

**REPORT OF THE
ORGANIZATIONAL ALIGNMENT
PRESIDENTIAL ADVISORY GROUP
April 15, 2014**



The PAG members originally met with the National Association of REALTORS® Leadership Team on January 21, 2014. After much discussion, the Leadership Team asked the members of the PAG to think critically and come up with a “rebuilding” plan to ensure unity within, and long term viability of the 100 year old REALTOR® organization. The PAG members were encouraged to be bold and daring in their quest and were requested to act quickly given the immediacy of the challenges facing the organization.

The PAG met on February 24, February 26, March 10, April 1 and again on April 14-15, 2014. In preparation for those meetings, the PAG members received feedback from the Leadership Team, the State Presidents and the 2014 Association Executive Committee. Additionally the PAG members considered the reports of previous PAGs that have addressed professionalism and organizational structure including the reports from the Presidential Advisory Group on Professionalism, the NAR Membership Structures Review Presidential Advisory Group, the Organizational Standards for Local Associations Presidential Advisory Group and the RETHink strategic thinking sessions. We recognize the important work that has paved the way for the work of this PAG. We recognize also that our job is to bring the organizational alignment ideas “across the goal line.”

The PAG members reaffirmed the benefits of and the need to maintain the three-way agreement. In order to survive as the strongest and most politically influential entity for organized real estate, all three levels of the organization must, however, thrive together as a true and strong association, rather than acting as a group of independent but federated organizations. This is an issue of professionalism in our industry: it is not about scale or size of any organization. In order to achieve this goal, the PAG members identified Mandatory Core Standards which must be accomplished at all three levels of the organization. These Core Standards, as well as recommendations, if needed, to achieve these Core Standards, are encompassed in the following categories: Code of Ethics, Advocacy, Consumer Outreach, Unification and Support of the REALTOR® Organization, Technology, and Financial Solvency.

It is anticipated that these Recommendations and Mandatory Core Standards will apply to every association regardless of the membership they are serving. If an association serves business specialty members (e.g., commercial, appraiser, property manager members) in addition to, or exclusive of, residential practitioners that association is expected to follow the same protocols set forth in this Report for the benefit of all members served.

This PAG report sets forth a conceptual framework for ensuring that the REALTOR® organization maintains its importance and relevancy to the members. The PAG will continue to refine these recommendations to include objective standards that can be enforced in a fair and consistent manner. Action on the final recommendations is expected to be taken at the REALTOR® Party Convention & Trade Expo in May.

If you have ideas about how to make the REALTOR® organization stronger and more unified, please send your ideas, by May 1, 2014, to Steve Brown and Andrea Bushnell at: organizationalalignmentpag@realtors.org, so they may be considered prior to issuing the final report. The topic areas that are being discussed are outlined below; however, we welcome all ideas which you may have.

CODE OF ETHICS

The PAG identified existing processes as the main problem with Code of Ethics enforcement utilization. The process for both REALTOR® vs. REALTOR® and Consumer vs. REALTOR® complaints takes too long and an expedited process needs to be adopted. Once the process is shorter and less cumbersome, enforcement must be measurable (e.g., how many complaints did an association process). **This will benefit the members by making the process more accessible, easier to navigate and enforce. It will make REALTOR® members more accountable to the Code of Ethics and result in increased professionalism.**

RECOMMENDATION: NAR MUST FACILITATE A REVAMPING OF THE PROFESSIONAL STANDARDS PROCESS TO EXPEDITE AN ETHICS HEARING OR ARBITRATION PROCEEDING (i.e., ideally, the process should be significantly shortened through adoption of electronic filing, limitation of continuances, shortening response times without threatening due process, and to use the expedited court systems as a model, and rewriting the manual to simplify and reduce redundancy and long timelines).

