

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 738
Second Edition Engrossed 5/26/93

Short Title: Real Estate Act Amds.

(Public)

Sponsors: Senators Sherron; and Carpenter.

Referred to: Judiciary II.

April 8, 1993

1 A BILL TO BE ENTITLED

2 AN ACT TO INCREASE THE QUALIFICATION REQUIREMENTS AND
3 AUTHORIZE AN INCREASE IN FEES FOR PERSONS HOLDING REAL
4 ESTATE LICENSES AS RECOMMENDED BY THE NORTH CAROLINA REAL
5 ESTATE COMMISSION AND TO CHANGE THE TITLE OF REAL ESTATE
6 SALESMAN TO REAL ESTATE SALESPERSON.

7 The General Assembly of North Carolina enacts:

8 Section 1. G. S. 93A-4 reads as rewritten:

9 "~~§ 93A◆examinations; bond; privilege licenses; renewal or reinstatement of
10 license; power to enforce provisions.~~

11 ~~(a) Any person, partnership, association, or corporation hereafter desiring to
12 enter into business of and obtain a license as a real estate broker or real estate salesman
13 shall make written application for such license to the Commission on such forms as are
14 prescribed by the Commission. Each applicant for a license as a real estate broker or
15 real estate salesman shall be at least 18 years of age. Each applicant for a license as a
16 real estate salesman shall, within five years preceding the date application is made, have
17 satisfactorily completed, at a school approved by the Commission, a real estate
18 fundamentals course consisting of at least 30 hours of classroom instruction in subjects
19 determined by the Commission, or possess real estate education or experience in real
20 estate transactions which the Commission shall find equivalent to the course. Each
21 applicant for a license as a real estate broker shall, within five years preceding the date
22 the application is made, either have been actively engaged on a full time basis as a
23 licensed real estate salesman for at least two years, or have satisfactorily completed, at a~~

1 school approved by the Commission, advanced courses in Real Estate Law, Real Estate
2 Finance, and Real Estate Brokerage Operations, each consisting of at least 30 hours of
3 classroom instruction, these courses to be in addition to those required for a real estate
4 salesman license, or possess real estate education or experience in real estate
5 transactions which the Commission shall find equivalent to the above requirements.
6 Each application for license as a real estate broker shall be accompanied by a fee, fixed
7 by the Commission but not to exceed thirty dollars (\$30.00). Each application for
8 license as a real estate salesman shall be accompanied by a fee, fixed by the
9 Commission but not to exceed thirty dollars (\$30.00).

10 (b) Any person who files such application to the Commission in proper manner
11 for a license as real estate broker or a license as real estate salesman shall be required to
12 take an oral or written examination to determine his qualifications with due regard to the
13 paramount interests of the public as to the honesty, truthfulness, integrity and
14 competency of the applicant.

15 The Commission may make such investigation as it deems necessary into the ethical
16 background of the applicant. If the results of the examination and investigation shall be
17 satisfactory to the Commission, then the Commission shall issue to such a person a
18 license, authorizing such person to act as a real estate broker or real estate salesman in
19 the State of North Carolina, upon the payment of privilege taxes now required by law or
20 that may hereafter be required by law. Anyone failing to pass an examination may be
21 reexamined without payment of additional fee, under such rules as the Commission may
22 adopt in such cases.

23 Provided, however, that any person who, at the time of the passage or at the
24 effective date of this Chapter, has a license to engage in, and is engaged in business as a
25 real estate broker or real estate salesman and who shall file a sworn application with the
26 Commission setting forth his qualifications, including a statement that such applicant
27 has not within five years preceding the filing of the application been convicted of any
28 felony or any misdemeanor involving moral turpitude, shall not be required to take or
29 pass such examination, but all such persons shall be entitled to receive such license
30 from the Commission under the provisions of this Chapter on proper application
31 therefor and payment of a fee of ten dollars (\$10.00).

32 (c) All licenses issued by the Commission under the provisions of this Chapter
33 shall expire on the 30th day of June following issuance or on any other date that the
34 Commission may determine and shall become invalid after that date unless reinstated. A
35 license may be renewed 45 days prior to the expiration date by filing an application with
36 and paying to the Executive Director of the Commission the fee required by the
37 Commission, which may not exceed twenty five dollars (\$25.00). The Commission may
38 adopt rules establishing a system of license renewal in which the licenses expire
39 annually with varying expiration dates. These rules shall provide for prorating the
40 annual fee to cover the initial renewal period so that no licensee shall be charged an
41 amount greater than the annual fee for any 12 month period. All licenses reinstated after
42 the expiration date thereof shall be subject to a late filing fee of five dollars (\$5.00) in
43 addition to the required renewal fee. In the event a licensee fails to obtain a
44 reinstatement of such license within 12 months after the expiration date thereof, the

1 Commission may, in its discretion, consider such person as not having been previously
2 licensed, and thereby subject to the provisions of this Chapter relating to the issuance of
3 an original license, including the examination requirements set forth herein. Duplicate
4 licenses may be issued by the Commission upon payment of a fee of five dollars (\$5.00)
5 by the licensee. Commission certification of a licensee's license history shall be made
6 only after the payment of a fee of ten dollars (\$10.00).

7 (d) The Commission is expressly vested with the power and authority to make
8 and enforce any and all such reasonable rules and regulations connected with the
9 application for any license as shall be deemed necessary to administer and enforce the
10 provisions of this Chapter. The Commission is further authorized to adopt rules and
11 regulations necessary for the approval of real estate schools and such rules and
12 regulations may, in accordance with G.S. 93A-4(a), prescribe specific requirements
13 pertaining to the teaching of mechanics and law governing real estate transactions at
14 such schools.

