

NAR Core Standards

Third Compliance Cycle

July 1, 2016 – December 31, 2017



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NATIONAL
ASSOCIATION *of*
REALTORS®

The following is the Organizational Alignment Core Standards policy that was approved by the Board of Directors on May 14, 2016, effective for the third compliance cycle – July 1, 2016 through December 31, 2017.

Every local and state association of REALTORS® shall annually demonstrate compliance with the following Core Standards. As used in this policy “state association” and “state association of REALTORS®” includes the territorial associations of REALTORS®.

Local associations will be responsible for communicating and describing the programs, products and services of national and state associations such that all members will understand value propositions at all three levels.

Overall Procedural Changes Effective with the Third Compliance Cycle

Annual Deadline Date

Core Standards is transitioning to a calendar year compliance schedule. The third cycle is a transitional 18-month cycle, beginning July 1, 2016, and ending December 31, 2017. Subsequent cycles will be 12 months, coinciding with the calendar year.

State association can establish earlier submission deadlines for their local associations, but local associations still have until the end of the calendar year/compliance cycle to demonstrate their compliance. State associations have until the end of January to complete their review/certification process.

Appeals to the determinations of noncompliance can be filed in February, with the NAR appeal hearings conducted in March. The NAR Board of Directors will act on charter revocations during the May Legislative Meetings.

Financial grants for mergers/consolidations

Merger grant availability has been extended into the third cycle for up to the first 25 merged associations.

Appeal Hearing Process

The appeal hearing process procedures have been amended to incorporate the new calendar year compliance cycle. Local associations have until the end of February to appeal state associations' determinations of noncompliance and the NAR Association Executives Committee's appointed hearing panels will conduct appeal hearings in March. Hearing panels can grant extensions until April 30, by which time compliance must be demonstrated. Compliance extensions will be granted only when associations show substantial compliance with the Core Standards.

The following is the Organizational Alignment Core Standards policy that was approved by the Board of Directors on May 14, 2016, effective for the third compliance cycle – July 1, 2016 through December 31, 2017.

I. Code of Ethics

- A. Every association will provide new and continuing member Code of Ethics training as required by Article IV of the NAR Bylaws.
- B. Every association will maintain a viable professional standards process to enforce the Code of Ethics and provide arbitration and mediation as member services. Associations must have a fully functioning professional standards committee with administrative capability to conduct the program, or must administer professional standards enforcement through a multi-board (or regional) professional standards agreement with other associations or with the state association.
- C. Every association will provide mediation services to members as required by Article IV of the NAR Bylaws. Associations may also offer ombudsman services to members and their clients and customers and, if available in the state, may implement a “citation” enforcement policy.

II. Advocacy

- A. Unless prohibited by state law and in recognition of state law differences, each association shall include in their dues billing a voluntary contribution for the PAC or the Political Advocacy Fund (PAF) in an amount adequate to meet any NAR established RPAC fundraising goals. Dues billing for PAC or PAF contributions has been proven to be the most effective method for raising PAC or PAF dollars and in engaging our members in political advocacy*. A local association will have met this Mandatory Core Standard, regardless of whether they collect the full amount of their NAR established goal, if they include the voluntary contribution on their dues bill.

Notwithstanding the above, a local association that chooses not to include a PAC or PAF contribution on their dues bills, may, in the alternative, meet this Mandatory Core Standard if they deliver to NAR the full amount of any NAR established RPAC goal contributed by whatever legal means determined to be in the best interest of the local association (i.e. a corporate contribution in the full amount of the NAR established goal). In whatever manner the NAR established RPAC goal is met, funds shall be 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 to reach the highest participation levels possible, 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.

- B. 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.
- C. Each association shall demonstrate participation in NAR Calls for Action (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 primarily 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 primarily through the REALTOR® Action Center Response Reports. If there are signs of insufficient participation, the state association shall investigate and encourage compliance.
- D. 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.
- E. In addition to the requirements established in subsections A-D, each association must support the REALTOR® Party’s “Vote-Act-Invest” goals, and must annually conduct at least two initiatives or activities furthering or supporting each of those three goals respectively. Examples of initiatives and activities satisfying this requirement are available on NAR’s online Compliance Tool and in the Core Standards Frequently Asked Questions (“FAQs”) and in the REALTOR® Party Resource Guide.

Advocacy Changes

In addition to existing Core Standards advocacy requirements related to RPAC solicitations on dues billing, communicating the value of RPAC, and Calls for Action, associations must now also support the REALTOR® Party “Vote, Act, Invest” goals by completing at least two initiatives or activities furthering or supporting each of these three goals. Examples of initiatives and activities satisfying this requirement will be available on NAR’s online Compliance Tool, in the Core Standards FAQs, and in the REALTOR® Party Resource Guide.

