

SUBJECT: Updating provisions related to the Texas Real Estate Research Center

COMMITTEE: Licensing & Administrative Procedures — committee substitute recommended

VOTE: 10 ayes — K. King, Walle, Goldman, Harless, Hernandez, Herrero, T. King, Patterson, Schaefer, Shaheen

0 nays

1 absent — S. Thompson

WITNESSES: For — Tray Bates, Texas Realtors (*Registered, but did not testify*: Julia Parenteau, Texas Realtors)

Against — None

On — (*Registered, but did not testify*: Chelsea Buchholtz, Texas Real Estate Commission)

BACKGROUND: Education Code sec. 86.51 establishes the Real Estate Research Center at Texas A&M University.

Some have suggested that terms and provisions relating to the Texas Real Estate Research Center (TREC) should be updated to better align with modern practices.

DIGEST: HB 3878 would make conforming changes to the Education Code sec. 86.51 in order to establish TREC terminology changes, procedures, and fees regarding the TREC, the Real Estate Research Advisory Committee, the Texas Real Estate Commission, and the Texas Appraiser Licensing and Certification Board.

Terminology. The bill would amend language to establish the Real Estate Research Center as the "Texas Real Estate Research Center." It would also make conforming changes to statute, replacing references to

"chairman" with "presiding officer" and references to "commissioner" with "executive director."

Procedural changes. The bill would specify that all members of the advisory committee would hold office for staggered terms of six years and would remove references to the committee's initial appointees.

Under HB 3878, the advisory committee would be required to meet if called by the committee's presiding officer, rather than the chairman, on the petition of any six committee members, or on call of the center's executive director, rather than the president of Texas A&M University, or the executive director's designated representative.

The bill also would entitle members to a per diem provided through the center's budget, rather than a legislative appropriation, for each day that the member engaged in the business of the board. The bill would remove the prohibition on compensation for travel expenses other than transportation and establish that each member would be entitled to compensation for transportation and travel expense, including expenses for meals and lodging.

HB 3878 would authorize members to meet virtually or by conference call through a third-party internet application. If the meeting was not permitted to be conducted as a closed meeting, the bill would require that members of the general public be able to participate.

Licenses for real estate brokers and sales agents. The bill would make conforming changes to specify that applicable licensure fees would be collected for each year of the term for which a broker license, sales agent license, or certificate of registration, was issued or renewed. These fees would only be applicable to the issuance or renewal of a license or certificate of registration on or after the bill's effective date.

A business entity would not be required to seek licensure if it received compensation on behalf of a broker or licensed sales agent that was earned by a license holder while engaged in real estate brokerage, performed no other acts of brokerage, was a limited liability company or an S

corporation as defined by statute, was registered with the commission, and who was at least 51 percent owned by the license holder on whose behalf the entity receives compensation.

The bill would require the TREC to adopt rules that provided for the registration of such a business entity.

The bill would remove certain requirements for obtaining a brokerage license. Specifically, applicants would no longer need to have four years of active experience in the state, nor would they need to provide evidence of having obtained a postsecondary education. Instead, applicants would be required to complete a qualifying number of real estate and related courses as required by the commission not to exceed 60 hours or equivalent classroom hours.

Real Estate Recovery Trust Account. To ensure the availability of a sufficient amount to pay anticipated claims on the trust account, the commission would be permitted to provide for the collection of fees from an applicant for an original license or certificate of registration, or from a license or certificate holder at the next renewal to credit to the trust account.

Payments from the trust account for claims, including attorney's fees, interest, and court costs, arising out of a single transaction would be limited to \$125,000, increased from \$50,000. Similarly, payments from the trust account for claims based on judgments against a single license or certificate holder would be limited to \$250,000, increased from \$100,000.

Disclosures. The bill would make conforming changes to require that certain disclosures within a contract to purchase property occurred in writing. In addition to certain potential buyers, the bill would require that disclosures be made to the owner of the real property that the person intended to sell an option or assign an interest in a contract.

The commission would be required to adopt rules to charge and collect fees in reasonable and necessary amounts to cover the costs of

administering any provisions of this bill, and of the real estate recovery trust account.

The bill would take effect January 1, 2024 and apply only to the application for, issuance, or renewal of a license on or after the effective date.