15 (e) Nothing contained in this Chapter shall be construed as giving any authority
16 to the Commission nor any licensee of the Commission as authorizing any licensee
17 whether by examination or under the grandfather clause or by comity to engage in the
18 practice of law or to render any legal service as specifically set out in G.S. 84-2.1 or any
19 other legal service not specifically referred to in said section.

20 **"§ 93A-4. Applications for licenses; fees; qualifications; examinations; privilege**
21 **licenses; renewal or reinstatement of license; power to enforce**
22 **provisions.**

23 (a) Any person, partnership, association, or corporation desiring to obtain a
24 license as a real estate broker or real estate salesperson shall submit a properly
25 completed written application for such license to the Commission on forms prescribed
26 by the Commission. Each person applying for a real estate broker or salesperson license
27 shall be at least 18 years of age.

28 Each person applying for a real estate salesperson license shall have satisfactorily
29 completed a Commission-approved course of study consisting of at least 60 classroom
30 hours of instruction in subjects determined by the Commission within five years
31 preceding the date application is made, or shall possess real estate education or
32 experience in real estate transactions which the Commission shall find equivalent to
33 such course of study.

34 Each person applying for a real estate broker license shall, within five years
35 preceding the date application is made, have satisfactorily completed a Commission-
36 approved course of study consisting of at least 90 classroom hours of instruction in
37 subjects determined by the Commission, such instruction to be in addition to that
38 required for a real estate salesperson license, or have obtained two years' full-time or
39 equivalent part-time experience as a licensed real estate salesman or salesperson. The
40 Commission may, in its discretion, waive all or a portion of the above qualification
41 requirements for a broker applicant upon finding that the applicant possesses other
42 equivalent real estate education or experience in real estate transactions.

43 Each applicant for a real estate broker or salesperson license shall pay a license
44 application fee fixed by the Commission, which may not exceed sixty dollars (\$60.00).

1 No additional fee shall be charged to an applicant for application processing,
2 examination, and license issuance, except that the Commission may charge an
3 additional fee in an amount sufficient to defray the actual cost per applicant of any
4 examination services which are provided by an outside agency with whom the
5 Commission has contracted for such services.

6 (b) As a condition of licensure, each applicant for a real estate broker or
7 salesperson license shall demonstrate to the Commission that the applicant possesses the
8 honesty, integrity, and moral fitness necessary to act as a real estate broker or
9 salesperson in a manner that protects the public interest, and the Commission may make
10 such investigation as it deems necessary into the background of the applicant. Except as
11 may be authorized elsewhere in this Article, any person applying for a real estate broker
12 or salesperson license shall also be required to pass an appropriate examination to
13 demonstrate his competency. If satisfied with the applicant's character and competency,
14 then the Commission shall issue a license authorizing the licensee to act as a real estate
15 broker or real estate salesperson in the State of North Carolina upon the payment of
16 privilege taxes now required by law or that may hereafter be required by law.

17 (c) All real estate broker and salesperson licenses issued by the Commission
18 under the provisions of this Chapter shall expire on the 30th day of June following
19 issuance or on such other annual expiration date as the Commission may establish, and
20 shall be invalid after that date unless properly renewed. A licensee may renew his
21 license annually within 45 days preceding the expiration date by filing the prescribed
22 renewal application and paying the renewal fee required by the Commission, which may
23 not exceed forty dollars (\$40.00). The Commission may adopt rules establishing a
24 system of license renewal in which licenses expire annually with varying expiration
25 dates. These rules shall provide for prorating the license renewal fee to cover the initial
26 renewal period so that no licensee shall be charged an amount that equates to more than
27 the annual fee for any 12-month period. A former licensee desiring to reinstate an
28 expired license within 12 months following the expiration date shall file the prescribed
29 application and pay a fee fixed by the Commission, which may not exceed eighty
30 dollars (\$80.00).

31 In the event a former licensee fails to reinstate his license within 12 months
32 following the expiration date, such former licensee must file the prescribed application
33 and pay the fee required of applicants for original licensure. The Commission may, in
34 its discretion, subject such applicants for license reinstatement to the requirements of
35 this section relating to qualifications for an original license, including the competency
36 examination, and to any continuing education required by this Chapter.

37 Duplicate and replacement licenses may be issued by the Commission upon payment
38 of a fee of five dollars (\$5.00) by the licensee. Certification of a licensee's license
39 history may be provided by the Commission upon payment of a fee of ten dollars
40 (\$10.00) by the licensee or other party requesting the certification.

41 (d) The Commission is expressly vested with the power and authority to adopt
42 rules relating to application and qualification for real estate licensure. The Commission
43 is further authorized to adopt rules prescribing minimum standards and procedures for

1 the approval of real estate prelicensing courses and the schools and instructors
2 conducting such courses.

3 (e) Nothing contained in this Chapter shall be construed as authorizing any real
4 estate licensee to engage in the practice of law or to render any legal service as
5 specifically set out in G.S. 84-2.1 or any other legal service not specifically referred to
6 in said section."

