



**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION**

DIVISION OF COMMERCIAL LICENSING

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**COMMERCIAL LICENSING REGULATION 11
REAL ESTATE BROKERS AND SALESPERSONS**

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SECTION 1. INTRODUCTION

- (A) *Commercial Licensing Regulation 11 – Real Estate Brokers and Salespersons* is promulgated pursuant to R.I. Gen. Laws § 5-20.5-1, *et seq.*, and R.I. Gen. Laws § 42-14-17.
- (B) The purpose of this regulation is to promote the general welfare of the citizens of Rhode Island by the implementation of R.I. Gen. Laws § 5-20.5-1, *et seq.*, and § 5-20.6-1, *et seq.*, so that the provisions thereunder may be best effectuated and the public interest be most effectively served.

SECTION 2. DEFINITIONS

- (A) Terms defined in R.I. Gen. Laws §§ 5-20.5-1 and 5-20.6-2 are incorporated herein by reference.
- (B) When used in this chapter, unless the context indicates otherwise:
 - (1) *Appraisal* or *real estate appraisal* shall mean an analysis, opinion, or conclusion relating to the nature, quality, value or utility of specified interests in, or aspects of, identified real estate prepared by a person licensed under R.I. Gen. Laws § 5-20.7-1, *et seq.*, that conforms to the standards adopted by the Uniform Standards of Professional Appraisal Practice (“USPAP”).
 - (2) *Broker price opinion* (“BPO”) shall mean an analysis, opinion, or conclusion prepared by a person licensed under R.I. Gen. Laws § 5-20.5-1, *et seq.*, in the ordinary course of his or her business relating to the price of specified interests in or aspects of identified real estate or identified real property for the purpose of listing, purchase, or sale.
 - (3) *Clock hour* means a period of at least fifty (50) minutes of classroom instruction.
 - (4) *Comparative market analysis* (“CMA”) shall mean an analysis, opinion, or conclusion prepared by a person licensed under R.I. Gen. Laws § 5-20.5-1, *et seq.*, in the ordinary course of his or her business relating to the price of specified interests in or aspects of identified real estate or identified real property by comparison to other real property currently or recently sold in the marketplace for the purpose of listing, purchase, or sale.

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- (5) *Department* shall mean the Department of Business Regulation.
- (6) *License* shall mean a real estate salesperson or broker license issued by the Department.
- (7) *Net Listing* shall mean an agreement in which a prospective seller lists Real Estate for sale with an authorization to a Broker to sell at a specified net dollar return to the seller and which provides that the Broker may retain as Commission the difference between the specified dollar return to the seller and the actual sales price.
- (8) *Promptly* shall mean not more than ten (10) calendar days.
- (9) *Real Estate Commission* shall mean the Commission created pursuant to R.I. Gen. Laws § 5-20.5-12.

SECTION 3. LICENSEE’S NAME AND ADDRESS

Upon initial licensure and at all times thereafter, every licensee shall ensure that the Department has on record the licensee’s current personal name, firm affiliation, trade name, residence address and firm address. Every licensee shall notify the Department in writing of each change of personal name, firm affiliation, trade name, residence address and firm address within ten days of the change. All addresses shall be sufficiently descriptive to enable the Department to correspond with and locate the licensee.

SECTION 4. PRINCIPAL BROKERS AND BROKERAGES

- (A) The principal broker shall act in a supervisory capacity for every real estate transaction in which an affiliated licensee participates.
- (B) The principal broker shall be responsible for the compliance of his or her affiliated licensees with the Rhode Island General Laws pertaining to real estate licensure and this regulation.
- (C) The principal broker shall be responsible for the compliance of his or her non-licensed employees with the Rhode Island General Laws pertaining to real estate licensure and this regulation.
- (D) The principal broker shall maintain an escrow account for the funds of others and shall make certain that no funds of others are disbursed or utilized without his or her express authorization and knowledge.
- (E) The principal broker shall assume responsibility for:

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- (1) The adequate supervision of each affiliated licensee and each office of the brokerage at which real estate activities requiring licensure are conducted;
 - (2) The filing of any change of business address or trade name of the brokerage and the registration of any assumed business name adopted by the brokerage for its use with the Department;
 - (3) The notification in writing of any change of his or her status as principal broker to the Department within ten (10) days following the change;
 - (4) The proper display of all licenses;
 - (5) The verification that each licensee affiliated with the brokerage has a license in good standing with the Department at the beginning of each renewal term;
 - (6) The proper retention and maintenance of records relating to transactions conducted by or on behalf of the brokerage at such office; and
 - (7) The preservation and safekeeping of the transaction and escrow account records upon termination of his or her status as principal broker until a new principal broker has been designated.
- (F) If a principal broker, in his capacity as an insurance licensee of the Department, is authorized to place or procure insurance on the property being sold in a contract provided by the principal broker, he or she shall obtain written reaffirmation of such provision by the prospective insured within five (5) days prior to the closing of title.

SECTION 5. SALESPERSONS

A licensed real estate salesperson must be affiliated with a licensed principal broker in order to engage in any real estate activity requiring licensure. A licensed salesperson shall not operate, supervise, or manage a real estate brokerage.

SECTION 6. EXAMINATIONS

- (A) Examinations may be written or oral. Requests for an oral examination or time extension may be made to and granted at the discretion of the Department.
- (B) There shall be a one (1) year time limit for reexamination with regard to failure of any section of the Broker or Salesperson examination. If an applicant fails to pass any particular section, he or she may retake that section within the one (1) year time limit. If the one (1) year time limit for reexamination expires, he or she must retake the entire examination.

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- (C) If a license has expired for more than one (1) year, the former licensee must complete a new application and retake the examination in accordance with R.I. Gen. Laws § 5-20.5-11(b).