III. Consumer Outreach

- A. Every association will demonstrate engagement in at least four meaningful consumer engagement activities annually, including at least two activities demonstrating how the association is the “Voice for Real Estate” in its market, and at least two activities demonstrating the association’s involvement and/or investment in the community.
1. 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.)
 2. Community involvement and investment – promoting the value proposition of using a REALTOR® and/or engaging in community activities which enhance the image of the REALTOR®, such as organizing human resources (e.g., participating in a Habitat for Humanity build) or conducting fundraising activities to benefit local community or charitable organizations.

To meet this four activity per year requirement, each association must execute a minimum of two “Being the ‘Voice for Real Estate’” activities and two “Community involvement and investment” 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. Additionally, any one activity can only be quantified in one category.

Consumer Outreach Changes

The Consumer Outreach Core Standards requirement on “Advocacy Efforts” was deleted, and the “Community Involvement” and “Community Investment” requirements were combined. With these revisions, associations will now be required to demonstrate engagement in at least four consumer engagement activities annually, including two demonstrating how the association is the “Voice for Real Estate” in its market, and two activities that demonstrate the association’s involvement and/or investment in the community.

IV. Unification Efforts and Support of the REALTOR® Organization

- A.** Every association will maintain, have access to or will have legal counsel available.
- B.** Associations shall adopt and maintain corporate documents, policies and procedures that conform to local, state and federal laws. Associations will timely file legally required reports and documents (e.g., corporate renewal documents, state and federal tax returns, etc.)
- C.** Every association shall annually certify that its board of directors has reviewed and discussed the association's business or strategic plan, that the plan includes an advocacy component and a consumer outreach component, and that those components have actionable implementation strategies.
- D.** Local and state association chief staff must complete at least six hours of REALTOR® association professional development on an annual basis. In associations without paid/salaried staff, this requirement is applicable to the individual primarily responsible for performing the functions ordinarily carried out by paid staff in other associations.
- E.** 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.
- F.** Associations will promote to their members the importance of participating in any NAR- conducted effort to assess member understanding of the overall value provided by associations at all three levels of the REALTOR® organization.
- G.** 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).
- H.** To ensure proper dues reporting and collection, every state association will provide to each local association a comparative list of non-member licensees to the state membership records, at least semi-annually.
- I.** Associations must annually offer, promote or provide at least one professional development opportunity for their members.
- J.** Associations must annually certify they have conducted or promoted a REALTOR® Safety activity.
- K.** Associations will annually provide resources for or access to leadership development education and/or training for their elected REALTOR® leaders, and will document the training, tools, programs, and resources they offer or provide access to.

- L.** Associations with paid staff must adopt policies and procedures for conducting annual performance reviews of their chief paid staff, and must annually certify that a performance review for their chief paid staff has been conducted.

Unification Efforts and Support of REALTOR® Organization Changes:

Strategic Plan Review Requirement

Every association must annually certify that its board of directors has reviewed and discussed the association's business or strategic plan, that the plan includes an advocacy component, a consumer outreach component, and actionable implementation strategies.

Professional Development Requirement for Associations without Staff

The Core Standard requiring six hours of professional development for association chief staff has been expanded to include the individual in an association without paid staff who is primarily responsible for performing the functions ordinarily carried out by paid staff.

Member Education

Associations must annually offer, promote, or provide access to at least one professional development opportunity for their members each year.

REALTOR® Safety

Associations must annually certify they have conducted or promoted a REALTOR® Safety activity.

Professional Development Requirement for Elected Leaders

Associations are required to annually provide resources for or access to leadership development education and/or training for their elected REALTOR® leaders, and document the training, tools, programs, and resources they offer or provide access to.

Performance Reviews for State and Local Chief Paid Staff

Associations with paid staff must adopt policies and procedures for conducting annual performance reviews of their chief paid staff, and must annually certify that a performance review for their chief paid staff has been conducted.

V. Technology

- A.** 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.
- B.** Every association must utilize an email and/or internet based means for member communication.

VI. Financial Solvency

- A. Every association must adopt policies to ensure the fiscal integrity of their financial operations.
- B. All associations, state or local, with revenue of \$50,000 or more must annually submit a report from a CPA which includes either an audit opinion or an accountant's review report. For those associations with annual revenues of less than \$50,000 (including MLS-generated revenue and revenue from other business subsidiaries), a compilation report prepared by a CPA will be acceptable. These thresholds apply to all associations whether tax exempt or for profit. It will be left to the discretion of each association as to the frequency of an audit versus a review, recognizing that the costs of each type of engagement vary greatly.
- C. Any association considering bankruptcy must first obtain NAR's consent to file for bankruptcy. To the extent permitted by law, any association that declares bankruptcy will be subject to automatic charter review.

Financial Solvency Changes

Association revenues generated from MLS operations and from other business subsidiaries must be included in the \$50,000 gross revenue threshold that determines if an association is eligible to obtain an annual CPA compilation report, in lieu of an audit or review.

CPA letters of engagement are no longer necessary, since the Core Standards compliance deadline is now year-end.