Virtual Office Websites

**This article is based on, and uses portions of, the report on “Virtual Office Websites And Their Impact On Regulators Of Real Estate Brokers And Salespersons” prepared by Miriam J. Baer, Assistant Director, Legal Services Division, North Carolina Real Estate Commission, and Thomas R. Miller, Legal Counsel, North Carolina Real Estate Commission and past Chair of the Association of Real Estate License Law Officials (ARELLO) Law Committee, and an October 2003 bulletin posted on the North Carolina Real Estate Commission website.**

The National Association of Realtors® (NAR) adopted a policy governing virtual office websites (VOWs) operated by Multiple Listing Service (MLS) participants in May 2003. Implementation of the VOW policy is on hold pending an investigation by the United States Department of Justice until January of 2005. In the interim, brokers and regulators are attempting to understand the VOW and its impact on the real estate business.

VOWs have been described as vehicles for conducting an online brokerage in a way that is similar to how a brokerage firm interacts with its clients or customers in a “bricks-and-mortar” office. Consumers, after registering with a VOW, can search the MLS listing database for properties of interest. See Virtual Office Website Frequently Asked Questions, www.realtor.org, 06/11/2003.

Under the VOW policy, the MLS participant (a designated broker) must establish a lawful broker-consumer relationship and satisfy state law requirements regarding agency and other disclosure obligations. The consumer has the opportunity to search the MLS data, subject to the participating designated broker’s oversight, only after the consumer registers with the VOW by providing his or her name and an e-mail address and agreeing to the VOW’s terms of use.

According to the VOW policy, consumers who merely register at a VOW are not entering into an agency relationship with the operator (the designated broker or an authorized affiliated licensee) and are not financially obligated to the operator. Such a relationship and obligation must be created according to each state’s regulatory statutes, separate from the VOW registration process, must be prominently labeled, and may not be entered into or accepted solely by a mouse click. VOW Policy § II. The VOW policy clearly states that agency agreements and relationships should be entered into separately, in a form and manner that assures the consumer understands and agrees to whatever he or she is signing, and that it is in conformance with governing statutes.

The NAR policy presumes that a listing designated broker entering data in the MLS will permit all other MLS participants to display the active listing on their VOWs unless such a presumption is prohibited by state law or regulation. However, the VOW policy provides that a designated broker who does not want his or her listings displayed by other MLS participants may opt out by directing that the listings not be searched or displayed. The policy outlines ways to opt out. The VOW policy further provides that a seller may opt out by directing his or her listing designated broker to withhold the listing or property address from the Internet. The seller’s directives (Continued on page 6)
DIRECTOR’S DESK

The Legislature passed and Governor Johanns signed LB 845 which the Commission had drafted for introduction in the past Legislative Session. The legislation will become effective on July 16, 2004.

The majority of the amendments set forth in the bill dealt with the Time Share Act. The amendments were summarized in the Spring 2004 “Commission Comment” and can be reviewed through the Commission’s website at: www.nrec.state.ne.us. In the left-hand menu click on “Adopted 2004 Legislation” and follow the instructions set forth.

The other adopted amendment relates to the premium limit for the mandatory errors and omissions (E&O) insurance policy offered by the Commission. The limit will go to $500.00 effective July 16, 2004. This change was made to maintain the viability of the E&O Plan.

We would like to thank Senator Dennis Byars for introducing the legislation and the assistance he provided in getting the legislation enacted.

Rule Changes Adopted

At its May 19, 2004 Meeting, the Commission adopted proposed amendments to Title 299 N.A.C. Chapter 8 of the Commission Rules and Regulations. This is the section of the Rules and Regulations under which the Commission administers the licensee errors and omissions (E&O) program. These proposed amendments must now be reviewed and approved by the Attorney General and the Governor.

The proposed amendments for the most part delete obsolete language, correct grammar, punctuation and references. The two substantive proposed amendments relate to the deductible limit for the Commission-offered Plan and equivalent coverage. The first substantive amendment is in Subsection 003.03. It gives the Commission the flexibility to allow the Commission-offered Plan to have a deductible which can range from 0% to 3%. The actual percentage will be set by the Commission in the Request for Proposal (RFP) process and during annual renewals of the E&O Plan.

The other substantive amendment is made to Subsection 004.01 which sets forth the deductible on equivalent insurance must not be greater than that specified in the Commission-offered Plan. It makes provision for the deductible on equivalent insurance to be grandfathered if the deductible changes in the Commission-offered Plan under certain circumstances.

