

NAR Organizational Alignment - Core Standards FAQs

These FAQs are provided to assist local and state REALTOR® association leaders and association executives in understanding the [Organizational Alignment Core Standards](#) program and how to comply with its requirements. Periodically, the FAQs will be enhanced and updated to address arising issues and questions. Readers are encouraged to utilize the most recent version of the FAQs.

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1. General Information

1.1. When do the Core Standards become effective?

The Core Standards became effective upon approval by the National Association of REALTORS® Board of Directors on May 17, 2014.

1.2. Do the Core Standards replace the Organizational Standards and the Organizational Standards Certification process?

Yes.

1.3. We are currently involved in certifying our compliance with the Organizational Standards. Should we continue that effort?

No. Because the Organizational Standards have been rescinded, there is no need to certify compliance with them.

1.4. When must local and state associations comply with the Core Standards?

Efforts to achieve compliance with the Core Standards should begin as soon as possible. The deadline for compliance is June 30, 2015.

1.5. What will the certification period be for subsequent years?

Certification will be an annual process to be met by June 30th each subsequent year.

1.6. What are the consequences for not meeting the Core Standards?

The consequence of not achieving compliance with the Core Standards is loss of charter status as a local or state association of REALTORS®.

1.7. If the state association does not confirm our local association's compliance with the Core Standards by June 30, 2015 (or subsequent periods) is that determination subject to review by NAR? What is the process?

No association will lose its charter without first being given an opportunity to appear before a panel of at least three (3) members of the NAR Association Executives Committee to show cause why the association's charter status should not be terminated. In such cases the recommendation of the panel will be reported to the NAR Board of Directors for final action.

1.8. Must the activities mandated by the Core Standards start after the May 17, 2014 adoption date? Will consumer outreach efforts, for example, initiated before May 17, 2014 satisfy the Core Standards?

As long as the activity continued after the May 17, 2014 adoption of the Core Standards, the fact that it was "initiated" before that date doesn't make it ineligible. *(Added 8.7.14)*

1.9. Will the NAR Board of Directors vote on whether associations' charter will be revoked?

The charter revocation process will begin automatically if an association's compliance with the Core Standards isn't confirmed by the state association. The NAR Board of Directors will become involved only if an association appeals the state association's conclusion that the local association had not met the Core Standards. In that case, the local association will have an opportunity to appear before a three (3) member panel of the NAR Association Executives Committee and show cause why the association's charter shouldn't be revoked. Following that, the panel's recommendation will be reported to the NAR Board of Directors for final action. If the Directors determine the charter should be revoked, the revocation will be effective immediately. *(Added 8.7.14)*

1.10 If our charter is revoked, how long do we have to dissolve the corporation? And what happens to the corporation's assets?

Revocation of an association's charter doesn't automatically result in the corporation being dissolved. The future of the corporation will be determined pursuant to the provisions of the articles of incorporation and the association's bylaws. The decision may be to wind up the affairs of the corporation and dissolve or, alternatively, to continue to function as a real estate association, though not as a member of NAR.

If the corporation is dissolved, the assets would be paid out pursuant to the relevant bylaw provision. Generally the bylaws of associations of REALTORS® (Article XVII in the NAR model association bylaws) provide that upon dissolution the assets will be paid to the state association or to another non-profit, tax exempt organization. *(Added 8.7.14)*

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2. Compliance Issues

2.1. What must we do to meet the Core Standards?

The Core Standards themselves spell out what's required of local and state associations to maintain their charters. In addition, an online compliance certification system (the "Compliance Tool") has been developed to facilitate tracking and reporting compliance. The system details the specific information required to demonstrate compliance. *(Revised 9.26.14)*

2.2. Will NAR develop an online compliance reporting/enforcement database?

Yes. Please refer to the answer to question 2.1.

2.3. How does the reporting/enforcement database ("Compliance Tool") function?

The [Compliance Tool](#) provides simple, objective determiners for associations to confirm and/or demonstrate they've met the Core Standards requirements for the current cycle. *(Revised 9.26.14)*

2.4. What is the role of the state association in determining whether local associations meet the Core Standards?

Each year local associations will use the online compliance certification system to submit the required Core Standards information required to the state association for review and validation. Not later than June 30 each year, each state association, using the online compliance certification system, will provide NAR with the name of each local association meeting the requirements of the Core Standards program. Any association not reported as having complied will be subject to charter revocation.

2.4.1 What must the state association do to determine whether local associations' policies and procedures conform to local, state and federal laws?

It is not contemplate that state associations will be responsible for ensuring that local associations' policies and procedures do not violate all potentially applicable laws and regulations. The state association will need to verify that state and federal tax returns have been filed, and that any other required corporate filings have been made. *(Added 7.3.14)*

2.5. Will state associations need to develop reporting systems/software? Or is it anticipated that all state associations will use the NAR-provided database?

It's anticipated all state associations will use the NAR database.

2.5.1. What "proof" will local associations need to provide their state association to demonstrate compliance?

Many of the compliance criteria simply request that examples be submitted using the compliance database. In cases where a state association needs additional information to make a knowledgeable compliance determination, additional information may be requested from the local association.