7 Sec. 2. The title of Article 1 of Chapter 93A of the General Statutes reads as
8 rewritten:

9 **"REAL ESTATE BROKERS AND SALES MEN. SALESPERSONS."**

10 Sec. 3. G.S. 93A-1 reads as rewritten:

11 **"§ 93A-1. License required of real estate brokers and real estate salesmen.**
12 **salespersons.**

13 From and after July 1, 1957, it shall be unlawful for any person, partnership,
14 association or corporation in this State to act as a real estate broker or real estate
15 salesman-salesperson, or directly or indirectly to engage or assume to engage in the
16 business of real estate broker or real estate salesman-salesperson or to advertise or hold
17 himself or themselves out as engaging in or conducting such business without first
18 obtaining a license issued by the North Carolina Real Estate Commission (hereinafter
19 referred to as the Commission), under the provisions of this Chapter."

20 Sec. 4. G.S. 93A-2(b) reads as rewritten:

21 "(b) The term real estate salesman-salesperson within the meaning of this Chapter
22 shall mean and include any person who under the supervision of a real estate broker, for
23 a compensation or valuable consideration is associated with or engaged by or on behalf
24 of a licensed real estate broker to do, perform or deal in any act, acts or transactions set
25 out or comprehended by the foregoing definition of real estate broker."

26 Sec. 5. G.S. 93A-3(a) reads as rewritten:

27 "(a) There is hereby created the North Carolina Real Estate Commission,
28 hereinafter called the Commission. The Commission shall consist of seven members to
29 be appointed by the Governor. At least three members of the Commission shall be
30 licensed real estate brokers or real estate salesmen-salespersons, one of whom shall have
31 been actively engaged in the business of real estate appraising in this State for not less
32 than five years immediately preceding his appointment, and, if appointed to the
33 Commission after January 1, 1991, shall also be a State-licensed or State-certified real
34 estate appraiser. At least two members of the Commission shall be persons who are not
35 involved directly or indirectly in the real estate or real estate appraisal business.
36 Members of the Commission shall serve three-year terms, so staggered that the terms of
37 two members expire in one year, the terms of two members expire in the next year, and
38 the terms of three members expire in the third year of each three-year period. The
39 members of the Commission shall elect one of their members to serve as chairman of
40 the Commission for a term of one year. The Governor may remove any member of the
41 Commission for misconduct, incompetency, or willful neglect of duty. The Governor
42 shall have the power to fill all vacancies occurring on the Commission."

43 Sec. 6. G.S. 93A-5 reads as rewritten:

1 **"§ 93A-5. Register of applicants; roster of brokers and ~~salesmen~~; ~~salespersons~~; financial report to Secretary of State.**

2 (a) The Executive Director of the Commission shall keep a register of all
3 applicants for license, showing for each the date of application, name, place of
4 residence, and whether the license was granted or refused. Said register shall be **prima**
5 **facie** evidence of all matters recorded therein.

6 (b) The Executive Director of the Commission shall also keep a current roster
7 showing the names and places of business of all licensed real estate brokers and real
8 estate ~~salesmen~~, ~~salespersons~~, which roster shall be kept on file in the office of the
9 Commission and be open to public inspection.

10 (c) On or before the first day of September of each year, the Commission shall
11 file with the Secretary of State a copy of the roster of real estate brokers and real estate
12 ~~salesmen~~, ~~salespersons~~ holding certificates of license, and at the same time shall also file
13 with the Secretary of State a report containing a complete statement of receipts and
14 disbursements of the Commission for the preceding fiscal year ending June 30 attested
15 by the affidavit of the Executive Director of the Commission."

16 Sec. 7. G.S. 93A-6 reads as rewritten:

17 **"§ 93A-6. Disciplinary action by Commission.**

18 (a) The Commission shall have power to take disciplinary action. Upon its
19 own motion, or on the verified complaint of any person, the Commission may
20 investigate the actions of any person or entity licensed under this Chapter, or any other
21 person or entity who shall assume to act in such capacity. If the Commission finds
22 probable cause that a licensee has violated any of the provisions of this Chapter, the
23 Commission may hold a hearing on the allegations of misconduct.

24 The Commission shall have power to suspend or revoke at any time a license issued
25 under the provisions of this Chapter, or to reprimand or censure any licensee, if,
26 following a hearing, the Commission adjudges the licensee to be guilty of:

- 27 (1) Making any willful or negligent misrepresentation or any willful or
28 negligent omission of material fact;
- 29 (2) Making any false promises of a character likely to influence, persuade,
30 or induce;
- 31 (3) Pursuing a course of misrepresentation or making of false promises
32 through agents, ~~salesmen~~, ~~salespersons~~, advertising or otherwise;
- 33 (4) Acting for more than one party in a transaction without the knowledge
34 of all parties for whom he acts;
- 35 (5) Accepting a commission or valuable consideration as a real estate
36 ~~salesman~~, ~~salesperson~~ for the performance of any of the acts specified in
37 this Article or Article 4 of this Chapter, from any person except the
38 licensed broker by whom he is employed;
- 39 (6) Representing or attempting to represent a real estate broker other than
40 the broker by whom he is engaged or associated, without the express
41 knowledge and consent of the broker with whom he is associated;
- 42 (7) Failing, within a reasonable time, to account for or to remit any
43 moneys coming into his possession which belong to others;

