Board rule which makes services available to some REALTOR® Members, but not to other REALTOR® Members, when such services are available generally throughout the Board's jurisdiction, is an inequitable limitation upon the membership.

INTERPRETATION NO. 26

(Adopted May 10, 1966)

(Revised November 16, 1977)

"A Board rule prohibiting the posting by members of "for sale" or similar signs on property for which the member is agent is an inequitable limitation on its membership."

The right to display "for sale" or other similar signs reasonably designed to inform the public is protected by the First Amendment to the United States Constitution. Thus, any rule prohibiting the posting of such signs would be an unconstitutional infringement of the freedom of speech of the REALTOR® and his client. Similarly, a Board owned or operated Multiple Listing Service may not endorse any programs by municipalities, civic groups or civil rights organizations to ban or curtail signs, even if such programs are "voluntary," because of the "chilling effect" such endorsements might have on the exercise of First Amendment rights.

INTERPRETATION NO. 27

(Adopted January 26, 1971)

~~(Deleted February 7, 1994)~~

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INTERPRETATION NO. 28

(Adopted May 9, 1972)
(Revised May 19, 1997)

"A Board rule denying a REALTOR® Member, in good standing, full voting rights is an inequitable limitation on its members."

The Preamble of the Code of Ethics establishes aspirational objectives which REALTORS® are encouraged to follow in furtherance and support of the objective Articles in the Code of Ethics to advance the real estate profession. With the obligation to abide by the Articles of the Code of Ethics there is a corresponding right to participate in the formulation of Board policy.

The right to vote contemplated by this Interpretation shall not be deemed denied to a broker otherwise eligible for REALTOR® membership if: (1) such broker voluntarily elects a REALTOR® membership classification authorized by the Board having limited or no voting rights; and (2) at least one principal, partner, officer, or trustee of the firm, partnership, corporation or trust with which such broker is affiliated or by which he is employed is a REALTOR® Member having full voting rights.

Further, this right to vote extends to all phases of Board operation wherein REALTOR® Members are granted the right to vote including, but not limited to, voting as participants in a Multiple Listing Service. In the event that participation in the Multiple Listing Service is by firms, the firm shall be entitled to one vote. Conversely, if participation is by individuals, a firm with three REALTOR® Members, paying three participation fees, would be entitled to three votes.

INTERPRETATION NO. 29

(Adopted May 8, 1973)

"Application and entrance fees for participation in a Multiple Listing Service, owned by, operated by or affiliated with a Board of REALTORS®, in excess of the approximate cost, including the accumulation and maintenance of reasonable reserves, of developing, maintaining, or improving the organization as a going concern, is an inequitable limitation on the membership."

All services of a Board of REALTORS®, including Multiple Listing Service, should be available to all REALTOR® Members without restrictive entrance

and application fees. Such fees should be related to the approximate costs of bringing the Service to the Member and must not be computed on the basis of the number of listings of a Multiple Listing Service or on the basis of a *pro rata* share of its assets.

INTERPRETATION NO. 30

(Adopted May 8, 1973)

"Enforcement of the Code of Ethics by any group, within or without the Board of REALTORS®, other than the Professional Standards Committee and the Board of Directors of the Board of REALTORS® is an inequitable limitation on its members."

Member Boards are required by Article IV of the Bylaws of the National Association to enforce membership compliance with the Code of Ethics. This obligation is properly fulfilled by the Professional Standards Committee and the Board of Directors of the Board. Delegation of this function by the Board to any other body, such as a Multiple Listing Committee, is not appropriate.

INTERPRETATION NO. 31

(Adopted May 8, 1973)
(Revised January 31, 1977)

"A Board rule or a rule of a Multiple Listing Service owned by, operated by or affiliated with a Board, which establishes, limits or restricts the REALTOR® in his relations with a potential purchaser, affecting recognition periods or purporting to predetermine entitlement to any award in arbitration, is an inequitable limitation on its membership."

