

NORTH CAROLINA REAL ESTATE COMMISSION Real Estate Bulletin

Volume 30

Winter 1999 - 2000

Number 4

Commission adopts and amends rules

Following a rulemaking hearing on December 7, the Commission at its January meeting adopted and amended certain rules affecting real estate licensees, applicants for licensure, and providers of Commissionapproved real estate instruction.

Adopted/amended rules effective July 1, 2000, change the term "salesman" to "salesperson"; increase the annual license renewal fee from \$30 to \$35; and for brokers-in-charge, change the requirements for handling and accounting for trust monies.

The rules also clarify provisions and provide new requirements for licensees on issues that include continuing education credits, compensation for arranging for certain goods/services incidental to real estate transactions, and reporting to the Commission disciplinary actions taken against agents in connection with other professional licenses.

Other amendments effective July 1 concern the *Residential Property Disclosure Statement*, the *Real Estate Recovery Fund*, timeshare projects/developers, and settlement negotiations in contested cases. Several changes, also effective that date, affect license applicants/examinations and prelicensing as well as continuing education schools, courses and instructors.

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Real Estate Commission recognized for achievements

ARELLO and NCAR present plaques.

At its recent annual conference, the Association of Real Estate License Law Officials (ARELLO) presented an Education Excellence Award to the Commission in recognition of the Commission's *Residential Square Footage Guidelines*. Published last year, the 24-page booklet provides concise, easy-to-read guidelines for calculating and reporting the area of homes.

This makes the second consecutive year that ARELLO has presented an education award to the Commission and brings to 13 the number of times since 1980 that ARELLO has recognized the Commission for excellence in various real estate education programs and publications.

Also at the annual conference, Commission Auditor/Investigator Brian G. Thomas was honored for being selected as "runner-up" for Investigator of the Year. The North Carolina Association of REALTORS® (NCAR) has inducted Wanda J. Proffitt of Burnsville into the NCAR Hall of Fame. Awarded annually, the "Hall of Fame Award" honors real estate professionals "who have displayed persistent, outstanding service... in the area of development, environment or government, and/or leadership which have an enduring effect upon the real estate industry."

NCAR also recently honored Special Deputy Attorney General Thomas R. Miller, the Commission's Legal Counsel. Mr. Miller received a plaque "... in appreciation for exemplary support and service on behalf of the passage of the Vacation Rental Act."

Passed into law during the 1999 session of the North Carolina General Assembly, the Vacation

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ARELLO President Mike Gorham (Left) and Auditor/ Investigator Brian Thomas (right) display the plaque Brian received as a finalist for ARELLO's "Investigator of the Year."

REAL ESTATE BULLETIN

Published quarterly as a service to real estate licensees to promote a better understanding of the Real Estate License Law and Commission Rules, and proficiency in real estate practice. The articles published herein shall not be reprinted or reproduced in any other publication without specific reference being made to their original publication in the North Carolina Real Estate Commission Real Estate Bulletin.

> NORTH CAROLINA REAL ESTATE COMMISSION 1313 Navaho Drive P.O. Box 17100 Rateigh, North Carolina 27619 - 7100 Phone 919/875-3700 James B. Hunt, Jr., Governor COMMISSION MEMBERS

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|---|
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> Editor - in - Chief Phillip T. Fisher Editor Carrie D. Worthington

Commission Staff Update_



The Real Estate Commission recently filled a position in its Administration Division. Pui Yee ("Peggy") Chow

Peggy Chow

joins the staff as a Records Specialist. A native of China, Peggy has been in the United States for 21/2 years and now lives in Cary. Peggy was working in retail sales in the Research Triangle Park when she joined the Commission Staff.

In her position as Records Specialist, Peggy will assist with updating and maintaining licensee records and will be responsible for performing all optical imaging duties.



The Commission has filled two positions in the Education and Licensing Division. Jennifer L. Martin is the

Jennifer Martin new Applications Specialist.

A native of Raleigh, Jennifer attended Mt. Olive College and Wake Community College - earning an Associate Degree in Business (continued on page 3)

REGISTRATION FORM tor BASIC TRUST ACCOUNT PROCEDURES COURSE **MONTHLY - RALEIGH**

Four (4) hours continuing education elective credit will be awarded for completion of the course. The course begins at 1:00 p.m. and ends at 5:00 p.m. It is held at the McKimmon Center.

The course is intended for brokers and trust account bookkeepers. Salespersons will be admitted on a space available basis. Each session is limited to 40 participants, scheduled according to date received.

Complete this form (make copies for additional persons) and mail with a check for \$35 tuition fee to be received by the Commission no later than 7 working days prior to date of preferred session. Walk-ins will be accepted on a space available basis only.

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Commission Staff Update_____

(continued from page 2)

Administration. Before joining the Commission staff, she was employed as a Teller at the State Employees' Credit Union and later was Vault Teller at a local bank.