SECTION 7. *EDUCATION REQUIREMENTS*

- (A) Applicants for a real estate salesperson's license, including former licensees whose salesperson's license has expired for more than one (1) year, must submit satisfactory evidence of completion of a minimum of forty-five (45) classroom hours pursuant to R.I. Gen. Laws § 5-20.5-4(b). Classroom hours completed more than two (2) years from the date of the application will not be considered in meeting the 45-hour requirement.
- (B) Applicants for a real estate broker's license, including former licensees whose broker's license has expired for more than four (4) years, must submit satisfactory evidence of completion of a minimum of ninety (90) classroom hours, unless exempted pursuant to R.I. Gen. Laws § 5-20.5-4(b).
- (C) At no time shall the forty-five (45) classroom hours used to qualify for a salesperson's license be used to qualify for the ninety (90) hours required for a broker's license. In addition, classroom hours completed more than four (4) years from the date the application will not be considered in meeting the 90-hour requirement.

SECTION 8. *FEES*

- (A) Before the Department issues an original license, the applicant shall pay a fee of twenty-five dollars (\$25.00) that shall be deposited into the Real Estate Recovery Fund Account.
- (B) Any fees prescribed by statute shall be paid by check or money order made payable to the Rhode Island General Treasurer.
- (C) If a check is not honored for payment by the endorser's financial institution, subsequent attempts to make payment must be in the form of a money order or cashier's check. Returned checks may subject licensees to disciplinary action pursuant to R.I. Gen. Laws § 5-20.5-14.

SECTION 9. *LICENSE RENEWAL TERM*

- (A) Licenses shall be renewed every two (2) years on May 1 of each even numbered year.
- (B) Licenses shall be considered renewed upon the payment of the renewal fee by May 1 of each even numbered year.
- (C) Licensees are responsible for the timely renewal of their license. The Department may provide notice of the license renewal requirement as a courtesy but the absence of such

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notice shall not be construed as relieving licensees from their responsibility for timely license renewal.

- (D) Failure to renew prior to May 1 of every even numbered year shall result in the institution of administrative disciplinary proceedings in accordance with the Administrative Procedures Act, Chapter 35 of Title 42 of the Rhode Island General Laws, and the Department's *Central Management Regulation 2 – Rules of Procedure for Administrative Hearings*.
- (E) The Department may impose administrative penalties as a condition of reinstatement of a license, taking into account any aggravating or mitigating facts and circumstances.

SECTION 10. DISAFFILIATION OF LICENSEE

- (A) When a licensee disaffiliates from a brokerage, the principal broker must send written notice to the Real Estate Section of the Department of the disaffiliation of the licensee. The principal broker of the licensee's new brokerage must sign and submit a transfer of license form to the Department.
- (B) Licensees are not required to return their license to the Department unless it has been revoked or they wish to surrender the license.

SECTION 11. DISSOLUTION OF BROKERAGE

The principal broker shall notify the Department in writing of the dissolution of the brokerage and return his or her license to the Department within ten (10) days. Upon the dissolution of a brokerage, all licensees affiliated with that brokerage must transfer their license to another brokerage or return it to the Department within ten (10) days for cancellation.

SECTION 12. PROPERTY MANAGEMENT COMPANIES

- (A) Any person who performs any of the acts within the meaning of "real estate broker" pursuant to R.I. Gen. Laws § 5-20.5-1(4) in the regular course of, or as an incident to, the management of another person's real property shall be licensed pursuant to Chapter 20.5 of Title 5 of the Rhode Island General Laws.
- (B) This section does not apply to a bona fide owner, lessor, or lessee of the real property being managed, or the regular employees thereof.

SECTION 13. REPORTING CONVICTIONS AND DISCIPLINARY ACTIONS

Any licensee convicted of, or otherwise pleads guilty or *nolo contendere* to, any felony or misdemeanor, or is disciplined by any governmental agency in connection with any other occupational license, shall file with the Department a written report of such conviction or disciplinary action within sixty (60) days of the final judgment or final order in the case.

SECTION 14. DISCRIMINATORY PRACTICES PROHIBITED

- (A) No licensee shall solicit the sale, lease, the listing for sale, or the lease of residential property due to the presence or prospective entry into the neighborhood of an individual or individuals of any protected class designated in the Rhode Island Fair Housing Practices Act, Title 34, Chapter 37 of the Rhode Island General Laws; nor shall licensees distribute material or make statements designed to induce a residential property owner to sell or lease his or her property due to such change in the neighborhood.
- (B) No licensee shall violate the Fair Housing Practices Act, Title 34, Chapter 37 of the Rhode Island General Laws, the Civil Rights Act of 1866, 42 U.S.C. §§ 1981-1982, or the Civil Rights Act of 1968, Title VIII and Title IX, 42 U.S.C. §§ 3601-19, and 3631, to the extent that such violation constitutes a violation of the Rhode Island General Laws pertaining to real estate licensure and this regulation.
- (C) No licensee or brokerage shall advertise or use any form of application or make any inquiry that expresses directly or indirectly any limitation, specification, or discrimination as to individuals of any protected class designated in the Rhode Island Fair Housing Practices Act, Title 34, Chapter 37 of the Rhode Island General Laws.

SECTION 15. ADDITIONAL GROUNDS FOR DISCIPLINARY ACTION

- (A) No person shall engage in the business of licensed real estate activity while his or her license is expired, revoked, suspended, or otherwise not valid.
- (B) A licensee who fraudulently certifies to the Department completion of the continuing education requirement described in Section 31 of this regulation may be subject to the suspension of his or her license following notice and an opportunity for a hearing until such time that the requirements of Section 31 are satisfied.

SECTION 16. CONDUCT OF CONTESTED CASES

- (A) *Powers and Proceedings.* The Administrative Procedures Act, Chapter 35 of Title 42 of the Rhode Island General Laws, and the Department's *Central Management Regulation 2 – Rules of Procedure for Administrative Hearings* shall govern all complaint and enforcement proceedings pursuant to Chapter 20.5 of Title 5 of the Rhode Island General Laws and this regulation.
- (B) *Complaints.* Any person may file a complaint against any licensee or any person who is required to be licensed but is not licensed by the Department. Such complaint shall be in writing, signed by the Complainant, and on a form provided by the Department. The Department shall make an initial determination whether or not the complaint is within the Department's jurisdiction. If no jurisdiction exists, the Department shall notify the complainant in writing. If jurisdiction exists, the Department shall conduct whatever investigation it deems appropriate, including forwarding a copy of the complaint to the

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Respondent. If instructed to do so by the Department, the Respondent shall file a response to the complaint within fifteen (15) business days or such other time frame specified by the Department.