The proposed amendments dealing with deductibles were supported by the Commission to allow the Commission flexibility in negotiating premium amounts in the future. The Commission wanted this flexibility due to the rapidly rising cost of insurance in general and our experience of last Fall in acquiring E&O insurance for this calendar year.

You may review these proposed amendments through the Commission’s website at: www.nrec.state.ne.us. In the left-hand menu click on “Proposed Title 299, Chapter 8 Amendments for Errors and Omissions Insurance Coverage” and follow the instructions set forth.
The Real Estate Commission Staff

The Real Estate Commission Staff is here to serve the public and the licensee population. It is our goal to be helpful and forthright in a courteous and professional manner. We hope that when you contact our office, you always receive useful, accurate information and/or are referred to the proper authority.

Following is a communication resource to assist you when contacting our office. If the indicated person is unavailable to take your call, please share the purpose for the call and your call will be routed to someone else who can help you.

We take pride in having a skilled staff, if you have comments or suggestions as to how we may better serve you, please contact our office.

COMMUNICATIONS GUIDE

Ask for person indicated if you have questions in the following areas.

- Commission Meeting Information
  - Heidi Burkland
  - InfoTech@nrec.state.ne.us
- Complaint Procedures
  - Terry Mayrose
  - DDEnf@nrec.state.ne.us
- Continuing Education History or Inquiries
  - Julie Schuur
  - EdEnf@nrec.state.ne.us
- Curriculum Design (Education & Instructor Approval)
  - Teresa Hoffman
  - DeputyD@nrec.state.ne.us
- Errors and Omissions Insurance Inquiries
  - Teresa Hoffman
  - DeputyD@nrec.state.ne.us
- License Applications Packet Requests
  - General Staff
  - InfoTech@nrec.state.ne.us
- License Applications Process
  - Melanie Patrick-Heather
  - Apple@nrec.state.ne.us
- Licensing and Education Requirements
  - Teresa Hoffman
  - DeputyD@nrec.state.ne.us
- New Licenses in Process
  - Melanie Patrick-Heather
  - Apple@nrec.state.ne.us
- Specialized Registrations
  - Monica Wade
  - Finance@nrec.state.ne.us
- Transfer of License
  - Marilyn Masters
  - LicTsf@nrec.state.ne.us
- Trust Account Matters
  - Terry Mayrose
  - DDEnf@nrec.state.ne.us
  - John Clark
  - Patricia Stehly
  - Ron Pierson

The Real Estate Commission

FREE TRAINING SESSIONS ON NEW NOTARY LAW SCHEDULED FOR JULY

The Nebraska Secretary of State’s Office plans to conduct free training sessions in July on legislation that makes extensive changes to state law regarding notaries public.

“This is an excellent opportunity for current notaries and potential applicants to learn about the new framework in which notaries will operate in Nebraska,” said Secretary of State John Gale. “My office believes in taking government to the people, so we plan to hold these free sessions in 16 cities throughout the state.”

Each training session will last about two hours. For information on the schedule of sessions and how to register, call (402) 471-2558.

Disciplinary Actions Taken by the Real Estate Commission

(Does Not Include Cases on Appeal)

2003-043 – Commission vs. Matthew Alson Rasmussen, Salesperson. Stipulation & Consent Order. License suspended for two (2) years, with the first sixty (60) days served on suspension and the remainder of the period stayed and served on probation, from March 4, 2004, through March 3, 2006; plus an additional nine (9) hours of continuing education, including three (3) hours in the area of contracts, three (3) hours in the area of license law, and three (3) hours in the area of ethics, to be completed by September 3, 2004. [Violated Neb. Rev. Stat. § 81-885.24(29)]

by demonstrating negligence, incompetency or unworthiness to act as a salesperson by failing to obtain the signature of the husband seller on the Warranty Deed and the Authorization to Receive Proceeds and Deliver Deed and by entering into the second and third listing agreements for property which was already listed without cancelling the first listing with the husband seller.] March 3, 2004


We’ve Got Mail!!

E-mail, that is. The Commission is focusing on technology. Our goal is to enhance our accessibility and service to the Public and to our Licensee Population.