For the Commission, Jennifer will review and process all applications for license examination, schedule applicants for examination, and handle inquiries regarding applicant qualifications.

Commission recognized for achievements

(continued from page 1)

Rental Act went into effect January 1, 2000. [Please see Real Estate Bulletin Volume 30, Number 3, Fall 1999.] It established uniform rules to govern tenants, landlords and their agents in short term rentals of residential properties.

The Act resulted from a Vacation Rental Advisory Committee review of the state's law affecting resort rentals. That advisory committee was created by the Real Estate Commission in 1998.

| EXAM | RESULTS | |
|--------------|---------|--------|
| | Passed | Failed |
| September | | |
| Brokers | 59 | 69 |
| Salespersons | 341 | 268 |
| October | | |
| Brokers | 69 | 61 |
| Salespersons | 392 | 218 |
| November | | |
| Brokers | 66 | 73 |
| Salespersons | 401 | 286 |



Officer.

Patricia ("Tricia") Moylan Sullivan has been employed in the Commission's new position of Legal Education

Tricia graduated from

UNC - Chapel Hill with a Bachelor

of Arts degree with honors in psychology. Having received her law degree from the University of Toledo College of Law, she practiced law there before affiliating with a law firm in Raleigh. Prior to employment with the Real Estate Commission, Tricia was in a solo family law practice for five years.

(continued on page 4)

| Name Street Address (NOT P.O. BOX) | Phone Number (In- | State Zip |
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| | () | |
| Questions and Answers on: | Renting Residential Real Estate | |
| Questions and Answers on: | Purchasing Coastal Real Estate in North Carolina | - |
| Questions and Answers on: | Who Agents Represent | · |
| Questions and Answers on: | Condos and Townhouses | |
| Questions and Answers on: | Fair Housing | |
| Questions and Answers on: | Tenant Security Deposits | · · · · · · · · · · · · · · · · · · · |
| Residential Square Footage (Please limit request to one | | - |
| (Please limit request to one | copy.) | |
| Residential Property Disclosi | ire Statement and Guidelines | Requested |
| REAL ESTATI | COMMISSION PUBLICATION ORDER FORM | No. Copies |

- You may request single copies of these free publications by returning this Order Form or calling the Commission office (919) 875-3700, menu option 0.
 To order multiple copies of these publications, please complete this Order
- Form and return it to the N.C. Real Estate Commission, P.O. Box 17100, Raleigh, N.C. 27619-7100. Attention: Publications.
- 3. Please allow two weeks for delivery.
- 4. Please understand that orders of more than 50 copies require special consideration.
- 5. The Residential Property Disclosure Statement and Guidelines may be duplicated as needed.

Commission Staff Update_____

(continued from page 3)

As Legal Education Officer, Tricia will assist in the development and instruction of Commissionsponsored courses as well as the development and update of instructional materials.



Latoya S. Simms has filled the Legal Receptionist position in the Commission's Legal Services Division. Latoya moved

Latoya Simms

to North Carolina from Massachusetts, having attended the University of Massachusetts at Amherst where she also worked. For five years she was employed in the Housing Services Department as Special Assistant to the Residential Support Services Assistant Director. She also served as a customer service specialist for on-campus and family housing residents.

Latoya will provide secretarial assistance to the Legal Services Division in addition to her duties as the Division's Receptionist.

The following Commission and staff members have made appearances before various real estate industry and related groups since the last issue of the Bulletin. Assistant Director of Legal Services Miriam J. Baer and Chief Deputy Legal Counsel Blackwell M. Brogden, Jr., were in Asheville for the North Carolina Association of REAL-TORS® 1999 Convention where they delivered speeches on "Personal Assistants" and other topics of special interest to the Commission ... and Consumer Protection Officer Joan H. Floyd talked about "Common Complaints against Real Estate Agents" when she went to Wilkesboro to address the Wilkes County Board of REALTORS®.

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(Individuals and groups requesting a speaker from the Real Estate Commission are reminded that a "Request for Program Presenter" form is available from the Commission Office or by calling (919) 850-2757 for Document No. 510.)

Commission adopts and amends rules

(continued from page 1)

Several amendments become effective October 1, 2000, including one that will give license applicants the option, for a separate fee, of taking the real estate examination by computer instead of using the current "paper and pencil" examination procedure. Also effective October 1, brokers-incharge will be required to complete a course of instruction prescribed by the Commission. [See "Commission proposes broker-incharge course" in the last issue of the *Real Estate Bulletin*, *Volume 30, Number 3, Fall 1999.*] Other amendments effective October 1 affect prelicensing schools, courses and instructors.

The rule-changes were summarized in detail in the *Fall Bulletin*. For a complete text of the rules, please contact the Commission office.

For your information...