It's important to keep in mind throughout the process that trust - at all levels of the REALTOR® organization - is essential to successful implementation of this effort. The profession itself exists on trust. Clients and customers trust the REALTORS® they work with. REALTORS® need to - and do - trust each other. Associations rely on the word of their members. Members need to be able to rely on what their association tells them. The representations made via the compliance database will be attested to by each local association's elected president and president-elect (or equivalent officers) as well as by the association's chief staff. Except in the most unusual circumstances, their assurance that the information shared via the compliance database is truthful and accurate to the best of their knowledge should be sufficient "proof". *(Added 8.7.14)*

2.6. What options/alternatives are available to local associations that anticipate difficulty in meeting the Core Standards?

Given the goals of the Organizational Alignment/Core Standards program, some associations may determine that the needs of their members may be best served by merging with another association. Local identity, something understandably important to associations of any size, can be retained in large measure by establishing community-specific chapters or councils of local associations.

The [Association Merger Procedures](#) are available at Realtor.org.

[Shared services](#) is another option/alternative for associations that anticipate difficulty meeting the Core Standards. State associations may want to consider conducting a shared services workshop for local associations that might benefit from using shared services. Information on Realtor.org includes workshop materials and facilitator resources. <http://www.realtor.org/ae/manage-your-association/shared-services> *(Revised 9.26.14)*

2.6.1 Question 2.6 (above) refers to "chapters or councils of local associations" as a possibility for associations that surrender their charter as part of a merger with another association(s). Is there an NAR chapter "model" for local associations to adopt?

No. While over the years a few associations have surrendered their charter to merge into another association, with the resulting association creating a community-based "chapter" that allowed the dissolved association to retain a local presence and a measure of local identity, these have been the exception rather than the rule. As a result, there is little experience to draw on. NAR and the state associations do not charter "chapters", nor is there any defined "chapter" structure within the REALTOR organization.

Simply put, chapters are sub-units of an existing, chartered local association of REALTORS®, with that association of REALTORS® being the only chartered (or recognized) entity. The structure, as well as the privileges and responsibilities (if any) of a local association's "chapter" would need to be determined locally (presumably as part of the merger discussions/negotiations) and should be spelled out with specificity in the "parent" association's bylaws or other governing documents.

In most cases, chapters are the residual effect of mergers of two or more associations that resulted in a larger "regional" association. Chapters can enable the former associations that surrendered their

charters as part of a merger to retain some measure of identity/presence in their community, coupled with the efficiencies and economies of scale resulting from the merger. Use of the term REALTOR® in a chapter's name must be in connection with the parent organization (e.g. The _____ Chapter of the _____ Association of REALTORS®). *(Added 8.7.14)*

2.7 Is there an ongoing professional development requirement for associations' chief paid staff member?

Yes, each year the association's chief paid staff officer must complete at least six (6) hours of REALTOR® association professional development. Training meeting the requirement is available annually at the NAR Association Executives Institute. Similar programs are available in many states. Receipt of the RCE designation is also deemed to satisfy the requirement – but only for the year in which it is received by the chief paid staff member. *(Added 7.3.14)*

2.8 Must the professional development training required of associations' chief paid staff be "in-person" or will relevant on-line and "distance learning" programs satisfy the requirement?

While attendance at in-person educational programs like the NAR AE Institute and similar programs conducted by state associations is an optimum learning experience because of the opportunity to interact with peers face-to-face, it should also be considered that much of the educational offerings available to REALTORS® from NAR (including REALTOR® University) and its Institutes, Societies and Councils is delivered online. What's important here is that the program addresses management/administration of real estate associations. Where a question arises about the relevancy of programming offered in satisfaction of this requirement, the state association could require documentation or explanation of how the course related to real estate association management. Given the broad experience and skillsets required of association executives, it's anticipated this requirement will be construed liberally. *(Added 8.7.14)*

2.9 How will consistent application and enforcement of the Core Standards be assured from one state to another? How will the state associations be "policed"?

The simple answer is that it's anticipated that each state association will make consistent, objective, good faith efforts to evaluate the information provided by their local associations in determining compliance. Obviously, this requires significant trust between all levels of the REALTOR® family. *(Added 8.7.14)*

2.10 Can state associations require local associations to submit their compliance information prior to June, 30, 2015?

Yes. State associations can set their own deadlines for their local associations to submit information demonstrating compliance with the Core Standards. Additionally, while the deadline for local associations to submit compliance information using the compliance database is June 30, 2015, state associations will have an additional 30 days (until July 30) to certify their local associations' compliance status to NAR. *(Added 8.7.14)*

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3. Mergers

3.1. What financial and other resources are or will be available from NAR to facilitate mergers?

Grants at a minimum of \$15,000 and a maximum of \$25,000 are available to merged associations. Grant amount are calculated at \$25 times the number of primary REALTOR® members in the newly-merged association but will not in any instance exceed \$25,000. If the newly merged association later merges with yet another association, additional monies may be requested but any subsequent grant will be limited to (a) the number of additional primary REALTOR® members gained through the subsequent merger, and (b) the aggregate funding available through the grant program will not exceed \$25,000. To be eligible, all mergers must become final between May 17, 2014 and June 30, 2016.