Upon completion of its investigation, the Department shall take one (1) of the following actions:

- (1) If the Department determines that the complaint fails to establish probable cause of a violation of the Rhode Island General Laws pertaining to real estate licensure or this regulation, the Department shall take no action on the complaint and shall advise the Complainant and Respondent in writing of the determination; or
 - (2) If the Department determines that the complaint establishes probable cause, the Department shall take such action as it deems appropriate under applicable law and the rules and regulations adopted pursuant thereto.
- (C) *Department Investigations.* The Department on its own authority may initiate an investigation and take action (i) against a licensee, (ii) against an applicant for a license or for renewal of a license, (iii) against any person who is required to be licensed but is not licensed, and (iv) against any person who is subject to the regulatory authority of the Department. All such actions shall be upon such terms and conditions as are permitted under applicable law and the rules and regulations adopted pursuant thereto.

SECTION 17. LICENSE RESTORATION

- (A) Following the revocation or suspension of a license in accordance with any disciplinary action, the Director may impose certain conditions to any future license restoration.
- (B) Such conditions for future license restoration may include, but are not limited to, the following:
 - (1) Successful completion of a written examination of the same type normally given to applicants for initial licenses;
 - (2) Successful completion of certain continuing education courses;
 - (3) Providing an updated criminal background check from the Attorney General's Bureau of Criminal Information (BCI);
 - (4) Sufficient evidence of rehabilitation where the nature of the offense so warrants; and/or
 - (5) Payment of an administrative penalty with consideration given to any aggravating or mitigating circumstances.

SECTION 18. **CLIENT FUNDS**

(A) *Escrow Accounts.*

- (1) The principal broker shall be responsible for each and every escrow account maintained on behalf of the brokerage and its offices.
- (2) Escrow accounts shall be so designated by the financial institution in which the account is located, and on all deposit tickets and checks drawn on the account. In addition, the monthly bank statement for the account shall bear the words, “Trust Account” or “Escrow Account.”
- (3) Funds designated for escrow shall be deposited in the escrow account of the principal broker of the seller or landlord, unless otherwise agreed to in writing by the parties to the real estate transaction.
- (4) Funds designated for escrow shall be deposited in the escrow account promptly after the execution of the purchase and sales agreement or, in the case of a rental, promptly after receipt of the funds.
- (5) Funds held in escrow may be applied to the commission when earned by the respective licensees only at the time of, or subsequent to, the closing of the real estate transaction.
- (6) A licensee shall not convert the money or property of others to his or her own use, apply such money or property to a purpose other than that for which it was paid or entrusted to him or her, or permit or assist any other person in the conversion or misapplication of such money or property.
- (7) The maintenance of nominal amounts of the licensee’s funds in escrow accounts solely to provide continuity in such accounts or to meet bank service charges shall not be construed to be commingling.
- (8) In the absence of any agreement to the contrary, the interest on monies placed in an interest-bearing escrow account shall accrue to the licensee.
- (9) If a statute or regulation compels the maintenance of a fixed amount of funds in a licensee’s escrow account in addition to client or consumer funds, the maintenance of such fixed amount shall not be construed to be commingling.

- (B) *Salespersons Prohibited from Holding Client Funds.* An affiliated licensee shall turn over all deposit monies received promptly to his or her principal broker or, at the direction of the principal broker, deposit the funds in the principal broker’s escrow account.

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(C) *Sellers and Deposits.*

- (1) A licensee may permit a buyer to draft a deposit check payable to the seller only if:
 - (a) The listing agreement so provides; and
 - (b) The seller's designated client representative or the neutral transaction facilitator informs the buyer in writing that the seller does not have any obligation to place the deposit monies in an escrow account.
- (2) When the listing agreement requires that the seller retain the deposit, the deposit check shall not be made payable to anyone but the seller.
- (3) Except as provided herein, a licensee who receives deposit funds payable directly to him or her shall not turn the funds over to a seller.

(D) *Dual activities.*

- (1) In real estate transactions in which a principal broker and/or his or her affiliated licensees participate in additional capacities (e.g., seller, builder, contractor, or insurance agent), all deposit monies received by the principal broker must be placed in his or her real estate escrow account, unless there is a contractual agreement between the principals to the contrary.
- (2) Any contractual agreement that provides for the deposit funds to be placed in an account other than the principal broker's escrow account must comport with the following:
 - (a) The agreement must be in writing;
 - (b) The agreement must include language that informs the buyer or renter that he or she forfeits the protections for monies placed in an escrow account in the event of a dispute over the real estate transaction; and
 - (c) All parties to the real estate transaction must sign the agreement.

- (E) *Security Deposits Relating to a Lease or Rental Agreement.*** Security deposits held by a landlord following the execution of a lease are governed by R.I. Gen. Laws § 34-18-19. The requirements of this regulation apply only to deposit funds held by a licensee prior to the execution of the lease or rental agreement.