You are reminded that the Real Estate Commission's meetings are open to the public. Real estate licensees and consumers are always welcome.

Although advance notice is not required in order for you to attend, you are encouraged, when possible, to please notify the Commission of your plans to attend a scheduled meeting at least ten business days prior to the meeting, in order to ensure adequate parking and seating arrangements.

Please mail your notice to the North Carolina Real Estate Commission, P. O. Box 17100, Raleigh, NC 27619-7100, or call the Commission office (919) 875-3700.

For your convenience, the following calendar lists the meeting dates for the next four months.



are held in the conference room of the Real Estate Commission office, 1313 Navaho Drive, Raleigh, NC 27609, unless otherwise noted. [Please understand that circumstances sometimes necessitate changes in meeting dates and times.]

Communicating with the Commission

1313 Navaho Drive Post Office Box 17100 Raleigh, North Carolina 27619-7100

Fax (Area Code 919)

Admin 877-4217 Ed. & Lic. 877-4216 Audits/Inves. . . 877-4218 Legal Services . 877-4220 Records 877-4221

Telephone

919/875-3700

You will receive more prompt service if you use this directory when calling the Commission. If the automated telephone attendant answers your call, you may access the section or division shown in the "Access Code" column by dialing on your touchtone phone the number shown parenthetically ().

Subject

Access Codes • Application form requests Receptionist (0)

- · Real estate license renewals and
- record changes Records Section (2) · Complaints and legal matters
- (Consumer complaints/inquiries, pending
- cases/hearings) Legal Services Division (3)
- Education matters Education Section (4) Real estate license qualifications
- and examinations Application Section (5) · Real estate firm licensing and
- licensing by reinstatement or
- reciprocity Licensing Section (6)
- · Complaint investigations and audits Audits and Investigations Division (8)
- · Administration, personnel matters and accounting Administration Division (9)
- Other matters Receptionist (0)

Interactive Voice Response

To retrieve licensee data (license status, CE credits, broker-in-charge information, etc.) from the Interactive Voice Response (IVR) system, use a touchtone phone to dial (919) 850-2753.

Internet

"Visit" the Commission on-line at Web Site: www.ncrec.state.nc.us - your easy access to Commission information. The Internet brings to your computer screen licensing information including the License Law, Commission Rules, Trust Account Guidelines, State Fair Housing Act, general information and guides, sample forms and real estate licensing forms. Also, exam schedules and review dates as well as Commission publications including the Bulletin (and index of Bulletin articles), CE Schedule, Commission brochure and the complete Question and Answer Series.

E-Mail

| • Executive | . exec@ncrec.state.nc.us |
|---------------------------|--------------------------|
| Administration | admin@ncrec.state.nc.us |
| • Education & Licensing | . educ@ncrec.state.nc.us |
| • Audits & Investigations | ai@ncrec.state.nc.us |
| Legal Services | legal@ncrec.state.nc.us |
| • Records | ecords@ncrec.state.nc.us |

Fax-on-Demand

The following documents are available from the various Commission Divisions/Sections by dialing on your touchtone phone (919) 850-2757.

Administration/Records Document

- 200 Request to Activate Broker or Salesperson License, Notification of Salesperson Supervision, Notification of Change of Broker's Business Address
- 210 Broker-in-Charge Declaration
- 220 Request for Reissuance of Real Estate License Certificate and/or Renewal Pocket Card

Education/Licensing

- 300 Continuing Education Course Schedule
- 310 Publications Order Form
- 320 License Examination Schedule and License Examination Review Schedule
- 330 Basic Trust Account Procedures Course Schedule and **Registration Form**
- 340 Order Form for License Examination Candidate Roster/Order Form for Register of New Licensees
- 350 Verification of Salesperson Experience
- 360 Request for Equivalent Education Credit
- Legal Services 400 Complaint Form
- 410 Criminal Conviction Reporting Form
- 420 Residential Property Disclosure Statement
- 430 Disclosure to Buyer From Seller's Agent or Subagent Other
- 500 2000 Commission Meeting Schedule
- 510 Request for Program Presenter



ARELLO holds Annual Conference

North Carolina represented at international convention.

When the Association of Real Estate License Law Officials (ARELLO) held its 1999 conference in Savannah in October, North Carolina Real Estate Commission members and staff joined with other real estate professionals from around the world to participate in discussions and programs affecting the real estate industry.

Commission Member Mona S. Hill of Pinehurst served on the Board of Directors. Commission Executive Director Phillip T. Fisher, who served as vice-chair of ARELLO's Executive Committee, led a discussion group on "Single Licensing."

Mary Frances Whitley, the Commission's Director of Administration, chaired the Administrative Committee. Special Deputy Attorney General Thomas R. Miller, the Commission's Legal Counsel, was vice-chair of the Legal and Professional Conduct Committee. He led a discussion group on "Background Checks of License Applicants."