The merger grants will be available for two years because it's anticipated that in some cases merger discussions may not commence until after the associations have first attempted to meet the Core Standards; also because merger negotiations can take considerable time to complete.

A [comprehensive NAR Merger Kit](#) is available on Realtor.org. The white paper [An Alternative to Merging](#) is also available on Realtor.org. *(Revised 9.26.14)*

3.1.1. Our association merged with another association resulting in the now-merged association having eight hundred primary REALTOR® members. We requested and received an NAR merger grant of \$20,000 (800 members times \$25). We are now considering a merger with another association which, if consummated, will increase our membership to approximately nine hundred fifty primary REALTOR® members. Would we be eligible for a second merger grant, and if we would be, how would it be calculated?

You would be eligible for a second merger grant. It would be based on the one hundred fifty additional primary REALTOR® members gained through the second merger or \$3,750. That brings the total grant monies paid to \$23,750. If yet another merger happens, any additional grant would be capped at \$1,250 due to the aggregate cap of \$25,000. *(Added 9.26.14)*

3.1.2. Our association has 250 members. We are in the process of completing a merger with another association that will result in the newly-merged association having about 400 primary REALTOR® members. We realize that the merger grant that will then be available from NAR would be greater than 400 members times \$25 since the minimum grant amount is \$15,000. Our question is if in 2015 we then merge with still another association bringing the total of primary REALTOR® members to 500, would we then be eligible for a second merger grant of \$15,000? If not, what amount would we be eligible for?

Under these circumstances, a second merger grant would not be available because the total of primary REALTOR® members in the association that resulted from the two mergers is still less than the number needed to qualify for a grant larger than the already-awarded minimum of \$15,000. *(Added 9.26.14)*

3.1.3. Following up on question 3.1.2, what if we complete a third merger resulting in an association with 750 primary REALTOR® members. Would we then be eligible for another merger grant, and what would it be.

Yes, a second grant would be available. Because the initial grant was the minimum payable (\$15,000) which is equivalent to 600 members times \$25, the additional funds available would be \$3,750 (150 members times \$25). *(Added 9.26.14)*

3.1.4. We are a large association involved in merger discussions with several smaller associations. One of the mergers is about to be finalized. It will result in the newly-merged association having approximately eleven hundred members. We realize the grant money from NAR is capped at \$25,000. But if the newly-merged association then merges with another association resulting an association with twelve hundred and fifty primary REALTOR® members, are we eligible for another \$25,000 merger grant?

No. The aggregate amount available to an association regardless of how many separate mergers occur is capped at \$25,000. *(Added 9.26.14)*

3.2. What can we use the merger grant for?

Merger grants may be used to cover any costs incurred in bringing about a successful merger of two or more associations, such as severance packages for AEs, technology costs, legal fees, facilitator fees, travel expenses, and administrative costs.

3.3. Is there a directory of NAR-approved merger facilitators?

The [directory of NAR-approved merger facilitators](#) is available at REALTOR.org. *(Revised 8.7.14)*

3.4. How do facilitators qualify for the NAR merger facilitator training?

As soon as it is finalized, information about eligibility to participate in this training will be shared via the Internal News Service (INS) report for AEs. It's anticipated applicants will provide a resume documenting their experience facilitating mergers, including the number of assignments completed over the past five (5) years, a listing of those assignments (including references from the principals), and copies of merger agreements (with names redacted if requested by clients).

3.5. Will there be a cost to attend or will NAR sponsor this training?

NAR will sponsor the training. Attendees will be responsible for their travel and lodging expenses.

3.6. How do we obtain financial assistance for mergers from NAR?

The [merger grant program](#) is administered by the NAR Finance Committee through the Finance Division. [Grant applications](#) are available on Realtor.org. *(Revised 9.26.14)*

3.7. If three (or more) local associations merge, can each request funding from NAR?

Merger grants will only be available to successfully merged associations, based on the number of primary REALTOR® members in the resulting merged association. Secondary members (i.e. those who hold their primary REALTOR® membership in another association) cannot be included in this calculation. *(Revised 9.26.14)*

3.8. How will the amount of financial assistance from NAR be determined?

Please see the answer to question 3.1.

3.9. Our association completed a merger with two other associations prior to the 2014 REALTOR® Party Conference and Trade Expo. Will “merger funding” be available to us?

No. Please see the answer to question 3.1.

3.10. Can we retain our local identity/autonomy by becoming a chapter or council of a local association?

Yes. As discussed in the answer to question 2.6, a degree of local identity and presence can be maintained by establishing community-specific chapters or councils of local associations. Please also see Question 2.6.1 for further information on the relationship between local associations of REALTORS® and their chapters. *(Revised 8.7.14)*

3.11. Is there a difference between a chapter and a council?

For purposes of local associations of REALTORS®, the terms are synonymous.

3.12. Are chapters and/or councils chartered by NAR?

No. Only local and state associations of REALTORS® are chartered by NAR.

3.13. If we become a chapter of another local association can we retain our current name (e.g. “ABC Association of REALTORS®”)?

