

NAR votes on settlement funding, DOJ help for MLSs, campaign rules

NAR's board of directors and Executive Committee voted on a slew of proposals at NXT on Monday. But it was 1 involving NAR's counterpart to the north that drew the most discussion

by [Andrea V. Brambila](#), Inman News November 12, 2024

The board of directors of the National Association of Realtors approved a slew of committee recommendations at the trade group's annual conference Monday, including its annual budget, campaign rules for elected leaders and commercial representation among NAR's decision-makers.

Nearly 1,000 directors — 886 in person and 100 virtually — were on hand to vote at NAR's board meeting on the last day of NAR NXT in Boston.

Before the board meeting, the NAR Executive Committee also voted on items that did not require board approval, including proposals to fund NAR's proposed antitrust settlement and to provide multiple listing services with some help in responding to administrative subpoenas from the U.S. Department of Justice investigating the trade group's [controversial commingling rule](#).

NAR's budget

After a [speech from NAR CEO Nykia Wright](#), NAR Treasurer Greg Hrabcak presented the directors with three recommendations from NAR's Finance Committee, all of which passed overwhelmingly with no discussion. The first recommended that NAR set a membership figure of 1.4 million as the basis for dues revenue in its 2025 budget.

NAR membership was at 1,526,631 members as of Oct. 31, the trade group [reported separately](#) on Monday. That's a 2 percent decline compared to the end of 2023, but higher than the 1.4 million originally forecast for 2024.

"Membership continues to track very favorably to budget," Hrabcak told NAR's BOD.

"For the end of the year, forecast results reflect a significant uptick in membership dues revenue because of the higher than anticipated membership levels. This will result in a modest increase to NAR's overall reserves, rather than a decrease as planned in 2024."

In May, the board [voted to keep membership dues as-is in 2025](#) — \$156 — despite a [proposed \\$418 million antitrust settlement](#) that, if it receives final approval on Nov. 26, will require NAR to make its first \$197 million payment 90 days later, in first-quarter 2025.

"Through budget reductions that were incorporated in the [budget] proposal, there is minimal impact on our products, services and our advocacy support," Hrabcak said.

"Nearly all areas of NAR contributed to the reductions, without any one area feeling a disproportionate impact. The 2025 budget proposal moves NAR forward down the path toward settlement fulfillment in a very disciplined and responsible fashion."

The NAR board also approved the 2025 operating, advocacy and ad campaign budgets for the trade group and approved nearly \$11 million in 2025 capital expenditures for NAR building interiors and technology.

Actions to fund the NAR settlement

For anyone wondering where the funds to pay for the NAR settlement will come from, votes held by the Executive Committee held at least partial answers: NAR's reserve funds, including operating reserves and those that were collected from members specifically for lobbying and to advertise the Realtor brand.

Before the BOD meeting, the NAR Executive Committee separately approved a motion that advocacy and consumer advertising campaign reserves "be used to fund NAR's settlement obligations ... and that the board designation for these funds be suspended for the duration of the settlement period."

The stated rationale for this move reads: "NAR must have the ability to utilize all reserve balances regardless of their source in order for NAR to meet its obligations in the March 15, 2024, Settlement Agreement entered into in connection with the Burnett litigation. This suspension of designation applies only to settlement funding."

The Executive Committee also approved a recommendation from the Finance Committee "suspend[ing] the operating reserve minimum outlined in NAR's Investment Policy for the duration of the settlement period." That policy requires that an amount equal to 50 percent of NAR's gross operating budget be maintained in operating reserves.

The committee said NAR needed the "flexibility" to drop below that minimum in order to meet its settlement obligations.

These proposals did not require NAR board approval.

Limited legal expense help for MLSs

The NAR board did not consider any policies related to multiple listing services at NAR NXT.

The only proposal passed by the Executive Committee related to MLSs required NAR to "make available an optional pool counsel for MLSs that are exclusively owned by Realtor associations desiring representation for complying with Civil Investigative Demands issued by the Department of Justice relating to an MLS's commingling rule, and that the pool counsel expenses be paid from the Legal Action Program budget."

The stated rationale for this move is to "create cost and time efficiencies in responding to multiple ... CIDs based on the same topics."

NAR said the representation will be available until the CID is satisfied but won't cover any litigation expenses if the DOJ decides to sue an MLS.

This proposal did not require NAR board approval.

Commercial representation

After approving a [recommendation from the Culture Transformation Commission](#), the NAR board approved a proposal from the NAR Commercial Committee to designate a minimum of 10 percent of seats in NAR's Executive Committee for Realtor members who are primarily commercial real

estate practitioners and either elected or chosen by NAR's Leadership Team. Previously, there were only five seats guaranteed for commercial representatives.

