

ARELLO RE-DISTRICTING TASK FORCE REPORT

A New Governance Proposal for a 21st Century Global Organization

June 24, 2011

EXECUTIVE SUMMARY

The charge to this Task Force was not because of a failure of past or current leadership. Those individuals elected to serve under the current model of governance have established a tradition of excellent service. Instead, the leadership of ARELLO has always constantly sought ways in which to increase beneficial participation of members in the organization. Thus, the charge to this Task Force arises out of a desire to expand member jurisdiction participation in governance, to create greater equity among members in governance, and to assure greater efficiency in service to the membership.

Increasing beneficial participation has been a recurring theme in the history of the Association. In the early decades after the creation of the Association in 1930, that desire led to efforts to increase the number of U.S. jurisdictions participating. In the mid-20th Century that desire led to encouraging Canadian jurisdictions to participate. In the latter part of the 20th Century that desire led to such actions as (a) altering the traditional governance by Committees composed only of members of the Board of Directors to having Committees with membership participation by non-Board members, (b) creating membership categories for non-regulators and for regulators who did not want full membership, and (c) actively pursuing memberships for non-North American nations who were developing new regulatory systems. While those actions led to more participation in Association activities, they did not lead either to more member jurisdiction participation in governance or to greater equity in participation.

Selecting Board of Directors members from geographical Districts has almost always failed to create equitable participation on the Board. Districts with most of their assigned jurisdictions actively participating often have no more Board representation than Districts

with few of their assigned jurisdictions participating. Some Districts have not even elected their full share of allotted positions on the Board. Those facts have led to periodic redistricting efforts seeking to achieve a better participatory balance. The current Redistricting Task Force is yet another effort to achieve that balance either through re-arranging District memberships or through creating some other governmental model.

ARELLO needs to make a change in its governance for the following reasons:

- Governance organization by districts unreasonably limits member participation and has led to an imbalance of representation.
- Most newer member jurisdictions are nation-states rather than subdivisions of nation-states.
- From time to time member jurisdictions identify the need to adopt positions on national issues that often may not be international in their applicability.

The Task Force's review found that organization by Districts has largely served two purposes: (a) a basis for networking and (b) a basis for governance.

The Task Force believes that ARELLO can achieve the benefits of District networking reasonably in other ways and that ARELLO's governing documents do not and should not bar periodic meetings organized on a geographical or other basis when they seem desirable to member jurisdictions.

The Task Force recommends the replacement of "Districts" with **CHAPTERS**. Such Chapters would include only the member jurisdictions in a sovereign nation and serve primarily to allow those member jurisdictions to express their views on matters that affect only their sovereign nation. A Chapter may also elect to organize itself into sub-groups based on, but not limited to, such criteria as geography, individual member job responsibilities, or licensee population in order to facilitate networking and educational meeting activities among the Chapter members.

The Task Force believes that the Association can better achieve its goals of greater participation in its governance and greater efficiency of operation in the 21st Century by creating a **CONGRESS OF MEMBER JURISDICTIONS** composed of one representative from each member jurisdiction. The Congress of Member Jurisdictions would replace both the General Assembly (one vote by each member jurisdiction present) and the Board of Directors (5 Directors from each District). The Congress of Member Jurisdictions would set policies for the Association.

In addition to its policy making function, the Congress of Member Jurisdictions would elect an **EXECUTIVE COMMITTEE** to carry out policies and manage the Association's routine activities. Executive Committee members would be the President, President-elect, Treasurer, most Immediate Past-President still an active regulator, and four Vice Presidents (who would be responsible for coordinating the activities of the Association's various working groups). The Congress of Member Jurisdictions would annually elect the members of the Executive Committee except for the most Immediate Past President. At all times at least one member of the Executive Committee must be from a non-U.S. member jurisdiction.

The Task Force recommends no substantive changes to the Association's working groups.

