

Committee: FTC Economic Liberty Task Force
Topic: Reducing Barriers to Licensing Portability
Stakeholder: Keller Williams Philly and Keller Williams Main Line Realty

Keller Williams is an international company with roughly 150,000 agents across the globe. As the company continues to grow, our agents are looking to expand their businesses by building operations in additional states. Unfortunately, our agents' expansion efforts are often hindered by burdensome application processes, duplicative criminal and background checks, and supplementary education and testing requirements. Keller Williams believes these barriers to entry should be reduced to increase competition among real estate agents and companies, and increase options for consumers.

Barriers to Real Estate License Reciprocity

Very few states offer full reciprocity because of wide variations in license laws and pre-license requirements. Most states will recognize a licensee's passing score on the national portion of the licensing exam; however, they usually mandate state-specific coursework followed by the successful completion of a state-specific exam. Out-of-state licensees also must complete a state application, undergo another background check and fingerprinting, and pay additional licensing fees. The time and attention required to secure an additional license, not to mention the added expense, makes portability difficult.

Efficacy of Interstate Compacts and Model Laws

The creation of a model law governing real estate brokers and salespersons would be ineffective for improving license reciprocity. States have mature regulatory schemes, so they would not voluntarily abandon their existing rules and laws for a model policy without a strong incentive or federal directive. Interstate compacts are a much more acceptable option for real estate regulators. Membership in the compact is voluntary, and representatives would establish standards, fees, and investigation practices. Consumers would be protected through guidelines developed by compact representatives. Licensees in compact states would have a multi-state license that allows them to practice real estate in any other compact state. An interstate compact would be particularly beneficial for military spouses, and licensees and consumers in border cities and in smaller states on the Eastern seaboard.

Elements of Interstate Compacts and Model

While the interstate compact model is preferred for license reciprocity in the real estate industry, **expedited licensure** provides some benefits as well. **Expedited licensure** can be achieved easily through a multi-state online application and certification request process and portal for disciplinary actions and education credits. **Mutual recognition** and **endorsement**, other options being considered by this task force, fall short of benefitting real estate licensees. Even with mutual recognition, licensees may have to take local education courses and sit for local exams. **Endorsement** is less reliable because it leaves acceptance of an applicant's background subject to review by a board or commission. A licensee might receive an endorsement in one state, but not in another, leading to unpredictability.

Recommendations

Despite differences in laws and regulatory schemes among states, better licensing portability can be achieved in the real estate industry. The Association of Real Estate License Law Officials (ARELLO), whose membership includes most real estate regulatory bodies in the United States, has researched reciprocity in the past. The organization may be ideally situated to facilitate this change. Following are some ideas for improving license portability:

1. Create a real estate compact among participating states with ARELLO as the entity managing the compact. Form a board comprised of one representative from each member state in the compact. The representatives will establish the standards, fees and application and investigation practices. Beta test the compact with commercial brokers, who are smaller in number, before rolling out the compact for residential salespersons and brokers.
2. Encourage ARELLO to become a central repository for licensee information. ARELLO has an existing disciplinary database, so that portal could be updated to include a single, automated application, education credits, general license status, and license certifications.
3. Give new applicants six months after moving to a state to take state-specific courses and pass any state exam. During that time, a salesperson would work under the supervision of a broker – as is already done – and a broker could work under the supervision of a broker in charge. This “apprenticeship” period will allow experienced applicants to immediately earn a living and apply their coursework to their jobs, creating better educated agents.
4. Encourage contiguous licensing, where several contiguous states would agree to offer reciprocal licensing. This would, in effect, create a regional real estate license.
5. Create a model policy and provide a strong incentive, such as a federal grant, for states to adopt the policy. This would eliminate the confusing patchwork of rules and laws now in existence across the United States.

Keller Williams welcomes the work being done by the Federal Trade Commission’s Economic Liberty Task Force to reduce regulatory barriers to license portability. Easing multi-state licensing hurdles for brokers and agents will increase competition, providing more options and improved service for consumers, and greater employment opportunities for military spouses.

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