Commission Director of Audits and Investigations, Emmet R. Wood, was elected Alternate Director representing ARELLO's Southern District. In addition to North and South Carolina, the Southern District includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Tennessee, Texas, Virginia and West Virginia, as well as the Virgin Islands.

Other Commission staff members participating in the annual conference included Director of Education Larry A. Outlaw, who accepted ARELLO's 1999 Education Excellence Award on behalf of the Commission for its *Residential Square Footage Guidelines* publication, and Brian G. Thomas, who received a plaque for being an "Investigator of the Year" finalist. [See "Real Estate Commission recognized for achievements" on page 1 of this *Bulletin*.]

Also in attendance from North Carolina was real estate educator George R. Bell. Mr. Bell presented a program entitled, "Broker Responsibility."

In April, the Commission will host ARELLO's mid-year meeting in Wilmington. All of ARELLO's committees and the Board of Directors will be in attendance, with representatives from the United States as well as Canada and probably several other countries.

Real Estate Commission and ARELLO host Fair Housing Instructor Workshop

In November, the North Carolina Real Estate Commission, in cooperation with the Association of Real Estate License Law Officials (ARELLO), presented the ARELLO Fair Housing Instructor Workshop at the Jane S. McKimmon Center on campus at N.C. State University. There were 42 attendees. The workshop was open to all Commission-approved prelicensing and continuing education instructors.

ARELLO instructors Joan Montgomery from Louisiana and Tony Duncanson from Washington, DC, conducted the six-hour course. Discussion topics included "Common Myths Leading to Fair Housing Violations," "Fair Housing Complaints and Enforcement," "Risk Reduction: Making Compliance Easy," as well as "Fair Housing Case Findings and Case Studies." Instruction began with a historical overview of the evolution of fair housing laws and continued with issues such as protected classes, advertising, and money-lending fundamentals. Concluding discussions were on the subjects of controversy over fair housing testers, HUD's enforcement procedures, and suggestions for fair housing compliance and reducing the risks of noncompliance.

Discriminating Clients By Thomas R. Miller, Legal Counsel to the Real Estate Commission

The Scenario

John, a real estate broker in Any City, North Carolina, has an exclusive-right-to-sell listing contract for a residential property owned by Mr. and Mrs. Smith. After the Smiths' property was on the market for just one week, John happily presented them with an offer to purchase submitted by a buyer-agent with another firm. Much to John's surprise, the Smiths immediately rejected the offer because, the Smiths explained, the prospective purchaser was "not white."

The Agent's Dilemma

What should John do? It doesn't matter to *him* what race or color the prospective buyer is. In fact, until his seller-clients informed him, John had not known or even considered what the buyer's skin color might be. John had no prior indication that the Smiths might discriminate against non-whites; they had not offered any objections when he drew their attention to the antidiscrimination clause in the listing contract.

John pondered his dilemma: How could he discharge the duty of loyalty and obedience he owed the Smiths as their listing agent after he has learned of their intent to discriminate against a buyer on the basis of the buyer's race or color?

The State Law

The North Carolina Fair Housing Act provides the answer. Under the provisions of the statute, it is an unlawful discriminatory housing practice for a real estate broker or salesperson to "offer, solicit, accept, use, or retain a listing of real property with the understanding that any person may be discriminated against in a real estate transaction ...," when the reason for the discrimination is based in *any part* on considerations of race, color, religion, sex, national origin, handicapping condition or familial status.

Because the Smiths' refusal to receive the offer is a violation of the Fair Housing Act, John's duty is clear. He cannot continue to act as the Smiths' listing agent as long as it appears that they intend to discriminate against non-whites. Failure to terminate the listing would subject John to possible enforcement action by the United States Department of Housing and Urban Development (HUD) and the North Carolina Human Relations Commission. It may also expose him to a suit by the buyer and under the provisions of the Real Estate Commission's rules, suspension or revocation of his real estate license.

The Agent's Compliance

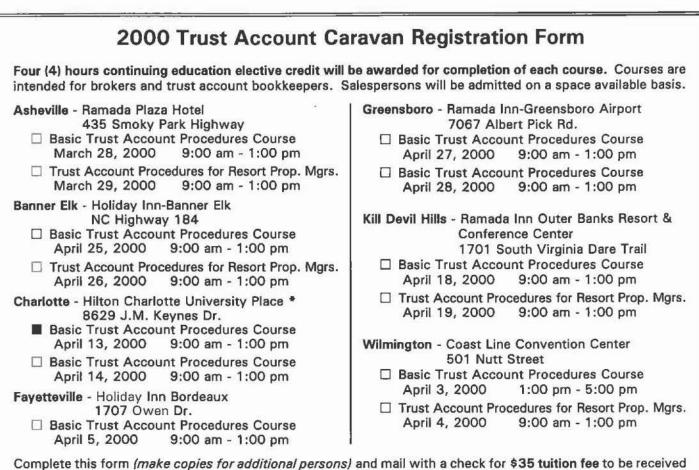
How should John break off his relationship with the Smiths? First, he should explain to them that by refusing to sell to anyone other than a white person, they are violating the Fair Housing Act. John should then explain that the same law forbids him from continuing to act as their agent as long as it is their intent to unlawfully discriminate against any prospective purchaser. It would be desirable if John also expressed his reasons for withdrawing from the Smiths' listing in a letter to them. He should retain a copy of this letter in his files along with a memo describing the circumstances that required him to withdraw.