- (8) Being unworthy or incompetent to act as a real estate broker or ~~salesman~~salesperson in a manner as to endanger the interest of the public;
 - (9) Paying a commission or valuable consideration to any person for acts or services performed in violation of this Chapter;
 - (10) Any other conduct which constitutes improper, fraudulent or dishonest dealing;
 - (11) Performing or undertaking to perform any legal service, as set forth in G.S. 84-2.1, or any other acts constituting the practice of law;
 - (12) Commingling the money or other property of his principals with his own or failure to maintain and deposit in a trust or escrow account in an insured bank or savings and loan association in North Carolina all money received by him as a real estate broker acting in that capacity, or an escrow agent, or the temporary custodian of the funds of others, in a real estate transaction; provided, these accounts shall not bear interest unless the principals authorize in writing the deposit be made in an interest bearing account and also provide for the disbursement of the interest accrued;
 - (13) Failing to deliver, within a reasonable time, a completed copy of any purchase agreement or offer to buy and sell real estate to the buyer and to the seller;
 - (14) Failing as a broker, at the time the transaction is consummated, to deliver to the seller in every real estate transaction, a complete detailed closing statement showing all of the receipts and disbursements handled by him for the seller or failing to deliver to the buyer a complete statement showing all money received in the transaction from the buyer and how and for what it was disbursed; or
 - (15) Violating any rule or regulation promulgated by the Commission.

The Executive Director shall transmit a certified copy of all final orders of the Commission suspending or revoking licenses issued under this Chapter to the clerk of superior court of the county in which the licensee maintains his principal place of business. The clerk shall enter these orders upon the judgment docket of the county.

(b) Following a hearing, the Commission shall also have power to suspend or revoke any license issued under the provisions of this Chapter or to reprimand or censure any licensee when:

- (1) The licensee has obtained a license by false or fraudulent representation;
 - (2) The licensee has been convicted or has entered a plea of guilty or no contest upon which final judgment is entered by a court of competent jurisdiction in this State, or any other state, of the criminal offenses of: embezzlement, obtaining money under false pretense, fraud, forgery, conspiracy to defraud, or any other offense involving moral turpitude which would reasonably affect the licensee's performance in the real estate business;

- (3) The licensee has violated any of the provisions of G.S. 93A-6(a) when selling, leasing, or buying his own property;
 - (4) The broker's unlicensed employee, who is exempt from the provisions of this Chapter under G.S. 93A-2(c)(6), has committed, in the regular course of business, any act which, if committed by the broker, would constitute a violation of G.S. 93A-6(a) for which the broker could be disciplined; or
 - (5) The licensee, who is also a State-licensed or State-certified real estate appraiser pursuant to Article 5 of this Chapter, has violated any provisions of Article 5.

(c) The Commission may appear in its own name in superior court in actions for injunctive relief to prevent any person from violating the provisions of this Chapter or rules promulgated by the Commission. The superior court shall have the power to grant these injunctions even if criminal prosecution has been or may be instituted as a result of the violations, or whether the person is a licensee of the Commission.

(d) Each broker shall maintain complete records showing the deposit, maintenance, and withdrawal of money or other property owned by his principals or held in escrow or in trust for his principals. The Commission may inspect these records periodically, without prior notice and may also inspect these records whenever the Commission determines that they are pertinent to an investigation of any specific complaint against a licensee.

(e) When a person or entity licensed under this Chapter is accused of any act, omission, or misconduct which would subject the licensee to disciplinary action, the licensee, with the consent and approval of the Commission, may surrender his or its license and all the rights and privileges pertaining to it for a period of time established by the Commission. A person or entity who surrenders his or its license shall not thereafter be eligible for or submit any application for licensure as a real estate broker or ~~salesman~~-salesperson during the period of license surrender."

Sec. 8, G.S. 93A-9 reads as rewritten:

"§ 93A-9. Licensing nonresidents.

An applicant from another state, which offers licensing privileges to residents of North Carolina, may be licensed by conforming to all the provisions of this Chapter and, in the discretion of the Commission, such other terms and conditions as are required of North Carolina residents applying for license in such other state; provided that the Commission may exempt from the examination prescribed in G.S. 93A-4 a broker or ~~salesman~~salesperson duly licensed in another state if a similar exemption is extended to licensed brokers and ~~salesmen~~salespersons from North Carolina."

Sec. 9, G.S. 93A-16 reads as rewritten:

"§ 93A-16. Real Estate Recovery Fund created; payment to fund; management.

(a) There is hereby created a special fund to be known as the 'Real Estate Recovery Fund' which shall be set aside and maintained by the North Carolina Real Estate Commission. Said fund shall be used in the manner provided under this Article for the payment of unsatisfied judgments where the aggrieved person has suffered a

1 direct monetary loss by reason of certain acts committed by any real estate broker or
2 ~~salesman~~salesperson licensed under this Chapter.

3 (b) On September 1, 1979, the Commission shall transfer the sum of one hundred
4 thousand dollars (\$100,000) from its expense reserve fund to the Real Estate Recovery
5 Fund. Thereafter, the Commission may transfer to the Real Estate Recovery Fund
6 additional sums of money from whatever funds the Commission may have, provided
7 that, if on December 31 of any year the amount remaining in the fund is less than fifty
8 thousand dollars (\$50,000), the Commission may determine that each person or entity
9 licensed under this Chapter, when renewing his or its license, shall pay in addition to his
10 license renewal fee, a fee not to exceed ten dollars (\$10.00) per broker and five dollars
11 (\$5.00) per ~~salesman~~salesperson as shall be determined by the Commission for the
12 purpose of replenishing the fund.

13 (c) The Commission shall invest and reinvest the moneys in the Real Estate
14 Recovery Fund in the same manner as provided by law for the investment of funds by
15 the clerk of superior court. The proceeds from such investments shall be deposited to
16 the credit of the fund.