Technically, no. But essentially the same result can be achieved. When two (or more) associations of REALTORS® merge, there is only one resulting association. Let's say the ABC association and the DEF association merge, and the resulting merged association calls itself the XYZ Association of REALTORS®. If the members of the association formerly known as the ABC Association of REALTORS® wanted to form a chapter, it could be known as the ABC Chapter of the XYZ Association of REALTORS®.

3.14. Can we contract now with someone to facilitate our merger?

If you contract with a facilitator now – or later – remember the facilitator grant will be disbursed by NAR only after approval of the merger by the membership of the merging associations, so you will want to make that clear in your agreement with the facilitator.

3.15. Does NAR set merger facilitators' fees?

No. That is a matter of agreement between the associations considering merging - and the facilitator.

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4. Strategic Plans

4.1. Do the Core Standards require associations to have a strategic plan?

Yes.

4.2. What financial and other resources are available from NAR to facilitate development of strategic plans?

Grants at a minimum of \$2,500 and a maximum of \$5,000 are available to associations to develop a strategic plan, or to enhance an existing strategic plan. Grants are disbursed after the strategic plan has been completed, and submitted to and approved by NAR. Grants are based on the number of primary REALTOR® members at \$10 per member with a minimum grant of \$2,500 and a maximum grant of \$5,000 regardless of association size. Secondary members (i.e. those who hold their primary REALTOR® membership in another association) cannot be included in this calculation. Grants are available for strategic plans created or enhanced between May 17, 2014 and June 30, 2015. *(Revised 9.26.14)*

4.3. What can we use the strategic planning grant for?

Strategic planning grants - which will be disbursed after a strategic plan has been completed, and has been submitted to and approved by NAR - can be used for any purpose the association deems appropriate including facilitator fees, meetings and facilities, administrative expenses, travel expenses, etc.

4.3.1 Must an NAR qualified facilitator be used for an association to be eligible for a strategic planning grant?

The primary purpose of the strategic planning grant program is to ensure associations have access to qualified facilitators. Consequently, associations with five hundred (500) or fewer members must use an NAR qualified facilitator to be eligible for a strategic planning grant. Associations with more than five hundred members do not have to use an NAR qualified facilitator to be eligible for a strategic planning grant. *(Added 6.25.14)*

4.3.2 What date is used for determining whether we must use an NAR-approved strategic planning facilitator to be eligible for an NAR grant? Is it the date we contract with the facilitator or the date we submit the strategic plan to NAR? Let me explain. We currently have 503 members and want to use a well-qualified local facilitator who has done outstanding work for other associations of REALTORS®. We're worried, though, that something unforeseen could happen between the time we contract with the facilitator and the time the finished strategic plan is submitted to NAR that would cause our membership to drop below 500 members.

The point at which eligibility for a grant requires using an NAR-approved facilitator is the date you contract with the facilitator. It's not intended that associations of your size would be kept on tenterhooks while they develop their strategic plans. The amount of the grant will be determined by your membership count at the point you submit the plan to NAR. So while the amount you anticipate receiving will be reduced if your membership drops, it may increase if your membership grows.

An association with more than 500 members when they began the strategic planning process not using an NAR-approved facilitator will not lose eligibility for a grant if their membership drops to 500 or fewer members while the plan is being developed. *(Added 8.7.1)*

4.4. Is there a directory of NAR-approved strategic planning facilitators?

The [directory of NAR-approved strategic planning facilitators](#) is available at REALTOR.org. *(Revised 8.7.14)*

4.5. How do facilitators qualify for the NAR strategic planning facilitator training?

Information about eligibility to participate in this training as shared with local and state associations via the Internal News Service (INS) report for AEs. Applicants were required to provide a resume documenting their strategic planning experience over the past five (5) years (including client names and references), and a copy of the most recent strategic plan completed (with the client's identity redacted if requested by the client). *(Revised 9.26.14)*

4.6. *(Deleted 9.26.14)*

4.7. How do we obtain financial assistance for strategic planning from NAR?

The [strategic planning grant program](#) is administered by the NAR Finance Committee through the Finance Division. Strategic plans should be emailed to csgrantrequest@realtors.org. Once approved, the association's strategic plan should also be attached to the online compliance database ("Compliance Tool"). [Grant applications](#) are available on Realtor.org. *(Revised 9.26.14)*

4.8. How is the amount of financial assistance from NAR determined?

Please see the answer to question 4.1.

4.9. What must the strategic plan include to meet the Core Standards?

Strategic plans must satisfactorily address the Advocacy and Consumer Outreach components of the Core Standards to qualify. *(Revised 7.3.14)*

4.10. Can we contract now with someone to facilitate our strategic plan?

If you contract with a facilitator now – or later – remember the strategic planning grant will be disbursed by NAR only on successful completion of the strategic plan that's approved by NAR, so you will want to make that clear in your agreement with the facilitator.

4.11. Does NAR set strategic planning facilitators' fees?

No. That is a matter of agreement between the association and the facilitator.

4.12. Our association has strong, collegial relationship with the state association. However, we are also competitors when it comes to offering certain products, services and benefits to members. Our plans for new offerings are incorporated in our strategic plan or, in some cases in our business plan. We do not want to share that information with the state association or with other competitors. Do the Core Standards require us to make these plans available to the state association?

