IN A NUTSHELL

1. The DR dues formula computes dues based on the size of a REALTORS® firm, i.e., the number of individuals licensed with the DR, to ensure dues are proportional to the benefits and services received by a firm for the DR’s REALTOR® membership.
2. The Limited Function Referral Office policy is a limited exception to the Designated REALTOR dues formula.
3. Local, state and National dues are collected by local associations.

NUTS AND BOLTS

NAR requires every firm to designate in writing one principal REALTOR® member who shall be responsible for all duties and obligations of membership including payment of association dues. Under NAR policy, a “principal” includes sole proprietors, partners in partnerships, officers and majority shareholders in corporations, and office and branch managers acting on behalf of a principal(s). NAR policy also requires that all principals in a firm hold membership if any one principal does. This policy recognizes that all of the leaders of the firm must be committed to the Code of Ethics, to professionalism, and the objectives of the REALTOR® organization generally, and acknowledges their responsibility and accountability to how their firm is operated.

The local association’s dues obligation to NAR is calculated using the Designated REALTOR® (“DR”) dues formula. The DR dues formula computes dues based on the size of a REALTORS® firm, i.e., the number of individuals licensed with the DR, to ensure dues are proportional to the benefits and services received by a firm for the DR’s REALTOR® membership.

Under the dues formula, the DR pays a total dues obligation based on number of licensees in the firm, but gets a credit against the amount due for each individual licensee who chooses to individually hold REALTOR® membership. The licensees that choose to hold REALTOR® membership pay their dues individually to the association.

The one exception to the DR dues formula is the Limited Function Referral Office (“LFRO”) policy. The LFRO policy provides a waiver of dues for licensees in a referral only company owned by the DR or
one of a firm’s principals which is solely engaged in referring clients to the DR’s brokerage company and which is not engaged in listing, selling, leasing, managing, or appraising real property. (Please note an additional limited exception to the DR dues formula exists in California.)

In order for the association to accurately bill DRs, DRs should complete an association provided form listing all of the individuals licensed with the firm, what the licensee’s primary association is (if any) and if no association is listed, what association the DR pays the non-member licensee fees in. DRs should complete a similar form for licensees affiliated with the LFRO. DRs must update the association if there are any changes to the non-member licensees affiliated with the brokerage or if there are any changes to the licensees affiliated with the LFRO. The association should include a provision in their policy manual or bylaws requiring completion of these forms in order to enforce completion of these forms as a membership duty.

Local associations collect local, state and national dues, remitting the state and national portions. The national portion of dues are due January 1 each year. Associations have discretion to determine the annual billing cycle that works best for them.

The national portion of a new member’s dues are prorated throughout the calendar year, unless the new member held membership in the prior calendar year. The national portion of the non-member licensee fee is not prorated for any individual that affiliates with a firm. Local and state associations have discretion to determine what proration policy (if any) works best for them.

If a non-member licensee leaves the DR’s firm and a new non-member licensee affiliates with the firm, the association should not assess an additional non-member licensee fee to the DR, the association should only assess an additional non-member licensee fee if there is an increase in the total number of non-member licensees.

The association’s policy manual or bylaws should include provisions specifying the procedure for terminating membership as a result of failure to pay dues. The association has discretion to adopt the procedure that works best for them (including immediate termination if dues are not paid within a specified time). If a licensee who holds REALTOR® membership is dropped for nonpayment of association dues, and the individual remains with the DR’s firm, the dues obligation of the DR will be increased to reflect the addition of a non-member licensee. If the DR’s REALTOR® membership is dropped for nonpayment of association dues, all non-principal REALTORS® affiliated with the DR will lose their membership unless they affiliate with a new DR.

**ASSOCIATION ACTION**

1. Review the association's policy manual or bylaws to ensure there is a certification requirement for the DR to report the licensees affiliated with them.
2. Review the association's policy manual or bylaws to ensure the billing cycle and process for terminating membership following non-payment of dues accurately reflect the association’s process.

Additional resources are available on [nar.realtor/about-nar/policies/good-sense-governance](http://nar.realtor/about-nar/policies/good-sense-governance)