SUBMITTED BY:

Chair

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Active Members

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RE-DISTRICTING ISSUES CONSIDERED

In 1930, a few real estate brokerage license law officials from the United States (U.S.) met in Toronto, Canada, and formed the National Association of License Law Officials (NALLO). In the 1950s, NALLO became an international organization as regulatory officials of the Canadian provinces began joining the U.S. organization. Because the two nations shared a common border, common economic markets, and similar types of governments, the Association saw little need to make other than minor alterations to its governing documents [in 1965, it changed its name to the National Association of Real Estate License Law Officials (NARELLO)]. Only occasionally did its members glimpse a need for different organizational structure. In the mid 1990s, NARELLO had become ARELLO, the Association of Real Estate License Law Officials. By the early 2000s, its membership had expanded to include over 80 licensee jurisdictions located in over a dozen nations on five different continents.

Many of the newer member jurisdictions operate under varying economic and governmental models. Yet, an international economy envelops all of those member jurisdictions and necessitates that ARELLO make its organization one that can easily include new jurisdictions and their licensing entities among its membership. Several issues illustrate a need for revising ARELLO's 20th Century governance model so that it can function more effectively to meet its members' needs in the 21st Century.

GOVERNANCE BY DISTRICTS HAS LOST ITS VIABILITY - In the 1930s, NALLO divided its member jurisdictions into geographical districts. Those geographical districts served reasonably well the needs of a U.S. organization in an era in which (a) states had significant control of business activities within their borders, (b) business organization models seldom crossed jurisdiction lines, (c) travel was limited due to cost and time, and (d) communication systems were largely paper driven. The geographical districts allowed member jurisdictions to meet with some of their immediate geographic neighbors with lesser travel costs in order to attempt to address issues of common interest such as reciprocity of licensing. Originally, appending Board

of Directors membership to those geographical Districts was a rational effort to attempt to assure broad representation in managing the organization's operations and in formulating its positions on issues.

By the 1950s, the organization officially became international with the admission of Canadian provinces to full membership status. Despite becoming basically a U.S.-Canadian association, its name, NARELLO, continued to reflect its U.S. orientation and membership domination. Because the two nations were adjacent geographically, extending the geographical district lines northward seemed a reasonable way to expand the Board of Directors membership even though it ignored national governmental differences. Organizing the Association into four or five geographical districts continued to work fairly well by mixing memberships in the geographical district to include both Canadian and U.S. jurisdictions (even though the Southern District had no Canadian participation).

By 1970, travel times and costs dropped significantly as air travel expanded. By the 1990s, technology made it possible to meet without leaving home. In the 1990s, the organization finally acknowledged its international membership by changing its name to ARELLO and by making concerted efforts to expand its membership to all nations that regulated real estate brokerage activity. By the turn of the century, new international member jurisdictions led to the creation of six geographical districts with the formation of a Canadian Provinces only district and an international members only district.

Today, all of the original rational reasons for the organization's governance based largely on a "geographical district" orientation have lost their once apparent viability. As the organization has become international and Canada no longer participates directly with U.S. jurisdictions in Districts, geographical districts have outlived their utility.

While organizing by districts may continue to have some non-governmental benefits, that schematic has led to or created the following problems that ARELLO needs to address.

Districts Limit Active Member Participation on the Board of Directors –

Historically, only jurisdictions in the U.S. South and Midwest have continually met in large numbers. The U.S. Northeast jurisdictions cover a smaller geographic area. That fact would seem to allow (or even encourage) heavier participation in District Meetings. Yet, it has not. For reasons not fully understood, the U.S. West and Canadian Districts have varied in the level of their jurisdictions' participation. Such varying District participatory levels have occurred from time to time since the Association's inception. In the 1990s, they became so extreme that the Association abolished the old North Central District in the U.S. Some Districts no longer have enough participation to hold their traditional annual meetings and meet only in conjunction with the Association's Annual Conference and Mid-year Meeting. Thus, while organization by District in the 20th Century may have encouraged participation that might not otherwise have occurred, it no longer does so in the 21st Century.

Districts Do Not Assure Sharing of Experience and Expertise - By creating an international district, the Association to some extent undercut at least one of the purposes of seeking an international membership. That purpose was to share the lengthy experience in regulation in the U.S. and Canada with nations whose economic systems were just beginning to allow private transactions that invited the development of brokerage activity. Placing those nations in a district that excluded U.S. or Canadian jurisdictions unintentionally limits (or at least does not encourage) the opportunities for sharing experiences and expertise.