The short answer is no. Strategic and/or business plans will be reviewed at the national level only and will not be made available to the state association or to any other association in your state. *(Revised 9.26.14)*

4.13. We don't intend to apply for a strategic planning grant. How do we send our strategic plan to NAR for approval?

Even if a strategic planning grant isn't being requested, the plans should be sent to csgrantrequest@realtors.org. Once approved, the association's strategic plan should also be attached to the online compliance database ("Compliance Tool").

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5. Advocacy

5.1 Our local association has its own RPAC promotional material it annually distributes to the membership. Can we continue to use those materials, or do the Core Standards require use of materials provided by the state association or by NAR?

Local associations can comply by using any RPAC promotional materials they choose to educate the membership on the value of investing in RPAC. It is recommended that local material be reviewed by legal counsel to ensure it meets the state and federal PAC regulations. Most state associations and NAR make excellent promotional material for use by local associations.

5.2 Our local association has done advocacy activities in the past. When does this advocacy activity need to occur to satisfy the Core Standards for the initial 2014-15 cycle?

Advocacy activities that take place between adoption of the Core Standards (May 17, 2014) and June 30, 2015 will meet the requirement.

5.3 Each year, our association uses one of the REALTOR® Party programs. Will the use of REALTOR® Party Advocacy programs satisfy the Core Standards requirement?

Yes, REALTOR® Party programs and services qualify.

5.4 Our association develops and conducts our own advocacy programs. Do they satisfy the Core Standards requirements, or must we use REALTOR® Party programs?

The Core Standards require associations to demonstrate advocacy engagement. If the program or activity is advocacy-based, it will meet the requirement subject to the state association review and confirmation.

5.5. Am I required to include RPAC in my dues billing statement?

There are two options. You can:

- Include RPAC in your association dues billing statement.
- Write a check in the full amount of the NAR established RPAC goal from your local association's account to the NAR PAF (Political Advocacy Fund). That check should be sent to your state association and not to NAR directly. Check with your state association to ensure legal compliance.

5.5.1 What are the consequences of including only our local PAC on our members' dues billing statements?

Failure to include RPAC contributions on members' dues billings will result in the association having to write a check for the full amount of the NAR-established RPAC goal payable to the NAR PAF (Political Advocacy Fund). *(Added 7.3.14)*

5.5.2. What if my local association regularly meets its fundraising goal annually without doing dues billing? Must I still dues bill for RPAC or the PAF to comply with the Core Standards requirement?

Surpassing your fundraising goal, even if by a significant amount, does not relieve your association of its obligation to comply with the Core Standard requirement to include RPAC or the PAF in your dues billing statement or to send a check in the amount of the NAR-established RPAC fundraising goal. *(Added 9.26.14)*

5.5.3. Do we have to bill all members the same RPAC or PAF amount on their dues billing statements, or can we bill different types of members for different amounts (for example, \$35 for agents and \$75 for brokers)?

You may bill any amount for RPAC or the PAF on the dues billing statement as long as it is at least "in an amount adequate to meet any NAR established fundraising goals." *(Added 9.26.14)*

5.5.4. Do State Associations with at-large REALTOR® members need to request a voluntary RPAC or PAF contribution in the dues billing statements sent to such members?

Yes, a State Association that bills at-large members directly should include RPAC or PAF in their dues billing and the state will transmit the NAR portion accordingly. *(Added 9.26.14)*

5.5.5. If my Local Association elects to write a corporate check as opposed to implementing dues billing, is there a limit on the amount for which the corporate check can be written?

There is no legal limit on how much can be sent to NAR's Political Advocacy Fund (PAF). There may be a limit if the association elects to also make a contribution using association treasury funds to the State PAC where corporate contributions are permitted but limited in amount, and in some states associations may be prohibited from making contributions to the state PAC. Please check with your state association for more information about the available options. *(Added 9.26.14)*

5.5.6 If we choose to write a corporate check in lieu of dues billing, what date and therefore what membership count do we use to determine the amount? And if our membership increases during the year, do we "owe" more money later since the membership went up?

October 31 of the previous year which is the same date RPAC uses to set the states' fundraising goals. If your membership changes throughout the year, the amount required via a corporate check will not change. *(Added 9.26.14)*

5.5.7 If we write a corporate check that represents a contribution from each member, does that put our Association at 100% participation?

A corporate check from an association does not equate to 100% participation by its members. In order for a contribution to be counted towards RPAC participation, the national RPAC Trustees voted it must be a voluntary contribution made by the member. *(Added 9.26.14)*

5.6. What if I don't reach my NAR-established RPAC goal through the member dues billing?

Your Association will be in compliance if you included the NAR-established RPAC goal in your dues billing, regardless of the amount collected.

5.7. I already sent my dues billing out for 2015. Do I have to re-bill every member?

If you already sent out your *full year* dues billing and will not be sending another dues billing statement, you can comply by including it in future years' dues billings. Minimally it must be included in all dues billings sent after June 30, 2015. However, if you have not sent your 2015 dues billings, and will be sending them after September 1, 2014, you are required to include the NAR-established RPAC goal in your 2015 dues billing statement.