In essence, this is a specific Interpretation of the general rule established in Interpretation No. 6 that a Board may not have a rule which restricts or limits the REALTOR® in the conduct of his business unless it concerns ethical practice. Thus, a rule of a Board or Multiple Listing Service which would determine a protection period in reference to a prospective purchaser is an inequitable limitation. Further, the Board or its MLS may not establish a rule or regulation which purports to predetermine entitlement to any awards in a real estate transaction. If controversy arises as to entitlement to any awards, it shall be determined by a hearing in arbitration on the merits of all ascertainable facts in the context of the specific case of controversy.

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INTERPRETATION NO. 32

(Adopted May 8, 1973)
(Revised November 11, 2014)

"The inclusion in the dues payable by Board Members of costs of services, products or activities of the Board which properly should be optional is an inequitable limitation on its membership."

The dues payable by Board Members should represent the allocable costs of the services, products and facilities which are available to and benefit the members generally, either directly or indirectly. It should not include the costs of those services, products or facilities which can be identified as optional. Thus, for example, the cost of participating in the Board's MLS should not be included as part of Board dues since whether a member determines to participate in such an activity will depend upon the member's particular method or type of business. The reasonable cost of meals at general membership meetings held pursuant to the Board's bylaws may be included in Board dues since such meetings are necessary to the operations of the Board as a whole provided that no more than 35% of the local allocation of the Board's annual dues revenue may be utilized for this purpose. Associations may, at their discretion, include the costs of lockboxes and lockbox keys, programmers, fobs, smart cards, and other access devices in the association dues.

INTERPRETATION NO. 33

(Adopted February 5, 1974)
(Revised May 19, 1997)

"It is an inequitable limitation to deny membership to an applicant who maintains an office for the conduct of a real estate business, recognized in the community, and who holds himself out to the public as being actively engaged in real estate business solely upon the grounds the applicant is not so engaged."

This Interpretation does not contemplate that the broker must devote all or even a majority of his time to his real estate business or derive any particular percentage of his income from such business. It does not contemplate that the licensee shall have no other job or occupation. It does contemplate that the licensee shall actively seek real estate business; that he shall maintain and adequately supervise a real estate office.

Where question arises as to whether or not a licensee is "actively engaged" in the real estate business, he shall be given the opportunity to present evidence concerning the actual and intended nature and scope of his business activities.

INTERPRETATION NO. 34

(Adopted November 12, 1974)

"It shall be an inequitable limitation for a Board to require a separate office in each Multiple Listing Service area where there is more than one Multiple Listing Service owned or controlled by the Board within the jurisdiction of the Board in order to participate in each such Multiple Listing Service."

A REALTOR® is entitled to participate in any and all services and programs sponsored by the Board of REALTORS®. A Board rule which circumscribes the right to such participation restricts and limits the conditions of Board Membership in violation of Article I, Section 2, of the Bylaws of the NATIONAL ASSOCIATION OF REALTORS®.

To institute a divisional Multiple Listing Service based on geographic lines within a Board jurisdictional area limits access to Board services and activities in a way which could be deemed and adjudged arbitrary and unreasonable.

As such, it is merely an extension of Interpretation No. 25 in that it refers specifically to the right of a REALTOR® to participate in a Board owned and controlled Multiple Listing Service and any geographic division thereof without the necessity of having an office within said geographic division.

INTERPRETATION NO. 35

(Adopted November 13, 1979)
(Revised May 19, 1997)

"That it is an inequitable limitation on membership for a Board of REALTORS® to have a rule or regulation limiting members of a franchise organization, referral group, or broker affiliation of any kind, with respect to service on the Board of Directors or Committees in any elective or appointed capacity."

This Interpretation is a further application of the principal established by Interpretation 28 and like

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that Interpretation is founded on the Preamble of the Code of Ethics.

Service is an elective or appointed capacity in a Board of REALTORS® is both a right and duty of membership. A Board may not restrict such service unless such restriction is necessary to maintain the integrity and independence of the Board and assure balanced service to all members.

Under this Interpretation, membership in a franchise, referral service, or other affiliated group of brokers may not, per se, justify exclusion from election or appointment.