Districts Minimize Education Value for Members - To some extent geographical districts once served a very useful educational purpose for individual members. For example, jurisdictions with smaller licensee populations and a few large urban areas have learned from jurisdictions with larger, more urban licensee populations how to meet problems associated with their growing licensee bases in metropolitan areas. Larger and smaller jurisdictions and member jurisdictions from differing nations need to be aware of the problems faced by other jurisdictions as they help ARELLO formulate regulatory positions. Canadian and U.S. jurisdictions have discovered new ways of attacking

similar problems and shared those solutions. Yet, having that educational awareness arise largely from a geographical framework now actually narrows the scope of solutions with the non-U.S. jurisdictions separated into other “districts.” Of course, adjoining larger and smaller jurisdictions still face regulatory problems (e.g., reciprocity issues) that they need to focus on resolving together.

Districts Create an Artificial Homogeneity - ARELLO’s geographical district format ignores important regulatory realities. Jurisdictions with large licensee populations face different issues from those with smaller licensee populations. For example, the daily regulatory needs of jurisdictions with large licensee populations have many common interests they often do not share with their geographically closer neighbors with smaller licensee populations. Similarly, jurisdictions with licensee populations that are largely urban face different issues from those with licensee populations that are largely rural. Likewise, U.S. jurisdictions bordering Mexico have regulatory issues because of their proximity to Mexico that do not exist for other jurisdictions in the ARELLO Districts to which they belong. The more recent separation of Canadian provinces into their own district eliminates the value of having those states and provinces on the national border meeting together to discuss common problems and reciprocity issues. ARELLO’s assignment of jurisdictions to its defined districts often minimizes opportunities for a jurisdiction to seek out and confer with other jurisdictions with which it shares common interests and problem areas. Thus, geographical districts tend to force an artificial homogeneity that often fails to serve even their own member jurisdictions’ interests as well as they need to be served.

Districts Create an Imbalance of Representation - For most of the Association’s existence, ARELLO’s bylaws have called for a Board of Directors composed of four or five members elected from each of its geographical districts. With districts usually having around fifteen member jurisdictions each, about ten of a district’s member jurisdictions had no more than an indirect voice on the Board. Compounding that basic inequity in representation, geographic districts have also ignored the participatory levels of their various member jurisdictions. Some U.S. and Canadian jurisdictions have always

actively participated while others have rarely done so. Dividing the membership into roughly an equal number of member jurisdictions in each geographic district has not and does not assure equal participation for active member jurisdictions. For example, the organization has usually had four or five districts composed of around fifteen member jurisdictions each. One or two of those districts may have had nearly all of their assigned jurisdictions participating actively while the other districts have had as few as a half dozen or less jurisdictions doing so. Thus, at those times the Board of Directors membership clearly becomes unfairly weighted in behalf of the Districts with fewer participating members.

MOST NEW MEMBER JURISDICTIONS ARE NATION-STATES RATHER THAN SUBDIVISIONS OF NATION-STATES – ARELLO's membership growth at the end of the 20th and the beginning of the 21st Century has not been among political subdivisions of nations as it was when Australia, Canada, and the United States were its only members. Instead, most new members are now nation-states. Indeed, pending legislation in Australia to create the same licensing requirements nationwide might change its participating members from multiple states to one nation. Such a change in Canada and the United States seems remote, but the example of federal standards for real estate appraisers in the United States might one day apply to real estate brokers. At present ARELLO does not appear to be likely to have a large increase in the total number of its member jurisdictions. However, it does need to find better ways to have its governance recognize the presence of nation-states as member jurisdictions.