5.8. We place Calls for Action on our MLS sign-in page. Does that demonstrate adequate proof of participation?

Yes. You need to demonstrate CFA promotion to your membership. To see your state and local association Call for Action response rate, go to <http://www.realtoractioncenter.com/for-associations/cfa-report/>.

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6. Professional Standards/ Code of Ethics

6.1. What do the Core Standards require with respect to new and continuing member training?

The Core Standards require associations to provide new and continuing member Code of Ethics training as required by Professional Standards Policy Statements #47 and #48.

Professional Standards Policy Statement #47, *New Member Orientation*, provides:

Effective January 1, 2001, applicants for REALTOR® membership shall complete an orientation program on the Code of Ethics of not less than two (2) hours and thirty (30) minutes of instructional time. This requirement can be satisfied through instruction provided by the local Board or by another Board and can include classroom instruction, home study, correspondence study, or Internet-based instruction. Any orientation program must meet the learning objectives and minimum criteria established by the National Association of REALTORS® from time to time. REALTORS® who having completed such orientation shall not be required to complete further Code of Ethics orientation

upon application for membership in another Board provided that REALTOR® membership has been continuous or that any break in membership is for one (1) year or less.

Professional Standards Policy Statement #48, *REALTORS®' Code of Ethics Training*, provides: Effective January 1, 2001 through December 31, 2004, and for successive four (4) year periods thereafter, REALTORS® are required to complete quadrennial ethics training of not less than two (2) hours and thirty (30) minutes of instructional time. REALTORS® completing such training during any four (4) year cycle shall not be required to complete additional ethics training in respect of this requirement as a requirement of membership in any other Board or Association.

A REALTOR® completing the new member Code of Ethics orientation during any four (4) year cycle shall not be required to complete additional ethics training in respect of this requirement until a new four (4) year cycle commences.

Failure to complete the required periodic ethics training shall be considered a violation of a membership duty.

Failure to meet the requirement will result in suspension of membership for the first two months (January and February) of the year following the end of any four (4) year cycle or until the requirement is met, whichever occurs sooner. On March 1 of that year, the membership of a member who is still suspended as of that date will be automatically terminated.

Every Board and Association is required to provide access to necessary ethics training programs either locally, in conjunction with other Boards and Associations, or through other methods (including, but not limited to, home study, correspondence courses, or Internet-based instruction). Any training offered pursuant to this requirement must meet the learning objectives and minimum criteria established by the National Association of REALTORS® from time to time.

6.2. What options are available for local associations in enforcing the Code of Ethics and conducting dispute resolution?

Local associations have wide latitude in how they meet their enforcement obligations. Enforcement can be conducted by the association itself, associations can develop multi-association or regional enforcement mechanisms, and state associations can take on some or all enforcement duties.

6.3. Will NAR develop additional expedited enforcement procedures?

“Expedited” procedures for enforcement of the Code of Ethics are available at Section 20 (f-q) in the *NAR Code of Ethics Arbitration Manual*. Additional enhanced policies and procedures will be developed by the NAR Professional Standards Committee.

6.4. Is “ombudsmen” an acceptable enforcement supplement?

Yes.

6.5. What “ombudsmen” resources are available from NAR?

Boards and associations of REALTORS® are charged with the responsibility of receiving and resolving ethics complaints. This obligation is carried out by local, regional and state grievance committees and professional standards committees. Some complaints received by associations do not expressly allege violations of specific Articles of the Code of Ethics; others do not detail conduct related to the Code. Some complaints are actually transactional, technical, or procedural questions that can be readily responded to. Many complaints can be averted or easily dealt with through enhanced communications and initial problem-solving capacity. NAR has developed ombudsman procedures which may be adopted by associations, and which are available at REALTOR.org by searching on “Developing an Ombudsman Program.”

6.6. Is a “citation system” an acceptable enforcement supplement?

Yes.

6.7. Will NAR develop a model “citation system?”

Yes, it’s anticipated the NAR Professional Standards Committee will develop a model citation program based on similar programs already in use in several states.

6.8. Is “ethics mediation” an acceptable enforcement supplement?

Yes.

6.9. What “ethics mediation” resources are available from NAR?

Detailed procedures are available on REALTOR.org. Visit [Ethics Mediation](#) or search REALTOR.org for “ethics mediation.”

6.10 Our Grievance Committee doesn't meet on a scheduled basis. Rather, when an ethics complaint or an arbitration request is filed, we select members from the Grievance Committee roster to review the complaint/request. Is this permissible under the Core Standards and applicable policy?

Yes. *(added 8.7.14)*

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7. Consumer Outreach

7.1. Are there examples of association consumer outreach initiatives?

[Consumer Outreach Best Practices](#) in three categories – Advocacy, Education, and Market Data – are available on REALTOR.org. These initiatives represent a wide variety of association staff and budget resources. Contact information for more details on any of these best practices is also included in this collection. <http://www.realtor.org/ae/manage-your-association/consumer-outreach-best...>

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8. Unification Efforts and Supports of the REALTOR® Organization

8.1. What does “have access to” legal counsel require?

At a minimum, every association will have access to a specific attorney or law firm that can provide legal guidance with respect to laws and regulations governing the operation of real estate associations and other matters that might create liability to the association. This could be met by having an attorney on the association’s staff, or through an arrangement with local legal counsel. If the state association offers legal services to its associations, that would meet the requirement as well.