Next, John should inform the buyer and his agent that he is withdrawing from the listing and that the Smiths would not consider the buyer's offer. He should also tell them why the sellers rejected the offer, because his failure to explain the sellers' reasons could be interpreted as aiding the sellers in their discriminatory purpose.

Are there any circumstances that would permit John to retain the listing and continue representing the sellers? The answer to this question is "yes," but only if John can convince the Smiths to abandon their discriminatory intent and proceed with the transaction - promising to negotiate with the buyer in good faith in a sincere effort to make and close a contract. However, John must proceed with caution. Even if the Smiths promise John they will not discriminate against the nonwhite purchaser, he must nevertheless evaluate all of their subsequent actions and decisions in the light of his knowledge of their initial reluctance to consider the offer because of the buyer's skin color. John cannot turn a blind eye to his sellerclients' apparent intent and if their conduct creates any reasonable doubt concerning their motivation, John should terminate the listing.

The Agent's Recourse

If John's attempt to persuade his clients not to discriminate fails and he must terminate his listing, does he have any recourse against the sellers? Yes. Because John's termination of the contract is required by law and not a matter of choice, it constitutes a breach of the listing contract on the Smiths' part. John probably should be able to recover his expenses. Furthermore, if the Smiths sell their property during the life of what would have been their listing agreement with him, John also would have a strong claim to recover his full commission. Lastly, because John has probably been harmed financially by the Smiths' discriminatory actions, he could also have a strong claim against the Smiths for violation of his rights under the State Fair Housing Act.



Complete this form (make copies for additional persons) and mail with a check for \$35 tuition fee to be received by the Commission no later than 10 working days prior to date of preferred session. Each session is limited to 40 participants, scheduled according to date received. Walk-ins will be accepted on a space available basis only.

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Signature of Applicant (unsigned applications will not be processed)

| Employer. | | | | Address: | | |
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| Job Title | | | | Supervisor's name | Telephone Number: | No. Supervised by you: |
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| If part time, | nours per v | week: | | | | |
| Employer: | | | | Address: | | |
| Job Tille | | • | | Supervisor's name | Telephone Number: | No. Supervised by you: |
| Date Employ | ed (mo/yr) | | Starting Salary \$ per | Ending Salary \$ per | Reason for Leaving | |
| Date Separat | ed (mo/yr) | | List major duties in | order of their importan | ce in the job: | |
| Full Time | Years | Months | | | | |
| Part Time | Years | Months | | | | |
| If part time, | nours per v | veek: | | | | |
| Employer: | | | | Address: | | ā <u></u> |
| Job Title | | | | Supervisor's name | Telephone Number: | No. Supervised by you: |
| Date Employ | ed (mo/yr) | | Starting Salary \$ per | Ending Salary \$ per | Reason for Leaving | |
| Date Separat | ed (mo/yr) | | List major duties in | order of their Importan | ce in the job: | |
| Full Time | Years | Months | | | a: a k | |
| Part Time | Years | Months | | | | |
| If part time, | hours per v | veek: | | | | |

Copy and attach additional sheets if needed.

| Equal Opportunity information | | |
|---|---|--|
| State Government policy prohibits discrimination bas qualification in a small number of State jobs. The info our recruitment efforts are reaching all segments of | ormation requested below will in no way affect you | or disability. Sex or age is a bona fide occupational as an applicant. Its sole use will be to see how well |
| Date of Birth Check One (mo.) (day) (year) SEX (male) (female) | substantially limits one or more of the major life impairment; or (3) being regarded as having suc 1990). Persons without a disability should check The reporting of a disability is strictly VOLUNT | ARY. Persons with disabilities who DO NOT WISH to |
| ETHNIC GROUP | as required by State law. Public disclosure of violation of G.S. 126-27. | rmation reported on this form will be kept confidential this information without your consent would be a |
| White (non-Hispanic) Black (non-Hispanic) Hispanic (Mexican, Puerto Rican, Cuban, Central or South American, other Spanish origin regardless of race) Asian (including Pacific Islander) American Indian (including Alaskan nalive) | A None/Prefer not to report B Blind or severely visually impaired C Deal or severely hearing impaired D Loss or limited use of arms and/or hands E Non-ambulatory (must use wheelchair) F Other orthopedic impairment (including amputation, arthritis, back injury, cerebral palsy, spina bifida, etc.) | G Respiratory impairment H Nervous system/Neurological disorder I Mentally restored J Mental retardation K Learning disability L Others (heart disease, diabetes, speech impairment) M Other (please specify) |

REAL ESTATE COMMISSION EMPLOYMENT OPPORTUNITY

The following job description summarizes a position now available on the Real Estate Commission staff. Interested, **qualified** persons are referred to the accompanying Application for Employment Form and instructions.