SECTION 19. RELEASE OF DEPOSITS

- (A) *Forfeiture of Deposit.* A principal broker may release a deposit to a seller or landlord only after the following steps have been taken:
- (1) The principal broker makes a good faith determination that the buyer or renter forfeited his or her rights to the deposit's return;
 - (2) The principal broker provides written notice to the buyer or renter by certified mail, return receipt requested, of his or her intent to release the deposit to the seller or landlord sixty (60) days from the date of receipt of the written notice; and
 - (3) The buyer or renter fails to notify the principal broker in writing within the sixty (60) day period that he or she disputes the ownership of the deposit.
- (B) *Return of Deposit.* A principal broker may return a deposit to a buyer or renter only after:
- (1) The principal broker makes a good faith determination that the seller or landlord has forfeited his or her rights to the deposit;
 - (2) The principal broker provides written notice to the seller or landlord by certified mail, return receipt requested, of his or her intent to return the deposit to the buyer or renter twenty-one (21) days from the date of receipt of the written notice; and
 - (3) The buyer or renter fails to notify the principal broker in writing within the twenty-one (21) day period that he or she disputes the ownership of the deposit.
- (C) *Disputed Deposit.* Whenever the parties to a real estate transaction dispute the ownership of any deposit monies received by a principal broker pursuant to R.I. Gen. Laws § 5-20.5-26, the following procedures shall apply:
- (1) If the ownership of the deposit monies is still disputed after 180 days from the date of the original deposit, the licensee must transmit the deposit to the General Treasurer. The attached form, entitled "Escrow Deposit Transmittal Form," shall accompany the transmittal. The transmittal of the deposit to the General Treasurer shall be made promptly after the expiration of the 180 days.
 - (2) A minimum of thirty (30) days prior to the expiration of the 180 days, the principal broker shall by written letter inform the parties to the real estate transaction of the statutory requirements regarding disputed deposits. The letter shall contain the following language:

I have yet to receive notice of a resolution allowing me to disburse the deposit monies being held in escrow pursuant to a purchase and sales agreement for real property located at [insert address]. In accordance with R.I. Gen. Laws § 5-20.5-26, I will transmit the

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deposit to the General Treasurer thirty (30) days from [insert date] unless I receive a written release signed by both the parties directing me to disburse the deposit monies. If I do not receive this release within thirty (30) days of [insert date], I will forward the deposit to the General Treasurer where it will be held in trust until the dispute is mediated, arbitrated, litigated, or otherwise resolved.

The parties may extend the time by which the deposit must be deposited with the General Treasurer by written agreement. If I do not receive a copy of any such agreement within thirty (30) days of [insert date], I will forward the deposit as required by R.I. Gen. Laws § 5-20.5-26.

- (3) If the parties resolve the matter after the deposit has been forwarded to the General Treasurer, the parties must provide written proof in the form of a mutual written release, mediation agreement, arbitration award, or court order to the principal broker who then must promptly act to obtain the deposit by forwarding to the General Treasurer the attached form entitled “Claim for Return of Property.” Upon receipt of the deposit, the principal broker must promptly disburse it to the parties according to the written release, mediation agreement, arbitration award, or court order.
- (4) If the principal broker retires or dies after the deposit money has been transmitted to the General Treasurer but before the issue of ownership of the deposit is resolved, the “Claim for Return of Property” shall be submitted to the General Treasurer by the successor principal broker of the retired or deceased principal broker. If no successor principal broker exists, the parties shall complete the “Claim for Return of Property” and provide proof acceptable to the General Treasurer that no successor principal broker exists.

SECTION 20. RECORDS

- (A) Every principal broker shall ensure that his or her affiliated licensees keep records of all funds and property of others received by him or her for not less than three (3) years from the date of receipt of any such funds or property.
- (B) A licensee shall maintain and retain records sufficient to identify the ownership of all funds belonging to others and the property associated with those funds. Such records shall be sufficient to show proper deposit of such funds in an escrow account and to verify the accuracy and proper use of the escrow account. The required records shall include:
 - (1) *Bank statements.*
 - (2) *Canceled checks.* Checks shall conspicuously identify the payee and shall bear a notation identifying the purpose of the disbursement. When a check is used to

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disburse funds for more than one sales transaction, owner, or property, the check shall bear a notation identifying each sales transaction, owner, or property for which disbursement is made, including the amount disbursed for each, and the corresponding sales transaction, property, or owner ledger entries. In lieu of retaining canceled checks, a licensee may retain digitally imaged copies of the canceled checks or substitute checks provided that such images are legible reproductions of the front and back of such instruments with no smaller images than 1.1875 x 3.0 inches and provided that the licensee's bank retains for a period of at least six years the original checks, or the capacity to provide substitute checks and makes the original or substitute checks available to the licensee and the Department upon request.

- (3) *Journal or check stubs.* A journal or check stubs shall identify in chronological sequence each bank deposit and disbursement of monies to and from the escrow account, including the amount and date of each deposit and a reference to the corresponding deposit ticket and any supplemental deposit worksheet, and the amount, date, check number, and purpose of disbursements and to whom paid. The journal or check stubs shall also show a running balance for all funds in the account.
- (4) *Copies of contracts, leases and management agreements.*
- (5) *Closing statements and property management statements.*
- (6) *Other documents.* Invoices, bills, and contracts paid from the escrow account, and any documents not otherwise described herein necessary and sufficient to verify and explain record entries. Records of all receipts and disbursements of escrow monies shall be maintained in such a manner as to create an audit trail from deposit tickets and canceled checks to check stubs or journals and to the ledger sheets. Ledger sheets and journals or check stubs must be reconciled to the escrow account bank statements on a monthly basis. To be sufficient, records of escrow monies must include a worksheet for each such monthly reconciliation showing the ledger sheets, journals or check stubs, and bank statements to be in agreement and balance.
- (C) *Inspection of Records.* Every principal broker and his or her affiliated licensees shall make available for inspection by the Department all records of transactions, books of account, instruments, documents and forms utilized or maintained in the conduct of the licensed business activity. All records pertaining to escrow accounts shall be made available upon demand. All other records shall be open for inspection during regular business hours.