8.2. How do local associations demonstrate that they have timely filed all legally required reports and documents?

The compliance certification tracking and reporting system will allow associations to attach copies of all required documents.

8.3. What training for local and state association chief staff satisfies the Core Standards requirements?

Training meeting the requirement includes offerings at the NAR Association Executives Institute, similar programs conducted regionally by one or more state associations, and other programming focused on real estate association management/administration issues. Also see Question 2.8. *(Revised 8.7.14)*

8.4. How do local associations demonstrate that they have promoted “to their members the importance of participating in NAR-conducted efforts to assess member understanding of the overall value provided by associations at all three levels of the Association?”

NAR will conduct annual surveys of local associations' REALTOR® members to determine whether associations have heightened their members' awareness of the REALTOR® organization's value proposition.

8.5. (Deleted 9.26.14)

8.6 Can "shared services" be used to satisfy certain Core Standards (e.g. press releases) if the partner organization isn't another association of REALTORS® (for instance our local Chamber of Commerce)?

Yes, as long as the content itself meets the Core Standards requirement, the "partner" organization doesn't matter. (Added 8.7.14)

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9. Technology

9.1. What is required for a website to be considered "interactive?"

"Interactive website" is defined as one that permits users to move between websites and that can include active links.

9.2. Is there specific content/information that must be available on local and state association's interactive websites?

Associations' interactive websites must make access to professional standards and arbitration filing processes available, and must link to the websites of the other levels of the REALTOR® organization for promotion of member programs, products and services.

9.3. Will NAR provide funding to develop local and state association interactive websites?

The Organizational Alignment/Core Standards implementation effort does not include funding for development of local or state association websites.

9.4. Are there technology information resources available from NAR?

The [REALTOR® Association Core Services Technology Guide](#) is available on REALTOR.org.

9.2. Is there specific content/information that must be available on local and state association's interactive websites?

Associations' interactive websites (defined as including the ability to move between websites and to create active links) must give members and consumers access to professional standards and arbitration filing processes available, and must link to the websites of the other levels of the REALTOR® organization for promotion of member programs, products and services.

To assist associations in meeting this requirement, NAR's Member Policy staff has created a [comprehensive compendium of information](#) that includes the Code of Ethics, explanatory whitepapers (e.g. *Before You File an Ethics Complaint*, the *Sanctioning Guidelines*, and others), standard forms for filing and processing ethics complaints and arbitration requests, the Statements of Professional Standards Policy adopted by the NAR Board of Directors, as well as resources for professional standards administrators. [These materials can be linked to from Realtor.org.](#) (Revised 8.7.14)

9.5 How can our association prove it uses email to communicate with our members?

The assertion of the association President, President-elect and Association Executive that the association uses email to communicate with members should be satisfactory "proof." (added 8.7.14)

9.6 How do we prove to the state association that we have an interactive association website?

The website's URL should be sufficient to enable the state association to confirm your association has a qualifying interactive website. (Added 8.7.14)

9.7. Our MLS has a website accessible by our members and by consumers. It includes some information about our association as well. Does that satisfy the Core Standards requirement?

There is no prohibition on an association and its MLS sharing a website. But to satisfy the Core Standards it should be clear to consumers - and to members as well - that when they land on the website they have arrived at a destination that's the source of information about the association, its programs and the resources available to members and to consumers. *(Added 9.26.14)*

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10. Financial Solvency

10.1. What must local and state associations do to demonstrate fiscal integrity and financial solvency?

Each association must adopt financial policies to ensure the fiscal integrity of their financial operations. These financial policies might cover topics and subjects such as:

- fraud awareness and prevention
- budgeting
- dues collection
- financial information disclosure
- officer, member and staff travel
- investing
- reserve levels
- payment policies
- compliance reporting
- compensation
- revenue recognition
- asset capitalization
- financial reporting
- conflicts of interest
- whistleblower
- document retention

10.1.1 Are we required to share our state and/or federal tax returns with the state association or with the NAR?

No. Documentation confirming that the required returns have been filed such as a letter from the association's CPA, accountant, tax preparer or the treasurer will satisfy the requirement. *(Added 7.3.14)*

10.1.2 Our association commonly files for one or more extensions for filing our state and/or federal tax returns. What do we do if we haven't filed the current years returns when it's time to demonstrate compliance with the Core Standards?

Documentation confirming filing of the most recent returns (see FAQ 10.1.1) will satisfy the requirement. *(Added 7.3.14)*

10.2. What financial reports are necessary to satisfy the Core Standards?

Each association must submit an auditor's report on an audit, review or compilation. Definitions of these terms by the American Institute of Certified Public Accountants are provided in questions 10.3-10.5.

10.2.1 How do we know if we are eligible to meet the Core Standards by obtaining a "CPA's Compilation Report?"

Only associations with gross revenues of less than \$50,000 can satisfy the Core Standards using a "CPA's Compilation Report" (defined in Question 10.5 below). Please note, though, that state and

national dues and assessments are not considered to be revenue for purposes of this measurement. *(Added 8.7.14)*

10.2.2 Are the revenues generated by our MLS included in the \$50,000 cut-off for using a "CPA's Compilation Report" to satisfy the Core Standards?