Questions or requests for additional information should be directed in writing (no telephone inquiries please) to the Commission's Director of Administration, N.C. Real Estate Commission, P.O. Box 17100, Raleigh, N.C. 27619-7100.

Information Officer

- Salary: Beginning Salary Range \$29,184 \$30,641 (depending upon qualifications)
- Benefits: Blue Cross health insurance; retirement contribution; paid vacation and sick leave.
- Duties: 1. Responds to written and telephone inquiries from real estate licensees and to complaints and inquiries from real estate consumers relating to the Real Estate License Law, the Commission's rules and positions, and general brokerage practices.

2. Performs other related duties at the direction of the Commission's Legal Counsel.

Minimum Qualification

Qualifications: Bachelor's degree, a real estate license and one year of experience in general real estate brokerage, or an equivalent combination of education and experience. Must relocate to Raleigh or vicinity.

Other

Requirements:

ts: In addition to a properly completed Application for Employment form, applicants must submit a writing sample (articles, reports, papers, etc. prepared by the applicant).

APPLICATION FOR EMPLOYMENT

Instructions

Completion of Application Form (pages 9-11)

- 1. Use black ink or typewriter.
- 2. List your social security number correctly.
- 3. List your zip code correctly.
- 4. Complete the section for Equal Opportunity Information.
- Give complete information on your education and work history (Do not put "See Résumé" under education and work history).
- List separately each job held and your duties for each position when you worked for one employer and held more than one position.
- 7. Sign and date your application.
- [Note: Incomplete applications may not be considered or may be returned to you for proper completion.]

Other Application Materials

In addition to a properly completed Application for Employment form, applicants **must** submit a writing sample (articles, reports, papers, etc. prepared by the applicant), and **may** submit a Résumé.

Filing Application Form and Materials

- 1. Carefully remove the application form from the **Bulletin**.
- Mail your application form and other required materials to the N.C. Real Estate Commission, P.O. Box 17100, Raleigh, NC 27619-7100, Attn: Director of Administration.
- 3. No telephone inquiries or requests for appointments, please!
- Application for Employment and related materials must be received in the Real Estate Commission Office by March 10, 2000.

Employment Schedule

- March 10 Application Deadline
- March 16 Preliminary Interviews
- March 21 Final Interviews and Decision
- April 10 Employment Date (date negotiable)

EQUAL OPPORTUNITY EMPLOYER

Polybutylene Pipes: *Material fact or not?*

Is the presence of polybutylene pipes in a property a material fact which must be disclosed to purchasers?

By Miriam J. Baer Assistant Director of Legal Services

Following a recent study of the issue, the Commission has determined to continue answering "no" to the question of whether the presence of polybutylene pipes in a property is a material fact which must be disclosed, unless there is some indication that the particular pipes involved have failed or are likely to fail in the future.

Background

Polybutylene ("PB") is a form of plastic resin that was used in the manufacture of water supply piping beginning in the late 1970s and continuing until about 1995. For many years, it was a popular substitute for copper piping and was used in both exterior and interior water supply distribution systems.

PB piping is a flexible, easy-to-cut plastic, often gray in color, that is put together with simple crimp connectors, or "fittings." Two types of "fittings" - insert and noninsert were used to connect PB pipes.

Materiality

Over time, some homeowners have complained of leaks in PB pipes, particularly at the joint where the PB pipe meets an insert fitting. Some of these leaks have caused a significant amount of damage that has been costly to repair. In fact, in November 1995, a Tennessee class action lawsuit concerning PB pipes was settled for a substantial dollar figure.

However, in studying the issue, it also appears that:

- not all PB pipes and insert fittings have been found to fail;
- the likelihood of failure has not been proven to be certain or nearly certain to occur (unlike synthetic stucco, where the problem was far more pervasive);
- △ to the extent a defect exists in a particular pipe or fitting, it is often not easily discernible; and
- no other neighboring state has determined the mere presence of PB pipes to be material.

Based upon these facts and other available information, the Commission has determined that the mere presence of PB pipes is not per se material, and need not be disclosed in every case. However, disclosure is required where:

- (1) a defect in the pipes is known to the licensee, or
- (2) a defect or probable defect exists about which the licensee should know (e.g. where the licensee is aware that the pipes in the subject property have a history of failure and have not been replaced, or where the licensee is aware that the pipes in a number of other units in adjacent condos or townhouses have failed already).