17 (d) The Commission shall have the authority to adopt reasonable rules and
18 procedures not inconsistent with the provisions of this Article, to provide for the
19 orderly, fair and efficient administration and payment of monies held in the Real Estate
20 Recovery Fund."

21 Sec. 10. G.S. 93A-17 reads as rewritten:

22 **"§ 93A-17. Grounds for payment; notice and application to Commission.**

23 (a) An aggrieved person who has suffered a direct monetary loss by reason of the
24 conversion of trust funds by a real estate broker or ~~salesman~~salesperson licensed under
25 this Chapter shall be eligible to recover, subject to the limitations of this Article, the
26 amount of trust funds converted and which is otherwise unrecoverable provided that:

27 (1) The act or acts of conversion which form the basis of the claim for
28 recovery occurred on or after September 1, 1979;

29 (2) The aggrieved person has sued the real estate broker or ~~salesman~~salesperson
30 in a court of competent jurisdiction and has filed with the
31 Commission written notice of such lawsuit within 60 days after its
32 commencement unless the claim against the Real Estate Recovery
33 Fund is for an amount less than one thousand five hundred dollars
34 (\$1,500), excluding attorneys fees, in which case the notice may be
35 filed within 60 days after the termination of all judicial proceedings
36 including appeals;

37 (3) The aggrieved person has obtained final judgment in a court of
38 competent jurisdiction against the real estate broker or ~~salesman~~salesperson
39 on grounds of conversion of trust funds arising out of a
40 transaction which occurred when such broker or ~~salesman~~salesperson
41 was licensed and acting in a capacity for which a license is required;
42 and

43 (4) Execution of the judgment has been attempted and has been returned
44 unsatisfied in whole or in part.

1 Upon the termination of all judicial proceedings including appeals, and for a period
2 of one year thereafter, a person eligible for recovery may file a verified application with
3 the Commission for payment out of the Real Estate Recovery Fund of the amount
4 remaining unpaid upon the judgment which represents the actual and direct loss
5 sustained by reason of conversion of trust funds. A copy of the judgment and return of
6 execution shall be attached to the application and filed with the Commission. The
7 applicant shall serve upon the judgment debtor a copy of the application and shall file
8 with the Commission an affidavit or certificate of such service.

9 (b) For the purposes of this Article, the term 'trust funds' shall include all earnest
10 money deposits, down payments, sales proceeds, tenant security deposits, undisbursed
11 rents and other such monies which belong to another or others and are held by a real
12 estate broker or ~~salesman~~salesperson acting in that capacity. Trust funds shall also
13 include all time share purchase monies which are required to be held in trust by G.S.
14 93A-45(c) during the time they are, in fact, so held. Trust funds shall not include,
15 however, any funds held by an independent escrow agent under G.S. 93A-42 or any
16 funds which the court may find to be subject to an implied, constructive or resulting
17 trust.

18 (c) For the purposes of this Article, the terms 'licensee', 'broker', and 'salesman'
19 'salesperson' shall include only individual persons licensed under this Chapter as brokers
20 and ~~salesmen~~ salespersons and shall not include a time share developer, time share
21 project, independent escrow agent, corporation or other entity licensed under this
22 Chapter."

Sec. 11, G.S. 93A-22 reads as rewritten:

"§ 93A-22. Repayment to fund; automatic suspension of license.

Should the Commission pay from the Real Estate Recovery Fund any amount in settlement of a claim or toward satisfaction of a judgment against a licensed real estate broker or salesman, salesperson, the license of the broker or salesman salesperson shall be automatically suspended upon the effective date of the order authorizing payment from the fund. No such broker or salesman salesperson shall be granted a reinstatement until he has repaid in full, plus interest at the legal rate as provided for in G.S. 24-1, the amount paid from the Real Estate Recovery Fund."

Sec. 12, G.S. 93A-25 reads as rewritten:

"§ 93A-25. Persons ineligible to recover from fund.

34 No real estate broker or real estate ~~salesman~~salesperson who suffers the loss of any
35 commission from any transaction in which he was acting in the capacity of a real estate
36 broker or real estate ~~salesman~~salesperson shall be entitled to make application for
37 payment from the Real Estate Recovery Fund for such loss."

Sec. 13, G.S. 93A-32 reads as rewritten:

"§ 93A-32. Definitions.

40 As used in this Article:

- (1) 'Commission' means the North Carolina Real Estate Commission.
(2) 'Private real estate school' means any real estate educational entity which is privately owned and operated by an individual, partnership, corporation or association, and which conducts, for a profit or tuition

1 charge, real estate ~~salesman~~salesperson or broker prelicensing courses
2 prescribed by G.S. 93A-4(a) or real estate appraiser prelicensing or
3 precertification courses prescribed by G.S. 93A-73(a), provided that a
4 private business or trade school licensed by the State Board of
5 Community Colleges under G.S. 115D-571 [115D-90] to conduct
6 courses other than those real estate courses described herein shall not
7 be considered to be a private real estate school."