SECTION 21. COMMISSIONS

- (A) Unless otherwise expressly provided by written agreement between the principal broker and an affiliated licensee and cooperating broker and referring broker, all commissions due to a licensee from the principal broker shall be subject to an accounting and payment to the affiliated licensee and cooperating broker and referring broker no later than ten (10) calendar days from the receipt of such commission by the principal broker.
- (B) Every principal broker must promulgate a written policy for the payment of commissions to affiliated licensees upon their termination. Such policy must prescribe the rate of commission to be paid, if any, on termination. The principal broker must obtain the written signature of each affiliated licensee under such principal broker as soon as such affiliation is established to indicate that the affiliated licensee agrees to the policy. The policy shall include, but not be limited to, the following:
 - (1) Upon termination of affiliation or employment, the principal broker shall make a complete accounting in writing of all commissions due to licensee;
 - (2) In the event any commission so accounted for is not in accord with the established commission schedule, the principal broker shall give a complete written explanation of any difference; and
 - (3) Such accounting shall be made within thirty (30) days after the termination of affiliation or employment of the licensee.
- (C) In the event the seller offers an incentive payment beyond the agreed listing fee to the procuring licensee, the principal broker and the seller must have a written agreement describing the incentive payment and recognizing that if the sale is a cooperative sale, the incentive payment must be in conformity with R.I. Gen. Laws § 5-20.5-14(12) and must be distributed to the licensee by the principal broker with whom he or she is affiliated.
- (D) An affiliated licensee of a principal broker may create a wholly owned corporation or limited liability company for the purpose of receiving commission payments from the principal broker. A corporation or limited liability company created for the purposes of this subsection may not be licensed or conduct licensed real estate activity in its own name. In addition, it may not have more than one shareholder in the case of a corporation or one member in the case of a limited liability company.
- (E) A principal broker may pay the earned commission of an affiliated licensee to that person's wholly owned corporation or limited liability company. To do so, the affiliated licensee must submit written instructions to the principal broker directing him or her to pay the affiliated licensee's share of the commission to the wholly owned corporation or limited liability company. It is the principal broker's obligation to assure that the corporation or limited liability company is solely owned by the affiliated licensee.

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- (F) In any real estate transaction, a licensee must disclose that he or she is licensed as a real estate broker or salesperson, even if no commission is at issue, when he or she is a party to the transaction as the following:
- (1) A buyer (regardless of the percentage of ownership at issue);
 - (2) A seller (regardless of the percentage of the ownership at issue);
 - (3) An owner of a business entity that is a buyer or seller; or
 - (4) A representative of a family member, which includes any person who is related to the licensee, whether by blood, marriage or adoption, as any of the following: spouse, father, step-father, father-in-law, mother, step-mother, mother-in-law, son, step-son, son-in-law, daughter, step-daughter, daughter-in-law, brother, step-brother, brother-in-law, sister, step-sister, sister-in-law, grandfather, step-grandfather, grandfather-in-law, grandmother, step-grandmother, grandmother-in-law, grandson, step-grandson, grandson-in-law, granddaughter, step-granddaughter, granddaughter-in-law, uncle, step-uncle, uncle-in-law, aunt, step-aunt, aunt-in-law, niece, step-niece, niece-in-law, nephew, step-nephew, nephew-in-law, first cousin, step-first cousin and first-cousin-in-law.
- (G) In order to take a commission, a licensee shall, at the first point of personal contact, disclose in writing whether:
- (1) he or she has an ownership interest in the property being sold (regardless of the percentage or type of ownership);
 - (2) he or she is or will be purchasing any portion of the property being sold (regardless of the percentage of potential ownership);
 - (3) he or she has a business interest (ownership or otherwise) in a business entity that is a buyer or seller; or
 - (4) is acting on behalf of a family member which is defined in Section 21(F) above.

If the licensee does not disclose his or her position at the first point of personal contact and in writing as set forth in this section, the licensee shall not be entitled to a commission.

SECTION 22. GENERAL OBLIGATIONS OF LICENSEES

- (A) All licensees shall deal fairly with all parties to a real estate transaction.
- (B) Every licensee shall make a diligent effort to ascertain all pertinent information and facts, including but not limited to lot size, zoning, presence or absence of town water or sewer connection, and in the course of a new dwelling, municipal acceptance of the plat and

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certificate of occupancy, concerning every property in a real estate transaction in which he or she acts as a client representative. The client representative shall reveal, in writing, all information and facts material to any transaction to his or her client and when appropriate to any other party. This information shall include any actual or potential conflicts of interest that the licensee may reasonably anticipate.

SECTION 23. *ADVANCE FEES*

- (A) Any principal broker who charges or collects an advance fee for services to be rendered, including but not limited to, advertising costs under an advance fee agreement, shall at the time of accepting the advance fee furnish his or her buyer or seller with a list of services to be rendered.
- (B) This section shall not apply to advance fees charged by a principal broker for the purpose of performing a market analysis of real property.

SECTION 24. *PROHIBITION AGAINST LENDING NAME*

- (A) No licensee shall enter into an arrangement, either directly or indirectly, to lend his or her name or license for the benefit of another person, or for the purpose of circumventing the Rhode Island General Laws pertaining to real estate licensure and this regulation.
- (B) Any arrangement where a licensee affiliates with a principal broker not actively involved in real estate activity requiring licensure to circumvent the Rhode Island General Laws pertaining to real estate licensure and this regulation shall be grounds for disciplinary action.

SECTION 25. *ADVERTISING*

- (A) Unless otherwise stated herein, categories of advertising include but are not limited to any publication, radio or television broadcasts, business stationary, business cards, business and legal forms, electronic mail, web sites, twitter messaging, and other internet media, or documents.
- (B) A licensee shall not advertise in any way that is false or misleading.
- (C) All advertising shall include the name of the brokerage or principal broker under which the licensee is licensed to do business.
- (D) When the name of a licensee is contained in any advertising, except on business cards, it shall be in print smaller and less conspicuous than that of the brokerage.
- (E) The business card of any licensed salesperson shall clearly indicate that his or her license is as a Salesperson or an Associate Broker.