This Interpretation does not, however, preclude a Board from reasonably limiting the number of REALTOR® or REALTOR-ASSOCIATE® Members of the same firm or firms having common ownership who may hold elective or appointive positions.

INTERPRETATION NO. 36

(Adopted November 13, 1979)
(Revised May 10, 1988)
(Deleted May 19, 1997)

INTERPRETATION NO. 37

(Adopted May 10, 1983)
(Revised February 6, 1989)

"A Board rule requiring that Board Members attend, on at least a biennial basis, a continuing education program comprised of not more than six (6) cumulative hours of instruction with respect to Board or Member practices that might result in a significant legal vulnerability and possible liability to the Board and its Members, such as violations of anti-trust laws, agency laws, civil rights laws, the Code of Ethics of the National Association, or other similar public policies is not an inequitable limitation upon membership."

The National Association has long maintained a policy that it is inappropriate for a Board to have any mandated educational requirements other than a requirement for prospective Members or current Members to be familiar with the Constitution and Bylaws of the local Board, State Association, and National Association, the Code of Ethics of the National Association, and any rules, regulations, practices, policies or procedures of the Board that

relate to being a knowledgeable and informed Member of the Board. It is not appropriate to require competency and licensure training which is provided by the state. However, when there is a clear and present danger that policies and practices of the Board or of its Members may result in significant legal vulnerability and liability to the organization and its members, it is reasonable to require that Board Member participate in a programs sponsored by the Board to assist and educate Members in areas of high legal vulnerability.

Mandatory attendance should only be required at programs related to matters that, if education were not provided, might result in a significant legal vulnerability and possible liability to the Board and its members, such as violations of anti-trust laws, agency laws, civil rights laws, the Code of Ethics of the National Association, or other similar public policies.

The mandatory nature of the programs should be clearly established in the Board's Bylaws. Every effort should be made to make all Members aware of this requirement far enough in advance to allow them to make arrangements to attend. In the event that some form of discipline will be imposed for failure to meet the mandatory attendance requirement, then the discipline that will be imposed should also be clearly spelled out in the Board's Bylaws. In the event that certain Members hold membership in more than one Board, consideration should be given to granting of a "credit" if the Member has attended a similar program conducted by another Board.

INTERPRETATION NO. 38

(Adopted May 10, 1983)

"A provision in the Bylaws of a Board which offers the opportunity to a former Member having been dropped for nonpayment of membership dues during the current fiscal year to be reinstated without reapplication and payment of an application fee, but requiring payment of all past due accounts and payment of membership dues for the entire fiscal year, is not an inequitable limitation upon membership."

The Model Bylaws recommended by the National Association to local Boards provide that when a Member is dropped from membership, the Member may be further considered for membership in the Board upon applying in the same manner and paying the same application fees, if any, required of any applicant for membership. Therefore, if a Board

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Member receives services of the Board, and of the State and National Associations, for a period of the current fiscal year, it is not inequitable for the Board to require that individual seeking reinstatement of membership in the same fiscal year to pay the full membership dues for the entire year, plus any past due accounts or other monies owed to the Board, without having to go through the process of making application, taking the required orientation course, and paying any required application fee.

INTERPRETATION NO. 39

(Adopted November 12, 1985)
(Revised November 8, 2010)

"No Member Board of REALTORS® shall knowingly schedule any board function at a place or in a facility that denies admittance to that function to any individual on the basis of race, creed, sex, or country of national origin, or at

facilities that are not accessible to individuals with disabilities, when any individual with a disability indicates that he or she will be in attendance."

INTERPRETATION NO. 40

(Adopted November 18, 1996)

"The term "principal," as used in the NAR Constitution and Bylaws and in other relevant policies, includes licensed or certified individuals who are sole proprietors, partners in a partnership, officers or majority shareholders of a corporation, or office managers (including branch office managers) acting on behalf of principals of a real estate firm."

Clarifies the definition of the term "principal" as used in the NAR Constitution and Bylaws and in other relevant policies.

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