With that in mind, let us call your attention to the addition of e-mail addresses in the “Communications Guide” located on page 3. If you have any questions, please feel free to contact us by phone, mail, or e-mail, so that we may be of assistance.
DISCIPLINARY ACTION (Cont’d)

Consent Order. License suspended for one hundred fifty (150) days, with the first sixty (60) days served on suspension and the remainder of the period stayed and served on probation, from March 5, 2004, through August 1, 2004; plus an additional nine (9) hours of continuing education, including three (3) hours in the area of disclosures, three (3) hours in the area of ethics, and three (3) hours in the area of license law, to be completed by August 1, 2004. [Violated Neb. Rev. Stat. § 76-2417(3)(a) by failing to disclose in writing, to a buyer, at or prior to the time the buyer signs an Offer to Purchase, an adverse material fact regarding the condition of a parcel of real estate of which a broker or salesperson has knowledge. Said written disclosure shall be signed and dated by the buyer, and a copy of the signed and dated disclosure shall be maintained in the transaction file on that parcel of real estate; Ch. 5-003.25, failure by a licensee who knows of an error, inaccuracy, or omission in a Seller Property Condition Disclosure Statement completed pursuant to 76-2, 120 to disclose the error, inaccuracy, or omission, in writing, to a potential purchaser and the seller. Such disclosure shall be attached to the Seller Property Condition Disclosure Statement; 81-885.24(29) by demonstrating negligence, incompetency, or unworthiness to act as a broker.]

March 3, 2004

2004-001 – Andria & Leslie Davidson vs. David Scott Klein, Salesperson. Stipulation & Consent Order. License censured; plus an additional six (6) hours of continuing education, including three (3) hours in the area of license law and three (3) hours in the area of ethics, to be completed by September 30, 2004. [Violated Neb. Rev. Stat. § 81-885.24(11) by placing a sign on any property and offering it for sale without the written consent of the owner or his or her authorized agent when Respondent left the sign on the sellers’ property after the expiration of the written listing agreement and 81-885.24(29) by demonstrating negligence to act as an associate broker by failing to remove the yard sign at the conclusion of the listing.]

April 1, 2004

2004-020 – Commission vs. Carla J. Mason, Broker, & Janell Dianne McMann, Salesperson. Both: Stipulation & Consent Order. License censured; plus an additional three (3) hours of continuing education in the area of agency to be completed by June 29, 2004. [Violated Neb. Rev. Stat. § 76-2421(1) by failing at the earliest practicable opportunity during or following the first substantial contact with the prospective buyers to provide the prospective buyers with a written copy of the current brokerage disclosure pamphlet which had been prepared and approved by the Commission and failed to timely disclose in writing to the prospective buyers the types of brokerage relationships the designated broker and affiliated licensees are offering to the prospective buyer, or to disclose in writing to the prospective buyers which party respondents were representing.]

April 1, 2004

2003-006 – Marilyn Christensen vs. Robert L. Pelshaw, Broker. License censured; plus an additional three (3) hours of continuing education in the area of trust accounts to be completed by December 12, 2003. [Violated Neb. Rev. Stat. § 81-885.24(24) by failing to place as soon after receipt as practicable, in the custody of his employing broker, any deposit money or other money or funds entrusted to him by any person dealing with him as the representative of his employing broker.]

June 13, 2003


2004-029 – Commission vs. Gary W. Fenster, Broker. Stipulation & Consent Order. License censured; plus must complete a 12-hour pre-license education course offered in Iowa entitled “Developing Professionalism and Ethical Practices” by November 18, 2004. [Violated Neb. Rev. Stat. § 81-885.24(29) by demonstrating negligence, incompetency or unworthiness to act as a broker by failing to exercise reasonable care to provide security for a client’s property while said property was under his direct care and responsibility, acting in an unprofessional manner and failing to exercise good judgement by utilizing a private area of the client’s property without permission or regard for the client, and action was taken against Respondent’s real estate license by another licensing jurisdiction.]
This is a reminder notice which is intended to encourage you to plan for the timely completion of your continuing education requirement so that you may renew your license on time and not incur late renewal fees.

If you were licensed in an even-numbered year since 1986 and you wish to renew your license on active status, your current continuing education period began January 1, 2003 and ends with license renewal this year (this does not include those licensed in 2004). You must have completed 12 clock-hours of approved continuing education in order to renew your license for 2005. You can confirm the year of your licensure by checking your license I.D. number. The first two digits (four digits since 2000) indicate the year you were licensed. For example, someone with an I.D. number of 860403 or 20025890 would be in a 2003-2004 continuing education period and would have to complete the requirement before renewing his/her license for the year 2005.