MEMBER JURISDICTIONS OFTEN IDENTIFY THE NEED TO ADOPT POSITIONS ON NATIONAL ISSUES THAT MAY NOT BE INTERNATIONAL IN THEIR APPLICABILITY - In the late 1980s and early 1990s, ARELLO took positions on the U.S. federal government's involvement in appraisal regulation. In the 1990s and early 2000s, it took positions on the issue of U.S. banks seeking to move into real estate brokerage activity. Most, if not all, representatives of Canadian provinces on the Board of Directors did not participate in the voting on those issues because they saw them as purely U.S. matters in which they had no special reason or desire to participate.

Yet, ARELLO promulgated and publicized the Board's positions on those matters as the views of all members of ARELLO. ARELLO's taking positions on similar issues in the future may well become more divisive and problematic as its member jurisdictions from nations with differing economic and governmental models seek to express their individuality or to address internal matters.

POSSIBLE ACTION ITEMS

ARELLO should initiate appropriate action to change the organization's by-laws and operating policies in a number of respects so that the organization's structure more appropriately reflects its new orientation as an international organization and better serves its members in the 21st Century. Among those changes are:

CREATE A CONGRESS OF MEMBER JURISDICTIONS - ARELLO should change its organizational structure so that it better recognizes its expanding international membership. Perhaps the most direct and fairest manner of doing so would be to fuse the activities and duties of the General Assembly and the Board of Directors into a Congress of Member Jurisdictions. Each active member jurisdiction would name an individual member from its staff or regulatory board as its Representative to present its views in discussions and votes in meetings of the Congress of Member Jurisdictions. The new Congress of Member Jurisdictions would continue the usual policy-making activities of the old Board of Directors but would do so with every jurisdiction enabled to have input and a vote. Since every member jurisdiction would have a vote in the new Congress, it would also carry out all functions previously handled by the general membership meeting, including election of Officers.

VOTING ON MOTIONS - Prior to voting on any issue the Congress of Member Jurisdictions should identify whether the matter is a general or restricted motion. All Representatives should vote on general motions (e.g., by-law amendments, altering the organization's written policies and procedures, general regulatory practices, appellate matters authorized by the by-laws, and special awards or recognitions). Only Representatives of the nation or nations affected should vote on a restricted motion (e.g.,

a vote on a policy or practice that does not affect all member jurisdictions' regulatory activities). ARELLO should not publicize any position that affects only part of the member jurisdictions unless the publication clearly identifies the affected jurisdictions and the members of the Congress of Member Jurisdictions who voted on it. For example, "The members of the ARELLO Congress of Member Jurisdictions from the (nation) voted on (date) to urge authorities not to allow any financial institution or its employees to engage in real estate brokerage activities unless such financial institution or its employees first comply with the licensing laws of each jurisdiction in which such financial institution seeks to conduct real estate brokerage business." Such restricted motions would avoid unintended embarrassment to other member jurisdictions when their national policies require a different approach.

CHAPTERS – A Chapter would include all member jurisdictions in a sovereign nation and serve primarily to allow those member jurisdictions to express their views on matters that affect only their sovereign nation. In addition, a Chapter may also elect to organize itself into sub-groups based on, but not limited to, such criteria as geography, individual member job responsibilities, or licensee population in order to facilitate networking and educational meeting activities within the Chapter.

EXECUTIVE COMMITTEE - In order to manage the operations of the Association, ARELLO should utilize an Executive Committee comprised of the President, the President-elect, the Treasurer, the most Immediate Past-President still an active regulator, and four Vice Presidents elected by the Congress of Member Jurisdictions to two year terms with two positions filled each year. Vice Presidents must have been active regulator members in ARELLO for at least three calendar years. In filling positions on the Executive Committee the Congress of Member Jurisdictions should consider primarily diversity in regulatory expertise and type and secondarily diversity in geographic location.