8 Sec. 14. G.S. 93A-34(b) reads as rewritten:

9 "(b) Application for a license shall be filed in the manner and upon the forms
10 prescribed by the Commission for that purpose. The Commission may by rule set
11 nonrefundable application fees not to exceed two hundred fifty dollars (\$250.00) for
12 each school location and fifty dollars (\$50.00) for each real estate ~~salesman~~salesperson
13 or broker prelicensing course or real estate appraiser prelicensing or precertification
14 course. The application for a license shall be accompanied by the appropriate fees and
15 shall contain the following:

- 16 (1) Name and address of the applicant and the school;
- 17 (2) Names, biographical data, and qualifications of director, administrators
18 and instructors;
- 19 (3) Description of school facilities and equipment;
- 20 (4) Description of course(s) to be offered and instructional materials to be
21 utilized;
- 22 (5) Information on financial resources available to equip and operate the
23 school;
- 24 (6) Information on school policies and procedures regarding
25 administration, record keeping, entrance requirements, registration,
26 tuition and fees, grades, student progress, attendance, and student
27 conduct;
- 28 (7) Copies of bulletins, catalogues and other official publications;
- 29 (8) Copy of bond required by G.S. 93A-36;
- 30 (9) Such additional information as the Commission may deem necessary
31 to enable it to determine the adequacy of the instructional program and
32 the ability of the applicant to operate a school in such a manner as
33 would best serve the public interest."

34 Sec. 15. G.S. 93A-35(b) reads as rewritten:

35 "(b) Licenses shall be renewable annually on July 1, provided that a renewal
36 application accompanied by the appropriate renewal fees has been filed not later than
37 June 1 in the form and manner prescribed by the Commission, and provided further that
38 the applicant and school are found to be in compliance with the standards established
39 for issuance of an original license. The Commission may by rule set nonrefundable
40 renewal fees not to exceed one hundred twenty-five dollars (\$125.00) for each school
41 location and twenty-five dollars (\$25.00) for each real estate ~~salesman~~salesperson or
42 broker prelicensing course or real estate appraiser prelicensing or precertification
43 course."

44 Sec. 16. G.S. 93A-40 reads as rewritten:

"§ 93A-40. Registration required of time share projects; real estate salesmen salespersons license required.

(a) From and after July 1, 1984, it shall be unlawful for any person in this State to engage or assume to engage in the business of a time share ~~salesman~~salesperson without first obtaining a real estate broker or ~~salesman~~salesperson license issued by the North Carolina Real Estate Commission under the provisions of Article I of this Chapter, and it shall be unlawful for a time share developer to sell or offer to sell a time share located in this State without first obtaining a certificate of registration for the time share project to be offered for sale issued by the North Carolina Real Estate Commission under the provisions of this Article.

(b) A person responsible as general partner, corporate officer, joint venturer or sole proprietor who intentionally acts as a time share developer, allowing the offering of sale or the sale of time shares to a purchaser, without first obtaining registration of the time share project under this Article shall be guilty of a Class I felony."

Sec. 17. G.S. 93A-41 reads as rewritten:

"§ 93A-41. Definitions.

When used in this Article, unless the context otherwise requires, the term:

- (1) 'Commission' means the North Carolina Real Estate Commission;
 - (2) 'Developer' means any person or entity which creates or is engaged in the business of selling its own time shares and shall include any person or entity who controls, is controlled by, or is in common control with the developer which is engaged in creating or selling time shares for the developer;
 - (3) 'Enrolled' means paid membership in exchange programs or membership in an exchange program evidenced by written acceptance or confirmation of membership;
 - (4) 'Exchange company' means any person operating an exchange program;
 - (5) 'Exchange program' means any opportunity or procedure for the assignment or exchange of time shares among purchasers in the same or other time share project;
 - (5a) 'Independent escrow agent' means a licensed attorney located in this State or a financial institution located in this State;
 - (6) 'Managing agent' means a person who undertakes the duties, responsibilities, and obligations of the management of a time share program;
 - (7) 'Person' means one or more natural persons, corporations, partnerships, associations, trusts, other entities, or any combination thereof;
 - (7a) 'Project broker' means a natural person licensed as a real estate broker and designated by the developer to supervise brokers and ~~salesmen~~ salespersons at the time share project;
 - (8) 'Purchaser' means any person other than a developer or lender who owns or acquires an interest or proposes to acquire an interest in a time share;

- (9) 'Time share' means a right to occupy a unit or any of several units during five or more separated time periods over a period of at least five years, including renewal options, whether or not coupled with a freehold estate or an estate for years in a time share project or a specified portion thereof, including, but not limited to, a vacation license, prepaid hotel reservation, club membership, limited partnership, or vacation bond;
 - (9a) 'Time share instrument' means an instrument transferring a time share or any interest, legal or beneficial, in a time share to a purchaser, including a contract, installment contract, lease, deed, or other instrument;
 - (10) 'Time share program' means any arrangement for time shares whereby real property has been made subject to a time share;
 - (11) 'Time share project' means any real property that is subject to a time share program;
 - (11a) 'Time share registrar' means a natural person who is designated by the developer to record or cause time share instruments and lien releases to be recorded and to fulfill the other duties imposed by this Article;
 - (12) 'Time share ~~salesman~~salesperson' means a person who sells or offers to sell on behalf of a developer a time share to a purchaser; and
 - (13) 'Time share unit' or 'unit' means the real property or real property improvement in a project which is divided into time shares and designated for separate occupancy and use."

Sec. 18, G.S. 93A-45 reads as rewritten:

"§ 93A-45. Purchaser's right to cancel; escrow; violation.

(a) A developer shall, before transfer of a time share and no later than the date of any contract of sale, provide a prospective purchaser with a copy of a public offering statement containing the information required by G.S. 93A-44. The contract of sale is voidable by the purchaser for five days after the execution of the contract. The contract shall conspicuously disclose the purchaser's right to cancel under this subsection and how that right may be exercised. The purchaser may not waive this right of cancellation. Any oral or written declaration or instrument that purports to waive this right of cancellation is void.