If the MLS is operated as a committee of the association of REALTORS® (and not a separate corporation), then the MLS's revenues and expenses are part and parcel of the association's overall finances, and would be included in the association's financial review duties under the Core Standards.

If the MLS is separately incorporated, then its revenues would not be counted as part of the association's revenues for purposes of the Core Standards. *(added 8.7.14)*

10.2.3 Our CPA wants to know if footnotes are required for a "CPA's Compilation Report" to satisfy the Core Standards.

No, the Core Standards do not require footnotes. *(added 8.7.14)*

10.2.4 For the first compliance cycle (ending June 30, 2015) in what tax year should the audit, review or compilation be for?

The audit, review or compilation should be for the first fiscal year-end following May 17, 2014. *(Added 9.26.14)*

10.2.5. Our association's gross revenues (excluding amounts received for state and national dues and assessments) are greater than \$50,000. What type of financial reporting are we required to have?

Associations with revenues of more than \$50,000 (excluding amounts received for state and national dues and assessments) must have a CPA's audit opinion or an Accountant's Review Report. *(Added 9.26.14)*

10.3. What is a "CPA's audit opinion?"

Audited financial statements provide the user with the auditor's opinion that the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework. In an audit, the auditor is required by auditing standards generally accepted in the United States of America (GAAS) to obtain an understanding of the entity's internal control and assess fraud risk. The auditor also is required to corroborate the amounts and disclosures included in the financial statements by obtaining audit evidence through inquiry, physical inspection, observation, third-party confirmations, examination, analytical procedures and other procedures.

The auditor issues a report that states the audit was conducted in accordance with GAAS, the financial statements are the responsibility of management, provides an opinion that the financial statements present fairly in all material respects the financial position of the company and the results of operations are in conformity with the applicable financial reporting framework (or issues a qualified opinion stating the financial statements are not in conformity with the applicable financial reporting framework; the auditor may also issue a disclaimer of opinion or an adverse opinion if appropriate).

10.4. What is an "Accountant's review report?"

Reviewed financial statements provide the user with comfort that, based on the accountant's review, the accountant is not aware of any material modifications that should be made to the financial statements for the statements to be in conformity with the applicable financial reporting framework.

A review engagement involves the CPA performing procedures (primarily analytical procedures and inquiries) that will provide a reasonable basis for obtaining limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the applicable financial reporting framework.

In a review, the CPA designs and performs analytical procedures, inquiries and other procedures, as appropriate, based on the accountant's understanding of the industry, knowledge of the client, and awareness of the risk that he or she may unknowingly fail to modify the accountant's review report on financial statements that are materially misstated. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records; or other procedures ordinarily performed in an audit.

The CPA issues a report stating the review was performed in accordance with Statements on Standards for Accounting and Review Services; that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements; that a review includes primarily applying analytical procedures to management's financial data and making inquiries of management; that a review is substantially less in scope than an audit and that the CPA is not aware of any material modifications that should be made to the financial statements for them to be in conformity with the applicable financial reporting framework.

10.5. What is a “CPA’s compilation report?”

In a compilation engagement, the accountant assists management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

In a compilation, the CPA must comply with the Statements on Standards for Accounting and Review Services (SSARs), which require the accountant to have an understanding of the industry in which the client operates, obtain knowledge about the client, and read the financial statements and consider whether such financial statements appear appropriate in form and free from obvious material errors.

A compilation does not contemplate performing inquiry, analytical procedures, or other procedures ordinarily performed in a review; or obtaining an understanding of the entity's internal control; assessing fraud risk; or testing of accounting records; or other procedures ordinarily performed in an audit.

The CPA issues a report stating the compilation was performed in accordance with Statements on Standards for Accounting and Review Services; and that the accountant has not audited or reviewed the financial statements and accordingly does not express an opinion or provide any assurance about whether the financial statements are in accordance with the applicable financial reporting framework.

10.6. Will NAR provide financial assistance to associations that have not utilized such reporting in the past?

No. Fiscal integrity and financial reporting are corporate responsibilities of every association, regardless of size.

10.7. If our association is considering filing bankruptcy, who do we contact at NAR?

The Office of the General Counsel.

10.8. What is the consequence of filing for bankruptcy without informing NAR first?

Loss of charter status.

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11. State Association Funding

11.1. Are implementation grants available to state associations from NAR?

Yes.

11.2. How can these funds be used?

Grants can be used by state associations to assist their local associations in complying with the Core Standards.

11.3. What is the process for requesting funding?

State associations will develop and submit plans detailing how they intend to assist their local associations in complying with the mandatory core standards, the proposed steps to be taken, and the costs for each step. Plans will be submitted to the NAR Treasurer, in care of the CFO.

Upon review of the plan, one half of the proposed funding will be paid, with the balance, up to the proposed maximum of \$5 per REALTOR® member (and with a cap of \$100,000 per state), on or about June 30, 2015. Providing half of the grant at the time of application will facilitate implementation and ease the financial burden on state associations.

The grant program will be administered by the NAR Finance Committee through the Finance Division. It's anticipated that application information will be available in July.

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