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- (F) Any advertisement shall contain the words “to a qualified buyer” if it refers to the amounts of down payment or the monthly payment carrying charges, or indicates that a mortgage is obtainable (where the mortgage referred to is not already a lien against the premises advertised).
- (G) Any advertisement that sets forth amounts of down payment, monthly payment, carrying charges, taxes or mortgage money obtainable shall contain appropriate qualifying words such as “approximate” or “estimated.” The qualifying words shall be clearly associated with the amounts set forth. If such amounts are mentioned without qualification, the licensee shall maintain written proof of the validity of such statements in his or her files. Such written proof shall be maintained for a period of three (3) years from the date upon which an advertisement containing such unqualified references shall have last appeared in any publication.
- (H) With the exception of magazine or newspaper advertisements published under municipality headings, any advertisement for the sale, exchange, or rental of residential real property placed by a licensee, shall designate the municipality containing the property.
- (I) Any use of an insignia, emblem, logo, trade name or other form of identification in any advertising or other public utterance, either by a single licensee or group of licensees, that suggests or otherwise implies common ownership or common management among such licensees, shall be prohibited except in the case of branch offices controlled by a principal broker and duly licensed as a branch office. The use, advertising, or display of any insignia, emblem, logo, or trade name of any bona fide trade association by any licensee provided that the licensee is a member of such trade association is permitted.
- (J) Any licensee advertising the trade name of an affiliated franchisor shall include in such advertising in a conspicuous manner the operating name of the brokerage that owns the franchise. Any licensee, including the franchisee using the trade name of a franchisor in any advertising, shall also include in a conspicuous manner the statement, “Each office independently owned and operated,” except for the following categories of advertising:
 - (1) “For Sale” signs located on the premises of specific properties for sale; and
 - (2) Small “spot” classified advertising by a single franchised licensee.
- (K) Advertising by a licensee referring generally to membership in any real estate multiple listing service operation shall specify the complete name of the listing service in which membership is held, except in the following categories of advertising:
 - (1) “For Sale” signs located on the premises of specific properties for sale;
 - (2) Small “spot” classified advertising by a single licensee;
 - (3) Business cards; and

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- (4) Business signs.
- (L) Any advertising that contains an offer for a home warranty contract shall specify the essential terms of the home warranty contract offer and shall also indicate whether the warranty offer is mandatory. Essential home warranty terms are limited to components/structure in an inspection warranty and to components only in the case of a non-inspection warranty. Advertising shall comply with all Federal and State warranty legislation, including the Magnuson-Moss Warranty Act, P.L. 93-63, 15 U.S.C. § 2301, *et seq.*
- (M) A licensee may not advertise or distribute promotional material offering rebates or discounts including, but not limited to, discount plans or coupons redeemable for the discounted purchase of goods or services, if such advertisement or promotional material creates a likelihood of confusion or misunderstanding, or is false, deceptive or misleading to the reasonable person. Every advertisement or piece of promotional material shall clearly and completely disclose to the consumer all material terms and conditions of the offering.
- (N) All licensees shall adhere to truth in lending requirements and shall not participate in paying of seller's costs or any payments to reduce interest costs.

SECTION 26. AGREEMENTS

- (A) No listing agreement or contract for the sale of real property, or any interest therein, shall contain a pre-printed fee, commission rate or commission amount.
- (B) Upon request, the principal broker shall advise the seller of the rate or amount of any commission split or distribution.
- (C) All listing agreements that list property with a real estate multiple listing service operation shall specify the complete name of that listing service.
- (D) No licensee shall enter into a "net listing" contract for the sale of real property, or any interest therein.
- (E) A listing agreement that provides for the principal broker's retention of any portion of the deposit monies upon default by the buyer shall specifically state such in large type or bold print in such a manner as to inform the seller of this contingency.

SECTION 27. APPRAISALS PROHIBITED

- (A) Licensed real estate brokers and real estate salespersons not certified or licensed as an appraiser pursuant to R.I. Gen. Laws § 5-20.7-1, *et seq.*, are prohibited from describing or referring to any valuation of real estate as an appraisal.

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- (B) A real estate salesperson or real estate broker licensed under R.I. Gen. Laws § 5-20.5-1, *et seq.*, may provide his or her client with a Broker Price Opinion (BPO) or a Comparative Market Analysis (CMA) if he or she discloses that the BPO or CMA is not an appraisal that conforms to the standards adopted by USPAP and includes on the BPO or CMA the following disclaimer:

This opinion or analysis is not a certified appraisal or an appraisal that conforms to the Uniform Standards of Professional Appraisal Practice (USPAP). It is intended only for the benefit of the addressee for the purpose of assisting buyers or sellers or prospective buyers or sellers in deciding the listing offering, or sale price of the real property and not for any other purpose, including but not limited to, lending purpose excepting that specifically provided under R.I. Gen. Laws § 5-20.7-3.

- (C) No person, other than persons licensed or certified in accordance with the provisions of R.I. Gen. Laws § 5-20.7-1, *et seq.*, shall assume or use a title, designation, or abbreviation likely to create the impression of certification as a real estate appraiser by this state.
- (D) This section shall not apply to appraisals of real property carried out for the purpose of municipal valuation.

SECTION 28. *ERRORS AND OMISSION INSURANCE*

- (A) In accordance with R.I. Gen. Laws § 5-20.5-25, the Department establishes the following minimum requirements for coverage contained in a licensee's errors and omissions insurance policy:
- (1) In the case of an individual licensee, the insurance shall be in an amount for each claim of at least \$50,000 and in an aggregate amount of at least \$150,000.
 - (2) In the case of a principal broker's blanket policy for his or her licensees, a brokerage, the minimum coverage shall be:
 - (a) In an amount for each claim of at least \$50,000 multiplied by the number of individual licensees employed by or associated with the principal broker, and in an aggregate amount of at least \$150,000 multiplied by the number of individual licensees employed by or associated with the principal broker; or
 - (b) In an amount sufficient to provide coverage at a level of at least \$300,000 for each claim with an aggregate top limit of liability for all claims of at least \$1,000,000 during any one year.
 - (3) The insurance shall cover negligence, wrongful acts, and errors and omissions committed by the licensee. Where a principal broker's policy applies, the

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insurance shall only cover negligence, wrongful acts, and errors and omissions committed by the licensee while affiliated with the principal broker.

- (4) The insurance required by R.I. Gen. Laws § 5-20.5-25 may provide that it does not apply to any dishonest, fraudulent, criminal, or malicious act or omission of the insured licensee.
- (B) Cancellation or any other interruption in required insurance coverage shall require the licensee to cease any real estate activities requiring licensure immediately until such time as the licensee is in compliance with R.I. Gen. Laws § 5-20.5-25.
- (C) A licensee must notify the Department within five (5) business days if his or her insurance coverage is canceled or otherwise interrupted. Failure to provide the required notice to the Department shall subject the licensee to disciplinary action pursuant to R.I. Gen. Laws § 5-20.5-14.