The Vice Presidents would be responsible for assuring that the various working groups of the Association are meeting their responsibilities under the bylaws or the directives of the

Congress of Member Jurisdictions or the President. They would serve as a conduit of information between the various working groups and the Executive Committee and between various outside individuals or groups who have an interest in the VP's area of responsibility. For example, current working groups of the Association could be organized under the Executive Committee as follows:

VP for CONSUMER-INDUSTRY LIAISON

- Appraisal Advisory Group
- Auction Advisory Group
- Fair Housing Committee
- Home Inspection Advisory Group
- Mortgage Advisory Group
- Real Estate Practices Advisory Group
- Supervising Broker Best Practices Task Force
- Timeshare Advisory Group

VP for MEMBER EDUCATION

- Administrator Forum
- Affiliate Forum
- Commission Member Resource Committee
- Commission/Council Member Forum
- Education Issues Forum
- Investigator/Auditor Resource Committee
- Investigator/Auditor Forum
- Legal Staff Forum
- New Member Orientation Session
- Program Committee
- Staff Specialist Forum

VP for MEMBER SERVICES

- Investigation Designation
- Law and Regulation Committee
- License Verification
- Membership Committee (Communications, Outreach, Participation, Services)
- Timeshare Registry

VP for APPROVAL/DATA PROGRAMS

- Disciplinary Data Bank
- Distance Education Certification
- Education Content Certification
- Exam Accreditation Committee
- IDECC

FINANCE (The Treasurer would oversee this activity.)
Budget

PAST-PRESIDENT
Nominating Committee.

The Executive Committee shall have responsibility for such functions as:

- establishing agendas for the Congress of Member Jurisdictions;
- hiring and evaluating staff members;
- creating and executing the Association's budget consistent with the policies of the Congress of Member Jurisdictions;
- arranging for meeting locations;
- overseeing meeting and educational programs;
- creating working groups to address specific issues; receiving, reviewing, and acting appropriately on reports of all working groups and councils; and
- if those reports necessitate an action by the Congress of Member Jurisdictions, making recommendations to that body on whether any motion is "General" or "Restricted" and what action the Executive Committee finds warranted.

REDESIGN MEETING FORMATS

Congress of Member Jurisdiction Meetings – ARELLO should hold meetings of the Congress of Member Jurisdictions in a format that allows the use of the latest technology for allowing member jurisdictions representatives who cannot be present physically at a scheduled meeting to participate in real time electronically.

Educational Meetings - One of the valuable functions ARELLO performs is to assure the opportunity to get a cross section of views on the differing ways regulators approach issues. That goal should continue to be one ARELLO pursues. Meetings are a principal way of achieving that goal. ARELLO should constantly evaluate its educational meetings and programs in order to assure that members representing various interests and

nations have maximum face-to-face contact and rotating participation. For example, meeting coordinators could assign participants in a manner that assures inclusion of members from all parts of the globe in the various groups (a) for break-out sessions, (b) for education sessions in which members actively participate directly (as opposed to lectures or video presentations), or (c) for scheduled seated meal functions whose cost is a part of registration fees.

Other Meetings - While geographic districts would no longer be a formal subset of the governance of the Association if ARELLO adopts the concepts proposed herein, jurisdictions could still choose to meet to discuss regulatory matters of mutual interests as they determine a need. For example, the District of Columbia, Virginia, Maryland, and Delaware have met to address their particular reciprocity issues; widely scattered jurisdictions with large time-share developments may need to address common problems; or Canadian jurisdictions may need to discuss Canadian specific matters.

REVIEW

ARELLO should create a new

CONGRESS OF MEMBER JURISDICTIONS

(one representative from each member jurisdiction)

to replace both the

General Assembly

(one vote by each member jurisdiction present)

and

Board of Directors

(5 Directors from each District)

The Congress of Member Jurisdictions shall set policies and elect an Executive Committee to carry out policies and manage the Association's routine activities.

EXECUTIVE COMMITTEE

Executive Committee members shall be the President, President-elect, Treasurer, most Immediate Past-President still an active regulator, and four Vice Presidents. The Congress of Member Jurisdictions shall annually elect the members of the Executive Committee except the most Immediate Past-President who is still an active regulator. At all times at least one member of the Executive Committee should be from a non-U.S. jurisdiction.

EFFECTIVE DATE

If ARELLO adopts this governance proposal, its provisions should not take effect until the first day of the second full calendar year after its adoption. For example, if the Association adopted the proposal at its 2011 meeting in Baltimore, its provisions would not take effect until January 1, 2013.