(b) A purchaser may elect to cancel within the time period set out in subsection (a) by hand delivering or by mailing notice to the developer or the time share ~~salesman~~ ~~salesperson~~. Cancellation under this section is without penalty and upon receipt of the notice all payments made prior to cancellation must be refunded immediately.

39 (c) Any payments received by a time share developer or time share ~~salesman~~
40 ~~salesperson~~ in ~~connection~~ connection with the sale of the time share shall be immediately
41 deposited by such developer or ~~salesman~~~~salesperson~~ in a trust or escrow account in an
42 insured bank or savings and loan association in North Carolina and shall remain in such
43 account for 10 days or cancellation by the purchaser, whichever occurs first. Payments
44 held in such trust or escrow accounts shall be deemed to belong to the purchaser and not

1 the developer. In lieu of such escrow requirements, the Commission shall have the
2 authority to accept, in its discretion, alternative financial assurances adequate to protect
3 the purchaser's interest during the contract cancellation period, including but not limited
4 to a surety bond, corporate bond, cash deposit or irrevocable letter of credit in an
5 amount equal to the escrow requirements.

6 (d) If a developer fails to provide a purchaser to whom a time share is transferred
7 with the statement as required by subsection (a), the purchaser, in addition to any rights
8 to damages or other relief, is entitled to receive from the developer an amount equal to
9 ten percent (10%) of the sales price of the time share not to exceed three thousand
10 dollars (\$3,000). A receipt signed by the purchaser stating that he has received the
11 statement required by subsection (a) is **prima facie** evidence of delivery of such
12 statement."

13 Sec. 19. G.S. 93A-50 reads as rewritten:

14 **"§ 93A-50. Securities laws apply.**

15 The North Carolina Securities Act, Chapter 78A, shall also apply, in addition to the
16 laws relating to real estate, to time shares deemed to be investment contracts or to other
17 securities offered with or incident to a time share; provided, in the event of such
18 applicability of the North Carolina Securities Act, any offer or sale of time shares
19 registered under this Article shall not be subject to the provisions of G.S. 78A-24 and
20 any real estate broker or ~~salesman~~salesperson registered under Article 1 of this Chapter
21 shall not be subject to the provisions of G.S. 78A-36."

22 Sec. 20. G.S. 93A-52(a) reads as rewritten:

23 "(a) Prior to the offering in this State of any time share located in this State, the
24 developer of the time share project shall make written application to the Commission
25 for the registration of the project. The application shall be accompanied by a fee in an
26 amount fixed by the Commission but not to exceed fifteen hundred dollars (\$1500), and
27 shall include a description of the project, copies of proposed time share instruments
28 including public offering statements, sale contracts, deeds, and other documents referred
29 to therein, information pertaining to any marketing or managing entity to be employed
30 by the developer for the sale of time shares in a time share project or the management of
31 the project, information regarding any exchange program available to the purchaser, an
32 irrevocable appointment of the Commission to receive service of any lawful process in
33 any proceeding against the developer or the developer's ~~salesmen~~salespersons arising
34 under this Article, and such other information as the Commission may by rule require.

35 Upon receipt of a properly completed application and fee and upon a determination
36 by the Commission that the sale and management of the time shares in the time share
37 project will be directed and conducted by persons of good moral character, the
38 Commission shall issue to the developer a certificate of registration authorizing the
39 developer to offer time shares in the project for sale. The Commission shall within 15
40 days after receipt of an incomplete application, notify the developer by mail that the
41 Commission has found specified deficiencies, and shall, within 45 days after the receipt
42 of a properly completed application, either issue the certificate of registration or notify
43 the developer by mail of any specific objections to the registration of the project. The

1 certificate shall be prominently displayed in the office of the developer on the site of the
2 project.

3 The developer shall promptly report to the Commission any and all changes in the
4 information required to be submitted for the purpose of the registration. The developer
5 shall also immediately furnish the Commission complete information regarding any
6 change in its interest in a registered time share project. In the event a developer disposes
7 of, or otherwise terminates its interest in a time share project, the developer shall certify
8 to the Commission in writing that its interest in the time share project is terminated and
9 shall return to the Commission for cancellation the certificate of registration."

10 Sec. 21. G.S. 93A-54 reads as rewritten:

11 **"§ 93A-54. Disciplinary action by Commission.**

12 (a) The Commission shall have power to take disciplinary action. Upon its own
13 motion, or on the verified complaint of any person, the Commission may investigate the
14 actions of any time share ~~salesman~~, ~~salesperson~~, developer, or project broker of a time
15 share project registered under this Article, or any other person or entity who shall
16 assume to act in such capacity. If the Commission finds probable cause that a time share
17 ~~salesman~~, ~~salesperson~~, developer, or project broker has violated any of the provisions of
18 this Article, the Commission may hold a hearing on the allegations of misconduct.