MANDATORY CORE STANDARD: It is the recommendation of the PAG that each association will be charged with ensuring:

- a. Code of Ethics education
- b. Code of Ethics enforcement
- c. Code of Ethics advancement

MANDATORY CORE STANDARD: The administrating association shall implement at least one of the following expedited processes:

- a. Mediation
- b. Ombudsman
- c. Citation Policy (in consultation with NAR legal department)

ADVOCACY

A culture built around the REALTOR® Party Initiatives and the concept of “Vote, Act, Invest” must exist at all levels of the organization. **This will benefit the members by increasing participation in the political process resulting in a stronger voice for real estate at all levels of government throughout the nation. The members will better understand and appreciate the value proposition of the REALTOR® Party.**

MANDATORY CORE STANDARD: Unless prohibited by State law, each association shall include in their dues billing a **voluntary** fair share contribution for the PAC or the issues Political Action Fund (PAF) (recognizing state law differences). In the alternative, a local association can meet this Core Standard of meeting the NAR established goal by other legal means, if preferred (i.e., making a corporate contribution for the full amount of the NAR established RPAC goal). In whatever manner the RPAC goal is met (based upon the RPAC established \$__ per member) funds are sent to RPAC or the PAF (individually or collectively by/through the State Association, (i.e., one check concept). The intent of this standard is to provide the best opportunity for every association to meet its goal. Unless prohibited by state law, it is recommended that each local association include the contribution to either the PAC or the PAF “above the line” with appropriate disclaimers about the voluntary nature of the member contribution.

MANDATORY CORE STANDARD: Each association shall demonstrate participation in Calls for Action delivered through the REALTOR® Action Center (e.g., promotion through websites, newsletters, office visits, etc.). It is the state and local association’s obligation to provide adequate proof of participation. NAR shall monitor state association participation through the REALTOR® Action Center Response Reports. If there are signs of insufficient participation, NAR shall investigate and encourage compliance. The state associations shall monitor local association participation through the REALTOR® Action Center Response Reports. If there are signs of insufficient participation, the state association shall investigate and encourage compliance.

MANDATORY CORE STANDARD: Each local association shall demonstrate participation (if applicable) in State Calls for Action (e.g., promotion through websites, newsletters, office visits, etc.). It is the local association’s obligation to provide adequate proof of participation.

MANDATORY CORE STANDARD: Each association shall demonstrate advocacy engagement (See REALTOR® Political Party initiatives for potential program ideas). [Create link to brochure]

MANDATORY CORE STANDARD: Each association shall provide or distribute information and communications from NAR and the applicable state association, regarding the value of investing in and the benefits received from the individual’s participation in the PAC.

CONSUMER OUTREACH

It is imperative that REALTOR® associations create and execute on an engagement model which will provide for significant and effective consumer outreach. **This effort will enhance our members’ ability to generate more business opportunities and assist the REALTOR® organization as a whole in reaching its advocacy objectives.**

MANDATORY CORE STANDARD: Demonstrate that the association has executed on not less than four meaningful consumer engagement activities annually, reflected by:

- a. Being the “Voice for Real Estate” - promoting market statistics and/or real estate trends and issues (e.g., release through press releases, interviews, etc. of MLS statistics, local market statistics, NAR research reports, local/state analysis of NAR statistics, etc.);
- b. Community involvement - promoting the value proposition of using a REALTOR® and/or engaging in community activities which enhance the image of the REALTOR®;
- c. Advocacy efforts - engaging the public in legislative/political issues that impact real estate and related issues; and
- d. Community investment – Organizing human resources (i.e., assisting in a Habitat for Humanity build, etc.) or fundraising for the benefit of charitable/community organizations.

To meet this four-activity per year requirement, each association must execute from some combination of at least 3 of the 4 listed engagement activities during the year. It will not be enough, for example, for an association to engage in the same activity 4 times each year nor will financial support of a charitable organization alone be considered to have met this Mandatory Core Standard.

Example: Assume Association A releases quarterly market statistics to the media satisfying (a) above. Association A must also engage in some combination of the other listed activities as follows: a community involvement activity (b) and an advocacy effort (c); or a community involvement activity (b) and a community investment activity (d); or an advocacy effort (c) and a community investment activity (d).