If you have already completed and submitted verification of your 2003-2004 continuing education requirement, we thank you for your timeliness. OR if you hold a Nebraska license as a non-resident and are living in and currently licensed in one of the following jurisdictions, Alberta, AL, AR, CO, CT, GA, IA, ID, IN, KY, MA, MS, MT, NY, NC, ND, OK, OH, OR, PA, SD, TN, or WY, you need to comply with the continuing education requirement of your resident jurisdiction only and need not submit evidence of continuing education to the Nebraska Real Estate Commission. If you fall into either of the two categories just described, you need not do anything else regarding continuing education this year unless the license renewal form you receive in October says “Needs Continuing Education”. If your renewal contains this notice, you should immediately contact our office so that our records can be verified.

We strongly encourage you to submit your continuing education certificates as you earn them. You can then reference Licensee Information on the Real Estate Commission’s website (www.nrec.state.ne.us) or call the Commission and access your continuing education records as they are recorded with the Real Estate Commission. Please remember that three (3) continuing education hours out of the twelve required every two years must be in designated subject matter. Courses that meet this requirement are indicated by the letter “R” following the course content number. Required courses may be duplicated in subsequent continuing education periods, but may not be duplicated during any one continuing education period. Although activity schedules must be obtained through education providers, lists of approved continuing education activities are available from this office upon request.

Reminders on Mailing Labels

Our mailing labels, as appearing on this newsletter, can also help active licensees keep track of how many continuing education hours they have submitted in their current continuing education period. The label indicates a numerical code to the right of the address. The first set of numbers indicates the number of hours of continuing education an active licensee has submitted, the number behind the slash mark indicates the total number of hours required. If this is followed with an asterisk (*) then the licensee has NOT yet submitted the required 3-hours of designated subject matter (the R course). The second set of numbers identifies the licensee’s continuing education period. For example the notation 03-04 indicates a 2003-2004 continuing education period. In this example Tuesday, November 30, 2004, would be the last day to submit continuing education without incurring a late renewal fee.

For example if an individual’s continuing education was due this year and the individual had completed 6 hours of continuing education without an R course the notation on the mailing label would read: 6.00/12.00* 03-04. The notation for an individual who has completed the current continuing education requirement would be: 12.00/12.00 03-04.

(Continued on page 7)
VOWs and Nebraska Statutes

Agency

The first agency issue is whether or not an agency relationship has been formed by the consumer accessing the VOW. In other words, is this consumer a client or a customer, and who is the licensee representing? Nebraska law coincides with NAR’s VOW Policy with regard to “substantial contact.” Obtaining the consumer’s name and e-mail address in the VOW registration process would not be considered a “substantial contact” under Nebraska’s Agency Relationships Statute. Compliance with the Nebraska Real Estate License Act and Agency Relationships Statute requires licensees to provide, either electronically or in paper format, a prospective buyer or seller with a copy of the Real Estate Commission’s “Brokerage Relationships in Real Estate Transactions” brochure at the first substantial contact; review it with the prospective buyer or seller; and disclose whether the licensee will act as a limited seller’s or limited buyer’s agent in the transaction, and whether the consumer will be a customer or a client. (Use of limited seller or limited buyer in this document would apply accordingly to limited landlord and limited tenant, when applicable, in a MLS.)

The Commission has generally interpreted first substantial contact to have occurred when the licensee invites the consumer to provide, or the consumer provides to the licensee, information about a particular property, personal information, financial circumstances, family matters, or the like. First substantial contact may also occur when the licensee leads the consumer to believe that the licensee will be, or is, acting as the consumer’s agent. The consumer needs to know if he or she is a client or a customer and who the licensee is representing in an electronic communication, just as the consumer needs to know in a face-to-face communication.

Advertising

The use of a VOW involves advertising and, as such, is regulated by the License Act and the rules and regulations regarding advertising. A component of the service provided by the VOW is the dissemination and promotion of its own listings and those of other MLS participants in the hope of achieving a sale or lease. According to the NAR VOW policy, a listing on a VOW may include the name of the VOW operator, usually the designated broker, the name, address, phone number, and company logo, and any other information required by state law. VOW Policy § IV(1)(b). Advertising, as defined in Nebraska, includes all forms of identification, representations, promotions, and solicitations disseminated in any manner and by any means of communication to the public for any purpose related to licensed real estate activity. All advertising must be in compliance with statute, rules, MLS policy, and broker policy.