19 The Commission shall have the power to suspend or revoke at any time a real estate
20 license issued to a time share ~~salesman~~ ~~salesperson~~ or project broker, or a certificate of
21 registration of a time share project issued to a developer; or to reprimand or censure
22 such ~~salesman~~, ~~salesperson~~, developer, or project broker; or to fine such developer in the
23 amount of five hundred dollars (\$500.00) for each violation of this Article, if, after a
24 hearing, the Commission adjudges either the ~~salesman~~, ~~salesperson~~, developer, or project
25 broker to be guilty of:

- 26 (1) Making any willful or negligent misrepresentation or any willful or
27 negligent omission of material fact about any time share or time share
28 project;
- 29 (2) Making any false promises of a character likely to influence, persuade,
30 or induce;
- 31 (3) Pursuing a course of misrepresentation or making of false promises
32 through agents, ~~salesman~~, ~~salesperson~~, advertising or otherwise;
- 33 (4) Failing, within a reasonable time, to account for all money received
34 from others in a time share transaction, and failing to remit such
35 monies as may be required in G.S. 93A-45 of this Article;
- 36 (5) Acting as a time share ~~salesman~~ ~~salesperson~~ or time share developer in
37 a manner as to endanger the interest of the public;
- 38 (6) Paying a commission, salary, or other valuable consideration to any
39 person for acts or services performed in violation of this Article;
- 40 (7) Any other conduct which constitutes improper, fraudulent, or
41 dishonest dealing;
- 42 (8) Performing or undertaking to perform any legal service as set forth in
43 G.S. 84-2.1, or any other acts not specifically set forth in that section;

- (9) Failing to deposit and maintain in a trust or escrow account in an insured bank or savings and loan association in North Carolina all money received from others in a time share transaction as may be required in G.S. 93A-45 of this Article or failing to place with an independent escrow agent the funds of a time share purchaser when required by G.S. 93A- 42(c);
 - (10) Failing to deliver to a purchaser a public offering statement containing the information required by G.S. 93A-44 and any other disclosures that the Commission may by regulation require;
 - (11) Failing to comply with the provisions of Chapter 75 of the General Statutes in the advertising or promotion of time shares for sale, or failing to assure such compliance by persons engaged on behalf of a developer;
 - (12) Failing to comply with the provisions of G.S. 93A-48 in furnishing complete and accurate information to purchasers concerning any exchange program which may be offered to such purchaser;
 - (13) Making any false or fraudulent representation on an application for registration;
 - (14) Violating any rule or regulation promulgated by the Commission;
 - (15) Failing to record or cause to be recorded a time share instrument as required by G.S. 93A-42(c), or failing to provide a purchaser the protection against liens required by G.S. 93A-57(a); or
 - (16) Failing as a time share project broker to exercise reasonable and adequate supervision of the conduct of sales at his project or location by the brokers and ~~salesmen~~ salespersons under his control.

(b) Following a hearing, the Commission shall also have power to suspend or revoke any certificate of registration issued under the provisions of this Article or to reprimand or censure any developer when the registrant has been convicted or has entered a plea of guilty or no contest upon which final judgment is entered by a court of competent jurisdiction in this State, or any other state, of the criminal offenses of: embezzlement, obtaining money under false pretense, fraud, forgery, conspiracy to defraud, or any other offense involving moral turpitude which would reasonably affect the developer's performance in the time share business.

(c) The Commission may appear in its own name in superior court in actions for injunctive relief to prevent any person or entity from violating the provisions of this Article or rules promulgated by the Commission. The superior court shall have the power to grant these injunctions even if criminal prosecution has been or may be instituted as a result of the violations, or regardless of whether the person or entity has been registered by the Commission.

(d) Each developer shall maintain or cause to be maintained complete records of every time share transaction including records pertaining to the deposit, maintenance, and withdrawal of money required to be held in a trust or escrow account, or as otherwise required by the Commission, under G.S. 93A-45 of this Article. The Commission may inspect these records periodically without prior notice and may also

1 inspect these records whenever the Commission determines that they are pertinent to an
2 investigation of any specific complaint against a registrant.

3 (e) When a licensee is accused of any act, omission, or misconduct under this
4 Article which would subject the licensee to disciplinary action, the licensee may, with
5 the consent and approval of the Commission, surrender his or its license and all the
6 rights and privileges pertaining to it for a period of time to be established by the
7 Commission. A licensee who surrenders his or its license shall not be eligible for, or
8 submit any application for, licensure as a real estate broker or ~~salesman~~~~salesperson~~ or
9 registration of a time share project during the period of license surrender. For the
10 purposes of this section, the term licensee shall include a time share developer."

11 Sec. 22. G.S. 93A-58(c) reads as rewritten:

12 "(c) The developer shall designate for each project and other locations where time
13 shares are sold or offered for sale a project broker. The project broker shall act as
14 supervising broker for all persons licensed as ~~salesmen~~~~salespersons~~ at the project or
15 other location and shall directly, personally, and actively supervise all persons licensed
16 as brokers or ~~salesmen~~~~salespersons~~ at the project or other location in a manner to
17 reasonably ensure that the sale of time shares will be conducted in accordance with the
18 provisions of this Chapter."

19 Sec. 23. G.S. 93A-71(e) reads as rewritten:

20 "(e) Nothing in this Article shall preclude a real estate broker or ~~salesman~~
21 ~~salesperson~~ licensed under Article 1 of this Chapter or any other person who is not a
22 State-licensed or State-certified real estate appraiser from appraising real estate for
23 compensation, provided such persons do not represent themselves as being State-
24 licensed or State-certified as a real estate appraiser."

25 Sec. 24. New education and experience requirements for real estate broker
26 and salesperson applicants under Section 1 of this act become effective July 1, 1994.
27 The current provisions of G.S. 93A-4 on that subject remain effective until that date.
28 The remainder of Section 1 of this act is effective upon ratification. The remainder of
29 the act becomes effective July 1, 1993.