UNIFICATION EFFORTS AND SUPPORT OF THE REALTOR® ORGANIZATION

Recognizing the many threats and challenges organized real estate faces today, it is critical that all REALTOR® organizations come together in a unified manner. **It is a benefit to the members and their livelihood to ensure the national, state and local partners flourish for another 100 years.**

RECOMMENDATION: ALL ASSOCIATIONS SHALL RENEW THEIR RESPECTIVE CHARTERS BY JUNE 30, 2015. NOT LATER THAN JUNE 30, 2014, NAR STAFF WILL NOTIFY ALL ASSOCIATIONS AND REALTOR® MLS ORGANIZATIONS REGARDING THE STATUS OF THEIR BYLAWS AND THEIR RULES COMPLIANCE DATE, IN ORDER TO PROVIDE SUBSTANTIAL OPPORTUNITY TO MEET BYLAWS AND RULES LANGUAGE REQUIREMENTS. IN ORDER TO RENEW THEIR CHARTER ASSOCIATIONS SHALL FOLLOW NAR MANDATED POLICIES (E.G., DUES COLLECTION PROCEDURES, GATHERING ACCURATE AND VIABLE INFORMATION FOR/ FILLING IN/ SHARING ALL NRDS MANDATORY FIELDS, QUADRENNIAL ETHICS COMPLIANCE, ADOPTION OF APPROPRIATE AND APPROVED BYLAWS AND MLS POLICY AND REGULATIONS AND OTHER MISCELLANEOUS POLICIES REQUIRED BY NAR). IF AN ASSOCIATION DISREGARDS THESE POLICIES IT SHALL BE SUBJECT TO NON-RENEWAL OF CHARTER.

RECOMMENDATION: LICENSEES IN LIMITED FUNCTION REFERRAL ORGANIZATIONS (LFRO) SHALL BE IDENTIFIED BY THE LOCAL AND/OR STATE ASSOCIATIONS FOR THE PURPOSE OF INVITING THEIR PARTICIPATION IN POLITICAL ADVOCACY (e.g., PAF AND CALLS FOR ACTION).

MANDATORY CORE STANDARD: Semi-annually (at a minimum), state associations will provide to each local association a state unreported licensee list for enforcement of proper dues reporting collection.

MANDATORY CORE STANDARD: NAR will annually assess members' understanding of the overall value provided by the realtor® associations across all three levels of the organization and will share the results of the assessment with the state and local associations. Local and state associations shall promote member participation in the assessment effort. **The organizations will benefit from a uniform method of assessment as it will ensure a measurable and comparable analysis.**

MANDATORY CORE STANDARD: Associations that have initially renewed their charter as provided for above, and subsequently disregard NAR mandated policies (e.g., dues collection procedures, gathering accurate and viable information for/ filling in/ sharing all NRDS mandatory fields, quadrennial ethics compliance, adoption of appropriate and approved bylaws and MLS policy and regulations and other miscellaneous policies required by NAR) shall be provided with 60 days notice to correct the subsequent failure or face revocation of their charter.

MANDATORY CORE STANDARD: Every association will maintain, have access to or will have legal counsel available.

MANDATORY CORE STANDARD: Associations shall maintain policies and procedures that conform to local, state and federal laws, including the filing of necessary reports and documents (e.g., corporate documents, state and federal tax returns, etc.).

MANDATORY CORE STANDARD: Semi-annually (at a minimum), state associations will provide to each local association a state unreported licensee list for enforcement of proper dues reporting collection.

MANDATORY CORE STANDARD: Every association shall have a business or strategic plan including an advocacy component.

- a. Financial incentives to be offered through NAR (i.e., one-time monetary sum offered to those associations, which have not had a Plan in the last five years or have fewer than 500 members). The financial incentive shall be available for one year following the implementation of these standards.
- b. NAR shall conduct a train the facilitator program for those who wish to be compensated from this program. The goal of the program is to ensure all facilitators participating in this effort have a core understanding of the expected goals outlined in this report.

MANDATORY CORE STANDARD: Local and state association chief paid staff must attend at least six hours of REALTOR® association professional development on an annual basis. (i.e., state, regional or national).