Under Nebraska law, to advertise property for sale or lease, the seller/owner must consent to such offer for sale or lease and, therefore, to the property’s advertising on any VOW. This would include authorizing the property’s inclusion on other MLS participants’ VOWs. Licensees should take care to assure that their VOWs do not imply that the listings of others are those of the designated broker or authorized affiliated licensee operating the VOW. (See Summer 2003 “Commission Comment” for review of advertising requirements for the Internet, also available at: www.nrec.state.ne.us/pdf/cc703.pdf).

In Closing

The VOW issue has been debated nationally for some time, and is a somewhat complicated issue. The Commission recommends that any broker desiring to implement a VOW contact his or her legal counsel, to assure that the VOW is developed and implemented in compliance with applicable Nebraska statutes.

(Continued on page 7)
THE CONSUMER GUIDE TO BUYING AND SELLING HOMES

The Commission publishes the Consumer Guide to Buying and Selling Homes and makes these booklets available for the public. They can be accessed by contacting our Office for copies of the booklet or by visiting our Website at: www.nrec.state.ne.us.

The Nebraska Real Estate Commission has published this booklet to aid consumers in the buying and selling of real estate. The processes involved in a real estate transaction are described, as well as, the roles of the various individuals who may take part in the transaction.

Sections of the Booklet describe: The Real Estate Licensee’s Role; The Selling Process; The Buying Process; Financing Information; Federal Fair Housing Information; The Real Estate Commission’s Role; and an extensive Glossary. Throughout the booklet Consumers are advised of the information they should gather, the advice they should seek, and resources available to them as they navigate through the home buying process.

The Commission believes that everyone benefits when complete information is available and all parties to a transaction have a basic understanding of what to expect. If you know of someone who can benefit from this information at this time, we encourage you to refer them to the Real Estate Commission, the Commission’s website, or to obtain a copy of the booklet on their behalf.

Please note that in addition to this booklet a Consumer Section may be found on our website at the address given above.

(Continued from page 6)

VIRTUAL OFFICE (Cont’d)

A number of issues will arise as MLSs implement NAR directives, and licensees begin using VOWs on a widespread basis. Issues will be addressed by the Commission as they arise. If any licensee has a question or concern, he or she should contact Commission staff.

(Continued from page 5)

CONTINUING EDUCATION REMINDER (Cont’d)

The benefit to regularly submitting your certificates is that you will have up-to-date reminders on your mailings and education history “at your fingertips”. These will assist you in avoiding duplication of subject matter and deficiencies that threaten timely renewals.

Mailing labels for Inactive licensees do not carry the continuing education information. However, these licensees can review their continuing education history on the Commission’s website or contact the Commission directly to receive the information.

Inactive salesperson or broker licensees have the option of completing the above-noted requirement during the period noted or waiving the requirement and still renewing their licenses. However, if waived, the inactive licensee will need to make up twelve (12) clock hours and meet all other provisions as provided by law pertaining to the activation of a license before their license can be activated.

Should you have any questions or need to verify compliance, please contact our office.
We Cannot Give You Legal Advice, But . . . .

The Real Estate Commission Staff is here to serve the public and the licensee population. It is our goal to be helpful, we hope that when you contact our office you always receive useful, accurate information and/or are referred to the proper authority.

Often the Commission staff receives requests for advice on or interpretations of contractual obligations. We are unable to help with those requests because we cannot give legal advice.

However, the staff at the Commission can assist in many ways including the following:

• describing steps necessary to become licensed;
• explaining to licensees how they can transfer a license or reinstate a lapsed license;
• answering questions regarding continuing education;
• responding to inquiries about mandatory errors and omissions insurance;
• answering questions about trust account matters;
• referring callers to relevant provisions of the statutes and rules administered by the Commission;
• revealing whether a particular individual is licensed and whether there has been any formal disciplinary action;
• explaining how to file a complaint with the Commission and sending a complaint packet; and
• giving out names and phone numbers of other agencies or organizations that might be of assistance to the caller.

Just as the Commission Staff cannot give legal advice, they cannot:

• waive or modify any requirement of the statutes and rules administered by the Commission;
• assist in resolving disputes about commissions or fees;
• recommend a brokerage firm, an individual licensee, or an approved school; or
• recommend specific law firms or specific attorney(s).