Recommendations

What should you as a real estate licensee do when confronted with a property served by PB pipes? The Real Estate Commission recommends that you inquire as to any past leaks or other problems with the pipes in the property (and in neighboring properties if in a condominium, townhouse or similar project). If you find that the owner (or neighbor) has had a history of problems, or, if you find the owner has an ongoing problem, disclose these facts to the buyer and recommend an inspection. If no problem appears, disclosure is permitted but not required. \bigcirc

Disciplinary action



Penalties for violations of the Real Estate License Law and Commission Rules vary depending upon the particular facts and circumstances present in each case. Due to space limitations in the Bulletin, a complete description of such facts cannot be reported in the following Disciplinary Action summaries.

BANKERS REALTY, INC. (Charlotte) - By Consent, the Commission suspended Bankers Realty, Inc.'s broker license for six months effective January 1, 2000. The Commission then stayed the suspension effective July 1, 1999, for a probationary term The Commission of 11 months. found that the firm had disbursed a disputed earnest money deposit in the amount of \$1,000 to the seller without having a release agreement fully executed by all parties. The Commission further found that the firm had failed to maintain some transaction ledgers, to properly reference transactions on checks and check stubs, to maintain running balances on ledger sheets, to perform bank reconciliations, or to prepare trial balances on a monthly basis for its sales escrow account: and, the running balances the firm did have did not always equal ledger balances. A follow-up compliance audit of Bankers Realty, Inc.'s trust account revealed that the problems had not been corrected.

JERRIE B. BERESFORD (Tryon) -By Consent, the Commission reprimanded Ms. Beresford effective November 10, 1999. The Commission found that Ms. Beresford had prepared, for a friend, an offer to property purchase which Ms. Beresford had listed, and that she had presented the offer to the seller without disclosing to the seller that another couple would likely make an offer to purchase the property. The Commission further found that Ms.

Beresford then acted as her friend's agent in selling the property to the other couple without first obtaining a written agency agreement, and that the transaction resulted in a \$20,000 profit for her friend and two commissions for Ms. Beresford.

ROBERT R. BRIGMAN (Wagram) -By Consent, the Commission suspended Mr. Brigman's salesperson license for 28 months effective January 1, 2000. The Commission found that in April 1999, Mr. Brigman was convicted of the federal offense of Conspiracy to Commit Mail and Wire Fraud. The Commission noted that Mr. Brigman had filed a criminal conviction reporting form with the Commission disclosing the conviction.

CHAMPION REAL ESTATE, INC. (Cary) - By Consent, the Commission reprimanded Champion Real Estate, Inc. effective January 1, 2000. The Commission found that the firm's trust account record system had failed to fully comply with the Commission Rules from the inception of its operations in 1996 through 1997, and that accounting and disbursement errors had occurred. The Commission noted that Champion Real Estate, Inc. had cooperated with the Commission and brought the firm's trust account record system into full compliance with the Commission Rules. The Commission further noted that all persons for whom the company held trust account money were fully paid.

DON A. CHISHOLM (Charlotte) -By Consent, the Commission suspended Mr. Chisholm's broker license for six months effective January 1, 2000. The Commission then stayed the suspension effective July 1, 1999, for a probationary term of 11 months. The Commission found that Mr. Chisholm had disbursed a disputed earnest money deposit in the amount of \$1,000 to the seller without having a release agreement fully executed by all parties. The Commission further found that a compliance audit of Mr. Chisholm's trust account revealed that transactions were not properly referenced on deposit tickets, checks, check stubs, or ledgers; running balances were not maintained on the ledger sheets, ledgers were not balanced with bank statements and were not maintained for some transactions; and trial balances were not performed on a monthly basis.

MARY M. ESKRIDGE (Jacksonville) - The Commission accepted the permanent voluntary surrender of Ms. Eskridge's broker license effective December 9, 1999. The Commission dismissed without prejudice charges that Ms. Eskridge had violated the Real Estate License Law and the Rules of the Commission. Ms. Eskridge neither admitted nor denied any misconduct.

(continued on page 15)

Discriminating Clients

(continued from page 7)

The Conclusion

The North Carolina Fair Housing Act expresses the important state policy that no citizen should be denied housing on the basis of race, color, religion, sex, national origin, handicapping condition, or familial status. Because of the central role licensed real estate brokers and salespersons play in the housing market, the effective implementation of the Act depends largely upon the diligence and commitment of agents like John.

For questions about the State Fair Housing Act, please contact the North Carolina Human Relations Commission at (919) 733-7996.