MANDATORY CORE STANDARD: Each state individually or in cooperation with another state association must annually provide at least six hours of professional development opportunities for local association executives.

TECHNOLOGY

As members have embraced technology in their businesses, associations must also embrace and utilize the efficiencies provided by the use of technology tools. Members will benefit from the receipt and promotion of information sharing between all three levels of the organization.

MANDATORY CORE STANDARD: Every association must have an interactive website (defined as the ability to move between websites and create active links), post access to professional standards and arbitration filing processes on the website and create a link to the websites of the other levels of the association for promotion of member programs, products and services.

MANDATORY CORE STANDARD: Every association must utilize an email and/or internet based means for member communication.

FINANCIAL SOLVENCY

Just as our members have a fiduciary obligation to safeguard funds and assets entrusted to them, associations owe the same obligation to members to safeguard the funds and assets of the association. Members benefit from belonging to a strong, fiscally responsible organization.

MANDATORY CORE STANDARD: Each association must adopt policies to ensure the fiscal integrity of their financial operations.

MANDATORY CORE STANDARD: Each association must have an annual audit, review or financial and procedural testing conducted by a CPA or professional accountant.

MANDATORY CORE STANDARD: Any association considering bankruptcy must first obtain NAR's consent to file for bankruptcy. Any association that declares bankruptcy will be subject to automatic charter review.

OTHER COMMENTS AND RECOMMENDATIONS

The strength of the REALTOR® organization is the solid foundation underlying the building blocks of the three-way agreement. The measurable performance of each REALTOR® association is contingent upon the compliance with these Core Standards.

RECOMMENDATION: NAR AND STATE ASSOCIATIONS WILL HAVE THE OBLIGATION TO ENFORCE COMPLIANCE WITH THE CORE STANDARDS.

AFTER FIRST BEING GIVEN AN APPROPRIATE AMOUNT OF TIME TO CORRECT THE NONCOMPLIANCE ISSUE, NAR HAS THE SOLE AUTHORITY TO REVOKE A STATE OR LOCAL ASSOCIATION'S CHARTER. NAR NEED NOT RECEIVE A RECOMMENDATION BY A STATE ASSOCIATION PRIOR TO REVOCATION OF A LOCAL ASSOCIATION CHARTER. IT WILL BE THE RESPONSIBILITY OF ALL ASSOCIATIONS TO ALERT NAR TO ANY COMPLIANCE VIOLATIONS THAT MAY BE KNOWN OR DISCOVERED WHICH, IF NOT TIMELY REMEDIED, COULD RESULT IN NAR REVOKING AN ASSOCIATION'S CHARTER. NOTWITHSTANDING ALL THE ABOVE, IT IS UNDERSTOOD BETWEEN ALL ASSOCIATIONS THAT ENFORCEMENT OF ALL MANDATORY CORE STANDARDS WILL BE A COLLABORATIVE EFFORT BETWEEN NAR, THE LOCAL AND STATE ASSOCIATIONS.

If an association cannot or does not want to meet the new Mandatory Core Standards, NAR will offer sliding scale financial assistance to merge, dissolve or form as a Chapter or Council under another local association or the state association. The financial assistance will be allocated at NAR's sole discretion per each merger, dissolution or Chapter or Council formation. Financial assistance shall be available for two years following the implementation date of these standards. Additionally, in order to effect positive and smooth transitions, including mergers, dissolutions and or formations of Chapters or Councils, NAR will create a "train the trainer" program for those identified who may wish to assist others in learning how to effect such transitions. This pool of merger/dissolution specialists will be made known to all local associations seeking assistance. Local boards wishing to consider merger activity may at any time select a consultant of their choice to assist them in this effort outside of the NAR trainer option.

NAR legal staff to implement any policy modifications needed to resolve trademark compliance issues which may be implicated if and when Chapters or Councils are formed. **Members will benefit by their ability to continue their local identity regardless of the structure adopted.**

Respectfully submitted,

Andrea Bushnell, Chair

Jarrold Grasso

Travis Kessler

Cindy Butts

Christine Todd

Gavin Blair

Mark Allen

Marc Lebowitz