



# BOUNDARY LINES

A LOUISIANA REAL ESTATE COMMISSION MONTHLY NEWSLETTER

## INVESTIGATOR'S DESK

### ACTIVE REFERRAL REFERRAL COMPANIES

“Licensees in a Referral Company **MUST** comply with all **ACTIVE** licensee requirements.”

The Commission often hears: “I am not an active licensee, I am in a referral company,” or “I am in a referral company and my license is inactive.”

These statements are completely inaccurate. According to the Licensing Law's definitions, you must have an active license to “assist or direct in the procuring of prospects”

### THIS ISSUE

Referral Companies Investigator's Desk

Chairman's Corner Education Survey

## Chairman's corner



Remember the Washington Mutual Savings Bank scandal a few years ago, where cozy relationships between the lender and their appraisers brought down one of the nation's largest mortgage lenders? Who would have thought that a few short years later, this scandal would have triggered passage of a series of Federal Laws, Rules and Regulations that now make it even harder for Louisiana consumers to build or buy their dream home?

The Washington Mutual failure, combined with Wall Street excesses, led to enactment of the sweeping Dodd–Frank Act, which included provisions mandating “blind ordering” of real estate appraisals. This required lenders in most residential real estate transactions to make lending decisions based on appraisals ordered through independent Appraisal Management Companies (AMCs). Gone are the days when your local lender could always select a local, geographically competent appraiser to establish market value in support of a mortgage loan.

As the role and power of AMCs exponentially increased as a result of Dodd–Frank, the “Law of Unintended Consequence” kicked in. In Louisiana today, eight (8) large out-of-state Appraisal Management Companies control the selection



*cont'd Referral (below)*

and to refer these prospects to another licensee. A referral agent must be licensed as an active broker, salesperson or associate broker. To avoid a license law violation, the licensee must not accept compensation for a referral from any person except his or her sponsoring broker. All commissions and fees owed to active licensees must be paid directly to their sponsoring broker and then paid out by the broker to the licensees who have earned them.

Licensees in a referral company, as with all licensees, must also renew their license each year on or before December 31st (or renew delinquently before March 31st). In addition, an active licensee must carry errors and omissions insurance, either through the LREC group program or through a private carrier. An active licensee is also subject to all continuing education requirements.

Inactive licensees are not subject to the errors and omissions insurance requirements, nor are they subject to any continuing education requirements. However, a person whose license status is inactive, may receive compensation for real estate brokerage activity, provided the compensation was earned when the licensee's license was in an active status.

As always, please contact us if you have any questions or concerns at [info\\_investigations@lrec.state.la.us](mailto:info_investigations@lrec.state.la.us).

**- Marsha Stafford**



*cont'd Chairman's Corner (below)*

and administration of an estimated 80-90 percent of AMC administered residential appraisals. Licensees across Louisiana report poor appraisals blowing up sales. Consumers, who must front the cost of an appraisal to be considered for a mortgage loan, have no input as to the selection or competence of the appraiser assigned to their transaction. Nor does the consumer have any recourse when the appraisal they paid for turns out to be substandard. Consumers and licensees are simply out of luck.

Although your Louisiana Real Estate Commission has no direct jurisdiction over appraisers or Appraisal Management Companies, their actions directly impact the public in real estate transactions. We have followed and continue to support the actions of our sister agency, the Louisiana Real Estate Appraiser Board, in its efforts to craft the necessary legislation and rules to correct the appraisal problems in Louisiana.

House Bill 1014 recently gained unanimous support of the House Commerce Committee and is now on its way to final passage in the legislature. This bill provides the framework to assure appraisers, and Appraisal Management Companies alike, deliver quality appraisals to support real estate transactions. Additional provisions cover full disclosure, spell out a review process, and give our state Appraiser Board the tools to enforce a level playing field. The Louisiana Realtors Association, Bankers Association, Homebuilders Association, as well as the National and State Appraisal Institutes, all joined hands in support of HB 1014 to help you better serve your customers and clients.

Your Real Estate Commission will stay involved and continue to keep you informed as we all work together for a better real estate industry here in the Pelican state.

**- Tim Flavin**



## EDUCATION AUDIT

GOING INVESTIGATIVE

### Education Division soon to turn those who fail to respond over to Investigative Division.

The Education Division is in the process of completing the education audit of 2011. Once completed, they will provide the Investigation Division with a list of all licensee's who failed to complete their continuing education and the names of the licensees who have failed to respond to the audit.

Over the course of the coming weeks, these individuals will be contacted by the Investigation Division. Licensees and their respective brokers can anticipate receiving correspondence from the Investigation Division. If a licensee failed to complete the education prior to renewing his or her license, the Commission will stipulate that his or her license be censured, and the licensee will be required to pay a fine of \$325 and provide the certificates of course completion. This fine is doubled upon a repeat of the violation, and if the same licensee is charged with a third violation, he or she must come before the Commission for a formal hearing.

**\*\* Failure to respond to an inquiry made by the Commission could result in revocation or suspension of a license. \*\***

- Robert Maynor

## April Citations

### Citations issued for April of 2012:

The Investigation Division issued 38 advertising citations in the month of April. This is the second month in a row that the majority of the citations were issued on team advertisements. Licensees need to remember that any time a team is referenced the licensee is required to include all team members' names in the advertisement. Additional citations were issued on advertisements placed on internet websites that failed to include either the sponsoring brokers/brokerage contact information.

### Formal Adjudicatory Hearings:

At a formal hearing held April 18, 2012, the Louisiana Real Estate Instructor License issued to Mark D. Norsworthy, was suspended for 30 days (April 19, 2012 through May 18, 2012) and he was fined \$3,500.

Mark D. Norsworthy signed a Certificate of Course Completion dated December 1, 2010 for a live presentation of a 45 hour Post Licensing for salespersons course and issued a certificate of completion wherein the student had not attended nor completed the course in violation of LSA-R. S. 37:1455.A.(2) and Chapter 55, Subsection 5509.1 of the Rules and Regulations.

On January 27, 2011, Mark D. Norsworthy submitted the Post Licensing Attendance Report to the Commission which falsely listed this student as an attendee in violation of LSA-R.S. 37: 1454.

- Robert Maynor

# Educating Ourselves: a survey

A few months ago, we asked you what you thought the 2013 Continuing Education Topic should be, and last month, we wanted to know what topics you find to be the most important and most interesting for a Louisiana real estate licensee to learn. Thanks for the wonderful feedback you guys have given! Because the answers have continued to roll in, we've decided to keep the survey open a little longer. We value the opinions of the licensee and the public alike, and we want to ensure everyone who wants a say-so gets one. So, let us know what you think! Click the gray survey button below to make the jump. We're listening!

[survey](#)

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