Disciplinary action

(continued from page 14)

WALTER D. EVERALL (Concord) -By Consent, the Commission suspended Mr. Everall's salesperson license for one year effective January 1, 2000. The Commission found that during 1998, while assisting two buyers whose contracts failed to close, Mr. Everall was unable to account for their earnest money deposits even though he had represented to the listing agents that he had received the earnest monies from the prospective The Commission further buyers. found that Mr. Everall had failed to fully inform his broker-in-charge about the transactions and that he had not accounted to her for the disposition of the earnest monies.

STEPHEN D. GRIFFIN (Holden Beach) - The Commission revoked Mr. Griffin's salesperson license effective July 16, 1999. The Commission found that Mr. Griffin, misrepresenting his authority to operate a real estate firm, had engaged in brokerage activities as a salesperson while he was not being actively and personally supervised by a broker-in-charge, had received compensation for brokerage services directly rather than through his broker-in-charge, and had failed to remit to a unit owner approximately \$3,200 in rental monies which he had collected on the owner's behalf. The Commission also found that after Mr. Griffin deposited \$20,000 of personal funds into the firm's trust account, there was still a shortage in the account of at least \$27,000. The Commission further found that Mr. Griffin had failed to retain or produce records requested by the Commission's authorized representative.

MACK W. GWINN, III (Fayetteville) - By Consent, the Commission revoked Mr. Gwinn's broker license effective December 1, 1999. In an audit of Mr. Gwinn's trust account during 1999, the Commission found that Mr. Gwinn had failed to keep proper records of the funds he held for others and failed to maintain those funds in a trust account. The Commission further found that Mr. Gwinn had failed to account for and remit the funds of others in his possession.

WALTER MARKOVSKY, JR. (Cary) - By Consent, the Commission reprimanded Mr. Markovsky effective January 1, 2000. The Commission found that as one of the principals of a real estate company at the inception of its operations in 1996, Mr. Markovsky was responsible for the company's trust account record system and its failure to fully comply with the Commission's Rules during 1996 and 1997, and that accounting and disbursement errors occurred. The Commission noted that Mr. Markovsky had cooperated with the Commission and caused the company's trust account record system to be brought into full compliance with the Commission Rules. The Commission further noted that all persons for whom the company held trust account money were fully paid.

(continued on page 16)



A timely reminder . . .

If you have not already done so . . . NOW'S the time to schedule the continuing education courses necessary to renew your real estate license on active status for 2000 - 2001!

Disciplinary action

(continued from page 15)

ARVIL L. PRICE, JR. (Mooresville) -By Consent, the Commission suspended Mr. Price's broker license for six months effective December 1, 2000. The suspension was stayed, effective December 1, 1999, for a probationary term of one year upon certain conditions. The Commission found that Mr. Price had been convicted of two criminal offenses in 1999.

MARY B. SEAMAN (Goldsboro) -By Consent, the Commission suspended Ms. Seaman's salesperson license for six years effective January 1, 2000. In a 1999 audit of the trust account at the firm where Ms. Seaman engaged in brokerage as a salesperson and acted as trust account bookkeeper, the Commission found that Ms. Seaman had failed to keep accurate records of the funds she held

On the inside...

Commission adopts and amends rules

Commission receives awards

ARELLO holds Annual Conference

Fair Housing Instructor Workshop

Discriminating Clients

Polybutylene Pipes: Material fact or not?

Employment Opportunity

...and more.

for others and failed to maintain those funds in a trust account. The Commission also found that Ms. Seaman had failed to account for and remit funds belonging to others and instead had converted them to her own use. The Commission further found that Ms. Seaman had taken possession of a mobile home which she promised to purchase but failed to pay the promised consideration or to pay rent for the lot on which the mobile home was located.

SCOTT D. SEAMAN (Goldsboro) -By Consent, the Commission revoked Mr. Seaman's broker license effective December 1, 1999. In an audit of Mr. Seaman's trust account during 1999, the Commission found that Mr.



Seaman had failed to keep accurate records of the funds he held for others and failed to maintain those funds in a trust account. The Commission further found that Mr. Seaman had failed to account for and remit funds belonging to others and instead had converted them to his own use.

CHADWICK DARNELL WILLIAMS (Maiden) - By Consent, the Commission suspended Mr. Williams' salesperson license for eleven months effective December 1, 1999. The Commission found that Mr. Williams had been convicted of possession of a controlled substance. The Commission noted that Mr. Williams reported his conviction to the Commission and cooperated with its inquiry.

Please check your label

The Commission reminds you that your license status as "ACTIVE" or "INACTIVE" appears on the mailing label affixed below. (Look at the top line directly to the right of the date.) Please check your label each time you receive your quarterly *Real Estate Bulletin* to be sure that you are in agreement with the Commission's records of your status.

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NORTH CAROLINA REAL ESTATE COMMISSION P.O. Box 17100 Raleigh, NC 27619 - 7100

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