

TEXAS



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## **New Laws Strengthen Real Estate License Holders' Accessibility and Accountability to Consumers**

*New laws effective in 2011 and 2012 are good news for both consumers and licensees.*

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In August, the Real Estate Commission and Appraiser Licensing and Certification Board proposed rules to implement provisions of SB747 and HB 2375, two laws passed by the 82<sup>nd</sup> Legislature that will drive major improvements over the next year. In addition to a variety of process changes that clarify and standardize application procedures, important substantive changes also provide better protections for consumers and strengthen license holder education requirements. Also, SB 1000 provides "self-directed, semi-independent" status to the agency, shifting most operating budget responsibility from the Legislature to the Commission and Board. Lastly, HB 1146 calls for the regulation of "appraisal management companies", adding significant responsibilities to the Board.

Among the more notable changes, as of September 1<sup>st</sup>, property managers for single-family residential units must now be licensed. Persons involved in leasing such properties have always been required to hold a real estate broker or sales license, but managers not engaged in leasing did not. Texas families now have increased protections from unethical managers who prey on home owners. Similarly, other than sole proprietorships, all business entities which engage in practices defined under the law as "brokerage activity" must also be licensed. Formerly, certain partnerships were exempt. The updated law also acknowledges the practice of producing "broker price opinions" as a common broker activity, and more clearly distinguishes these from "appraisals", which require a separate and distinct appraiser license from the Board, and requiring extensive education in valuation techniques. Homeowners, lenders and practitioners will all benefit from this overdue clarification.

Beginning in January 2012, applicants for a broker license will need to have four years of experience as a licensed salesperson, up from the current two year requirement, plus demonstrate practical competency by providing a detailed list of brokerage activities engaged in by the applicant during this same period. This will ensure consumers who deal with brokers and their sponsored salespersons a level of service more solidly backed up by additional practical experience.

Brokers, and other direct supervisors of licensed salespersons, who seek to renew a license after September 1, 2012 will need to have completed a new 6- hour course in "Broker Responsibilities", in addition to the combined 6-hour courses in Legal and Ethics updates. All of these courses are updated every two years by a panel of experts convened by the Real Estate Center at Texas A&M University. Applicants for a sales license after September 1, 2012 will need to have completed two additional mandatory 30-hour courses in TREC Promulgated Contracts and in Real Estate Finance, courses that are currently optional. This additional education will directly benefit consumers.

All of these measures, combined with the recent strengthening of advertising rules, supervisory disclosures, and the requirements for delegations of a broker's authority and office policies and procedures to be maintained in writing, provide a more transparent and accountable environment for the practice of real estate brokerage in Texas. All of these enhancements will reinforce the confidence of consumers in the education and professionalism of this critical sector of the economy.