



State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
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Division of Commercial Licensing
Real Estate Section

Real Estate Guidance Document 2019-1

FAQs for Real Estate Principal Brokers and Affiliated Licensees
RI Real Estate Legal Requirements for Teams
and Penalties for Violations

1. Is the supervision of a team any different than the supervision of all affiliated associate brokers and salespersons?

NO. Rhode Island law does not acknowledge teams. Therefore, the Principal Broker must adhere to all requirements regarding supervision, money handling and payment of commissions as if each licensee in the firm is working individually. See § 2.4 of the Real Estate Brokers and Salespersons Regulation, 230-RICR-30-20-2 (Real Estate Regulation).

2. Can a team form a corporation for the purpose of collecting its commissions from the Principal Broker?

NO. While an affiliated licensee may create a corporation or LLC to receive commission payments, such an entity may only be owned by one person. If team members are part of the same corporation, they are in violation of § 2.21 of the Real Estate Regulation.

- An affiliated licensee of a principal broker may create a wholly owned corporation or limited liability company for the purpose of receiving commission payments from the principal broker. A corporation or limited liability company created may not be licensed or conduct licensed real estate activity in its own name. In addition, it may not have more than one shareholder in the case of a corporation or one member in the case of a limited liability company. § 2.21(D) of the Real Estate Regulation.
- A principal broker may pay the earned commission of an affiliated licensee to that person's wholly owned corporation or limited liability company. To do so, the affiliated licensee must submit written instructions to the principal broker directing him or her to pay the affiliated licensee's share of the commission to the wholly owned corporation or limited liability company. It is the principal broker's obligation to assure that the corporation or limited liability company is solely owned by the affiliated licensee. § 2.21(E) of the Real Estate Regulation
- R.I. Gen. Laws § 5-20.5-27, requires a broker's license for ownership of a real estate brokerage firm.

3. Can a team have its own escrow account?

NO. Escrow accounts must be under the supervision of the Principal Broker. See R.I. Gen. Laws § 5-20.5-26.

- “The principal broker shall maintain an escrow account for the funds of others and shall make certain that no funds of others are disbursed or utilized without his or her express authorization and knowledge.” § 2.4(D) of the Real Estate Regulation.
- “The principal broker shall be responsible for each and every escrow account maintained on behalf of the brokerage and its offices.” § 2.18(A)(1) of the Real Estate Regulation.

4. Can a team pay its own members?

NO. Only the principal broker can make payments to affiliated brokers and salespersons.

5. Can a salesperson or associate broker hold client funds?

NO. “An affiliated licensee shall turn over all deposit monies received promptly to his or her principal broker or, at the direction of the principal broker, deposit the funds in the principal broker’s escrow account.” § 2.18(B) of the Real Estate Regulation.

6. What are the obligations of disclosure when a team is involved in a real estate transaction?

They are the same as if no team was involved. The Mandatory Relationship Disclosure form must include: “A statement that a principal broker and his or her affiliated licensees must disclose their relationship as a designated client representative, transaction facilitator, or transaction coordinator to the buyer, seller, tenant, or landlord in any transaction.” R.I. Gen. Laws § 5-20.6-8(c)(2). This means that the nature of the relationship of each affiliated licensee on the team to the client must be disclosed on the mandatory relationship disclosure form.

7. Can you use one mandatory disclosure form when there is more than one licensee involved in the transaction?

YES, provided that all licensees involved in or potentially involved in any part of the transaction are identified by name and type of relationship on the disclosure form. You may attach an addendum or extra sheet as long as it includes all required information.

8. Do you need to amend the mandatory disclosure form if any licensee’s relationship changes during the course of the transaction?

YES. It must always be clear to the client the nature of the relationship with each licensee.

9. In advertising, can the name of the team be bigger than that of the brokerage?

NO. See § 2.25 of the Real Estate Regulation entitled “Advertising”

- All advertising shall include the name of the brokerage or principal broker under which the licensee is licensed to do business.
- When the name of a licensee is contained in any advertising, except on business cards, it shall be in print smaller and less conspicuous than that of the brokerage.
- All advertising must be in a manner in which consumers would know that they are dealing with a team or group that is part of a licensed brokerage.

10. Can a team have its own logo, emblem, trade name, insignia, or other form of identification in advertising?

NO.

- § 2.21(I) of the Real Estate Regulation provides that “any use of an insignia, emblem, logo, trade name or other form of identification in any advertising or other public utterance, either by a single licensee or group of licensees, that suggests or otherwise implies common ownership or common management among such licensees, shall be prohibited.
- Teams must comply with this rule and make sure they use the word “team” or “group” in their advertising, so it does not appear as if the team is its own independent real estate business.
- Teams should include with word “team” or “group” in any advertising.

11. Can a team use the words “realty” or “real estate” in its name?

NO.

- Best Practices for Team Names:
 - Include the word “Team” or “Group”
 - “The [blank] Team”, examples: The Jon Snow Team, The Tony Stark Group, etc.
 - Team names should not include the words “realty” or “real estate”, or any similar derivation that would imply that the team is an independent brokerage.
 - Team names should not indicate in any way that the team is its own business entity, given that a team may not form a corporation to collect commissions from the principal broker. (See FAQ #2 above.)
 - Here is a list of words that should be avoided in Team Names:
 - Advisors
 - Agency
 - Associates
 - Brokerage
 - Brokers
 - Company
 - Consultants
 - Corporation, Corp. or Inc.
 - LLC, LP, LLP
 - Partners, Partnership
 - Properties
 - Property
 - Real Estate, Realty

12. What are the penalties for violating any real estate statutes or regulations?

- Monetary penalties may be imposed, after the opportunity for a hearing, of up to \$2,000 per violation. R.I. Gen. Laws § 5-20.5-14(b).
- Depending upon the nature of the violation(s), the Department may also initiate proceedings to suspend or revoke a license or place a licensee on probation for up to one year. R.I. Gen. Laws § 5-20.5-14(a).

Links to Applicable Laws

R.I. Gen. Laws Chapter 5-20.5, Real Estate Brokers and Salespersons

<http://webserver.rilin.state.ri.us/Statutes/TITLE5/5-20.5/INDEX.HTM>

R.I. Gen. Laws Chapter 5-20.6, Relationships in Residential Real Estate Transactions

<http://webserver.rilin.state.ri.us/Statutes/TITLE5/5-20.6/INDEX.HTM>

Real Estate Brokers and Salespersons Regulation, 230-RICR-30-20-2

<https://rules.sos.ri.gov/regulations/part/230-30-20-2>