According to the committee's vice chair, Jeff Jones, 12 percent of NAR members are commercial practitioners. The recommendation passed with 828 in favor and 38 opposed, but because it requires a change to the NAR Constitution, NAR's delegate body will have the final say at its annual meeting in November 2025.

A second proposal from the Commercial Committee, to add a "commercial structure" representative to the Executive Committee narrowly failed, 435-441, after the ExCom recommended its defeat. According to NAR, "[commercial structure](#)" refers to a specialized commercial organization within a parent Realtor association. No explanation was provided for the recommendation that the proposal be defeated and there was no discussion on the floor.

Avoiding 'embarrassment' from future NAR leaders

The NAR board handily approved five recommendations from NAR's Credentials and Campaign Rules Committee. The first amended the application for NAR Elected and Appointed Office to ask candidates whether they had had a professional social media audit in the last three years, and if they had, to provide a copy of the audit and a summary of removed content.

The recommendation also amended the application to have candidates agree to adhere to the social media guidelines for NAR leaders and "to delete any social media post that sheds negative light on or causes embarrassment to NAR."

Additionally, the proposal requires NAR to conduct a social media audit on all elected and appointed officers annually and to do a broader "media audit" to analyze the online presence for the last seven years for potential candidates for president-elect, first vice president, and treasurer.

The proposal also requires potential candidates to sign a confidentiality agreement affirming they will "maintain confidentiality of all confidential committee business," among other changes.

"These amendments will enhance the vetting process for NAR Elected and Appointed Office and help ensure NAR is aware of any circumstances that could reasonably represent a source of embarrassment or liability to the association," committee chair Leslie Rouda-Smith told the NAR BOD.

A freshman director from Missouri objected to social media audits being kept confidential and asked that they be made public.

"Social media is public information, and if there's going to be a committee that's going to confidentially say that somebody can run, we need to know about that because when you keep that confidential, it starts rumors, and then nobody can speak to oppose those rumors that is educated," he said.

"We've already got enough back-door rumors in this association."

Rouda-Smith replied that the audit was confidential "because a lot of times when something comes up with an audit report, it may or may not have been seen by anyone, and it may or may not

have been a filed complaint.” She said it was better to keep it confidential “because, unfortunately, when it’s not confidential, the rumors also fly.”

There was no further discussion and the recommendation passed 711 in favor, 192 opposed. The rest of the committee’s proposals passed without discussion.

Those proposals changed the application submission period for those seeking NAR elected office to Jan. 1 – April 1 (previously, March 1 – June 1) to allow for more time for candidate audits and appeals; created a process that allows potential candidates to challenge up to three CCRC members from participating in their appeal hearing when they feel there is a conflict of interest; to create a process for outside counsel to investigate potential breaches of confidentiality by a potential candidate or CCRC member; and to amend candidate applications to affirm that responses are accurate and that potentially false information would be subject to investigation.

A proposal to add a Canadian to NAR’s leadership fails

The last proposal the NAR board considered was an amendment to NAR’s Constitution that would add a representative from NAR’s counterpart to the north, the Canadian Real Estate Association, to NAR’s Executive Committee. This proposal by far prompted the most discussion during the meeting with most directors who spoke opposing the proposal.

“My concern here is there are many, many ways for us to have a strong relationship with the Canadian association,” Rick Harris, a director from Oregon, told the board.

“Even at a non-voting seat, there are a number of issues that are private in the National Association of Realtors that could have international implications.”

Another director objected that adding a member of CREA to NAR’s leadership “creates a lot of precedent that could be dangerous” and yet another said “expanding our governance body is not what we should be doing right now.”

The board approved a motion to refer the proposal back to the NAR Leadership Team. At NAR’s delegate body meeting after the board meeting, a majority also voted to refer the proposal back.

NAR’s delegate body is made up of local board presidents who attend one delegate body meeting in their one year of service and who only meet when changes to the NAR Constitution or the Code of Ethics are being considered.

The delegate body did approve a recommendation from NAR’s Professional Standards Committee that the [NAR board approved at the trade group’s midyear conference](#) in May.

That change amends Article 4 of NAR’s Code of Ethics to read:

Realtors who have a present ownership interest in property for sale or lease, or contemplated interest to purchase or lease property, must disclose in writing the existence of such interest to all parties to the transaction prior to a party signing any agreement.

The proposal garnered some discussion, in part because one delegate, Elizabeth Hume of Boise Regional Realtors, wondered about the “signing any agreement” portion of the policy given that the

NAR settlement now requires buyer agents to sign agreements with all buyers they are working with prior to touring a home.

She wondered if she would incur an ethics violation if her buyer had signed an agreement with her but was not initially interested in a property she had an interest in.

Shirley Johnson, chair of the Pro Standards Committee replied, "It's an ongoing agreement, so the contemplated [interest] would need to be disclosed if it had not been disclosed before."

The motion passed with 92.4 percent of the vote in favor. The delegate body meeting ended 23 minutes after it began.