SECTION 29. REAL ESTATE SCHOOLS AND INSTRUCTORS

- (A) All real estate school permits are valid for one (1) year and expire annually on August 31.
- (B) Courses are approved for a three (3) year period. Resubmission is required for re-approval for additional three-year periods.
- (C) Each authorized school must designate one individual as an authorized agent. The authorized agent shall:
 - (1) Maintain records documenting the attendance of individuals including the name of individuals, the dates on which the individuals attended the school and the date on which the individuals completed either the curriculum for licensure as a real estate broker or salesperson, the continuing education curriculum for licensed brokers and salespeople or the instructor curriculum;
 - (2) Notify the Board of any change in the address or telephone number of the authorized school or any change of the authorized agent within seven days of such change; and
 - (3) Ensure that only qualified instructors are permitted to teach the curriculum that contributes toward certification for licensure or continuing education.
- (D) Each authorized school shall maintain the record of each individual for at least three (3) years following the completion of the curriculum.
- (E) The Department may suspend, revoke, fine, or refuse to renew the permit of any school that fails to adhere to the laws pertaining to real estate licensure, this regulation, or a directive of the Department, including:

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- (1) Failure to maintain records as required by this section;
 - (2) Failure to notify the Department of any change of address or telephone number of the authorized agent;
 - (3) Failure to provide the Department with copies of or access to requested information;
 - (4) Failure to use the exact name of the authorized school on any postings, advertisements, solicitations, or any other medium of communication;
 - (5) Failure to have a qualified instructor, in accordance with Section 29(F), in the classroom with the individuals taking the course during the time that the course is provided;
 - (6) Obtaining a school permit by false pretenses or substantial misrepresentation or omission;
 - (7) Any misleading or untruthful advertising;
 - (8) Discriminating against an individual based on any protected class designated in the Rhode Island Fair Housing Practices Act, Title 34, Chapter 37 of the Rhode Island General Laws;
 - (9) Failing to provide the appropriate certification of completion to an individual completing the curriculum for licensure as a broker or salesperson or for continuing education;
 - (10) Providing certification of completion to an individual who has not completed such curriculum;
 - (11) Combining any part of the broker, salesperson, instructor, or continuing education curriculum into a single curriculum or offering; and
 - (12) Failure to offer the curriculum for licensure and renewal established by the Department.
- (F) Instructor Qualification.
- (1) No person may act as an instructor of the salesperson or broker curriculum in any authorized real estate school unless such person:
 - (a) Holds a real estate broker's license or salesperson's license in good standing in this state; and

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- (b) Attests that he or she has worked as a licensed real estate broker or salesperson for a minimum of five (5) years at least twenty-five (25) hours per week.
 - (2) The Department may authorize any person to act as an instructor notwithstanding the requirements of this section if he or she demonstrates that he or she has the equivalent qualifications to those required by this section. Equivalent qualifications may include, but are not limited to, the following:
 - (a) Demonstrated knowledge in a particular subject matter (e.g., law, home inspection, accounting, lending, environmental issues);
 - (b) Appointment to the faculty of an accredited college or university; or
 - (c) Current teaching certificate with demonstrated real estate industry knowledge or experience.
 - (3) Instructors may employ specialists to teach particular portions of the salesperson or broker curriculum and such specialists need not obtain authorization from the Department. Specialists may not be employed to teach the entire curriculum.
- (G) Requirements for Course Approval.
- (1) Courses must consist of at least one (1) hour of instruction.
 - (2) Courses must be taught by an instructor pre-qualified by the Department in accordance with Section 29(F).
 - (3) Courses must substantially relate to the sale, purchase, or leasing of real estate.
 - (4) Course materials and the instructor's resume must accompany the application for approval.
 - (5) New or additional instructors for previously approved courses must be approved by the Department.

SECTION 30. CONTINUING EDUCATION

- (A) Prior to the renewal of any license, all licensees not specifically exempted by shall make a positive affirmation, either in writing or electronically, certifying under penalty of perjury to the Department that the licensee has attended and successfully completed during the preceding two (2) year period, twenty-four (24) clock hours of real estate oriented educational sessions or courses of instruction.
- (B) Only those courses previously approved by the Department in accordance with Section 29(G) may be taken to fulfill the requirements of this section.

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- (C) This section applies to attorneys licensed by the Supreme Court of this state who obtained a real estate broker's license or real estate salesperson's license without examination pursuant to R.I. Gen. Laws § 5-20.5-4(d). Continuing legal education courses that substantially relate to the sale, purchase, or leasing of real estate may be used to satisfy the requirements of this section only upon prior approval of the course by the Department pursuant to Section 29(G).
- (D) At least six (6) of the twenty-four (24) clock hours must come from the following subject areas:
 - (1) Rhode Island law defining relationships between licensees and consumers;
 - (2) Rhode Island law pertaining to real estate licensure;
 - (3) Rhode Island landlord-tenant law;
 - (4) The law of contracts;
 - (5) Federal, Rhode Island, and local law pertaining to fair housing and the treatment of any individual in a protected class as designated in the Rhode Island Fair Housing Practices Act, Title 34, Chapter 37 of the Rhode Island General Laws;
 - (6) Lead hazard mitigation or other environmental issues pertaining to real property;
 - (7) Local ordinances and regulations pertaining to residential real estate;
 - (8) Financing the purchase of real estate; or
 - (9) Ethical considerations in real estate transactions.
- (E) Completion of the requirements of this section is a condition precedent to the renewal of a license. A licensee's misrepresentation or false certification as to course attendance and completion shall subject the licensee to disciplinary action.
- (F) Licensees who hold a valid license originally issued prior to December 12, 1984 are not required to take continuing education courses for purposes of license renewal.

SECTION 31. SUBSEQUENT STATUTORY CHANGES

Any changes in the Rhode Island General Laws pertaining to real estate licensure that affect the content, language or intent of this regulation will be deemed adopted by the Department on the date of implementation of the statutory change.

SECTION 32. SEVERABILITY

If any section, term, or provision of this regulation is adjudged invalid for any reason, all remaining sections, terms, and provisions shall remain in full force and effect.

SECTION 33. EFFECTIVE DATE

This regulation shall be effective as indicated below.

DATE FILED: December 13, 2001

EFFECTIVE DATE: January 2, 2002

AMENDED: June 3, 2002
June 23, 2002
July 8, 2004

EMERGENCY
AMENDMENT: February 24, 2006

REPEAL OF
EMERGENCY
AMENDMENT: February 24, 2006

AMENDED: April 24, 2006

EMERGENCY
AMENDMENT: February 4, 2008

AMENDED: May 27, 2009

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ESCROW DEPOSIT TRANSMITTAL FORM

Instructions: The real estate broker or salesperson (“licensee”) shall submit this form to the General Treasurer’s Office at the following address:

Unclaimed Property Division
P.O. Box 1435
Providence, Rhode Island 02901-1435

A copy of this form must be sent to the Department of Business Regulation, Real Estate Section, 1511 Pontiac Avenue, Bldg. 69-1, Rhode Island 02920.

In accordance with R.I. Gen. Laws § 5-20.5-26, the enclosed check in the amount of \$_____ is being transferred to the R.I. General Treasurer to be held in trust until the parties to the transaction can resolve the dispute regarding the deposit for real estate (“subject property”). The deposit was held for 180 days by the listing brokerage beginning on _____.

[Insert Date of Original Deposit]

The parties to the transaction have not agreed to extend the purchase and sale agreement (“P&S agreement”) for the subject property for which the deposit is being held.

SUBJECT PROPERTY’S INFORMATION:

Street Address _____
City, State, Zip Code _____
Plat No. & Lot No. _____
Date of P&S Agreement _____

SELLER’S INFORMATION:

Seller’s Name _____
Street Address _____
City, State, Zip Code _____
Work Phone _____
Home or Cell Phone _____

SELLER’S BROKER OR SALESPERSON (“LICENSEE”) INFORMATION:

Licensee’s Name _____
Street Address _____
City, State, Zip Code _____
Work Phone _____
Cell Phone (if known) _____
License No. _____

Principal Broker _____
E&O Insurance Carrier _____
E&O Policy Number _____
Federal Tax ID No. _____

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BUYER:

Buyer's Name _____
Street Address _____
City, State, Zip Code _____
Work Phone _____
Home or Cell Phone _____

BUYER'S BROKER OR SALESPERSON (if any):

Licensee's Name _____
Street Address _____
City, State, Zip Code _____
Work Phone _____
Cell Phone (if known) _____

Principal Broker _____
E&O Insurance Carrier _____
E&O Policy Number _____
Federal Tax ID No. _____

Principal Broker's Signature

Date

Name of Principal Broker (Print or Type)

License Number

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
CLAIM FOR RETURN OF PROPERTY**

AFFIDAVIT OF REAL ESTATE SALESPERSON OR BROKER TO OBTAIN DEPOSIT

Claim is hereby filed for a return of a Real Estate Escrow Deposit transmitted to the General Treasurer in accordance with R.I. Gen. Laws § 5-20.5-26 on _____ in the amount of \$_____.
[Date of original transmittal]

Please remit the Real Estate Escrow Deposit to the following claimant(s) at the address below.

1. Name of Claimant: _____ SS# _____
Co-Claimant: _____ SS# _____
Present Address: _____

Telephone # _____

2. Property's address for which deposit was originally made: _____

Amount of Deposit: _____
Holder of Deposit: _____
Date of Deposit: _____

3. This claim is made by (please check appropriate line):
- () A. Original owner of subject property
 - () B. Under assignment of transfer
 - () C. As guardian, executor, administrator of other representative
 - () D. Under decree of distribution in probate proceeding
 - () E. As heir or legatee per will (enclosed copy)
 - () F. As heir and survivor when no will or probate proceedings were filed
 - () G. Other (please specify and explain)

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4. If claimant presents this claim as heir and survivor, complete the following:

NAME	RELATIONSHIP	ADDRESS
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Continue on separate sheet, if necessary)

Each of the undersigned affiants (signatory), being duly sworn, deposes and states: That affiant(s) is/are the claimant(s) in the foregoing claim; that affiant(s) has read the foregoing claim and knows its contents; that the same is true of affiant's own knowledge; that the money or property involved has not been received by affiant(s); that affiant(s) of said claim and sole person(s) entitled to receive the property set forth in said claim; and that affiant(s) agree to indemnify and hold harmless the State of Rhode Island, its officers and employees, from any loss resulting from the payment of said claim.

Affiant _____
(Claimant's signature)

Affiant _____
(Claimant's signature)

Subscribed and sworn to before me this _____ day of _____ 20____

Notary Public

My commission expires _____

Please attach supporting documents.

Mail all completed forms to:

Unclaimed Property Division
P.O. Box 1435
Providence, Rhode Island 02901-1435

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RELEASE

KNOW ALL MEN BY THESE PRESENTS, that I/We, _____,
residing at _____
in the city or town of _____ in the State of _____,
for and in consideration of payment of a Real Estate Escrow Deposit transmitted to the General Treasurer
of the State of Rhode Island pursuant to R.I. Gen. Laws § 5-20.5-26 of _____
dollars (\$ _____) to _____, the real estate broker (or his or her
successor) acting as claimant for the Real Estate Escrow Deposit, do hereby release and forever discharge
the General Treasurer and the State of Rhode Island and its agencies and their successors from all debts,
demands, actions, and liabilities whatsoever, arising out of or relating to the Real Estate Escrow Deposit
that I now or ever had against the General Treasurer and/or the State of Rhode Island.

In further consideration of the payment of the aforementioned sum, I hereby agree to indemnify and save
harmless the General Treasurer, the State of Rhode Island, its Agencies and successors from all claims or
demands of any other person or persons on the same account.

Sworn to before me this _____ day of _____ 20____

Notary Public

Claimant Signature

Claimant Signature

Mail all completed forms to:

Office of the General Treasurer
82 Smith Street
State House – Room 102
Providence, Rhode Island 02903