

Governor's Office of Management and Budget

Alexis Sturm

Director



IL Regulatory Sunset Act Review of The Real Estate License Act

April 8, 2019

**To the Honorable JB Pritzker
Governor of Illinois**

Governor Pritzker:

The Governor's Office of Management and Budget (GOMB) in collaboration with the Illinois Department of Financial and Professional Regulation (IDFPR), in compliance with the requirements set forth in the Illinois Regulatory Sunset Act (Public Act 90-958), has conducted a review of the Real Estate License Act (225 ILCS 454), which is scheduled to sunset on January 1, 2020. The following recommendation is pursuant to this review:

The Real Estate License Act (225 ILCS 454) should be continued with the following modifications to its existing statutory and administrative rule framework.

- Allow applicants to apply for "Licensure by Endorsement" without providing education or test information to IDFPR, if: (1) the applicant has been licensed for 10 consecutive years in another state, (2) the other state sends verification of consecutive licensure of the applicant, and (3) the applicant has never been disciplined.
- Add a definition of "Email address of record," standardizing IDFPR's initiative to become more efficient and paperless.

The examination of this Act considered the nine factors set out in Section 6 of the Illinois Regulatory Sunset Act. The following report details the criteria and data utilized to come to the above recommendation.

Very sincerely and respectfully,

Alexis Sturm
Director
Governor's Office of Management and Budget

Criteria (1) “The extent to which the agency or program has permitted qualified applicants to serve the public.”

In Illinois there are currently 47,118 Real Estate Brokers, 15,966 Managing Brokers, 2,315 Leasing Agents and 368 Leasing Agent Students. There are also 751 Brokerage Corporations, 1,831 Limited Liability Brokerage Firms, 30 Broker Partnerships, 53 Pre-License Schools, 186 Pre-License School Branches, 242 Pre-License Instructors, 362 Pre-License Courses, 33 Continuing Education (CE) Schools, 376 CE Instructors and 696 CE Courses.

There are no data readily available on the number of persons who would wish to participate in this profession but are prevented due to either education requirements or fee structures.

License Type	2014	2015	2016	2017	2018
Licensed Real Estate Managing Broker	17195	17638	16460	16874	15920
Licensed Real Estate Leasing Agent Student	229	149	158	85	213
Licensed Real Estate Leasing Agent	2984	2461	3157	2583	2398
Licensed Real Estate Broker	44867	42294	46939	45410	51023
Licensed Real Estate Pre-License Instructor	191	217	198	217	215
Licensed Real Estate CE Instructor	303	263	305	286	344

The current licensure fee scheme is as follows:

Type	Fee Amount
Real Estate Brokers application fee	\$125
Managing Brokers application fee	\$150
Leasing Agents applications fee	\$75
Leasing Agent Students application fee	\$25 for 120-day permit
Brokerage Corporations application fee	\$125
Limited Liability Brokerage Firms application fee	\$125
Broker Partnership application fee	\$125
Pre-License Schools application fee	\$1025
Pre-License School Branches application fee	\$175
Pre-License Instructors application fee	\$125
Pre-License Courses application fee	\$125
Continuing Education Schools application fee	\$1025
Continuing Education Instructors application fee	\$75
Continuing Education Courses application fee	\$125
Real Estate Brokers renewal fee	\$75 per year renewal fee (\$150 per 2-year cycle)
Managing Brokers renewal fee	\$100 per year renewal fee (\$200 per 2-year cycle)
Leasing Agents renewal fee	\$50 per year renewal fee (\$100 per 2-year cycle)
Brokerage Corporations renewal fee	\$75 per year renewal fee (\$150 per 2-year cycle)
Limited Liability Brokerage Firms renewal fee	\$75 per year renewal fee (\$150 per 2-year cycle)
Broker Partnership renewal fee	\$75 per year renewal fee (\$150 per 2-year cycle)
Branch Offices renewal fee	\$75 per year renewal fee (\$150 per 2-year cycle)
Pre-License Schools renewal fee	\$525 per year renewal fee (\$1,050 per 2-year cycle)
Pre-License School Branches renewal fee	\$125 per year renewal fee (\$250 per 2-year cycle)
Pre-License Instructors renewal fee	\$125 per year renewal fee (\$250 per 2-year cycle)
Pre-License Courses renewal fee	\$50 per year renewal fee (\$100 per 2-year cycle)

Continuing Education Schools renewal fee	\$525 per year renewal fee (\$1050 per 2-year cycle)
Continuing Education Instructors renewal fee	\$75 per year renewal fee (\$150 per 2-year cycle)
Continuing Education Courses renewal fee	\$50 per year renewal fee (\$100 per 2-year cycle)

All 50 states require licensure to work as a real estate broker.

Criteria (2) “The extent to which the trade, business, profession, occupation, or industry being regulated is being administered in a nondiscriminatory manner both in terms of employment and rendering of services.”

IDFPR adheres to strict guidelines and requirements established for each profession regulated by the Department. Licensing decisions are based on an applicant’s ability to meet the requirements established by statute and administrative rule. Neither race nor any other identifier is a consideration for licensure under any of the professional licenses regulated by the Department. Consequently, the Department does not collect information from applicants to disclose their race or other social identifiers that could potentially lead to the act or perception of discrimination in licensing decisions.

Criteria (3) “The extent to which the regulatory agency or program has operated in the public interest, and the extent to which its operation has been impeded or enhanced by existing statutes, procedures, and practices of any other department of state government, and any other circumstances, including budgetary resources, and personnel matters.”

IDFPR is tasked with processing applications for licenses and renewal licenses for over 1 million professionals practicing in the state of Illinois. As resources continue to be strained in the state of Illinois, the Department has adopted internal policies, sought legislative and administrative rule changes, and developed enhanced licensing processes to maintain efficiency and efficacy. Though these changes have proved to be successful, there is no substitute for the labor resources needed to maintain and improve licensing efficiencies. Over the last calendar year, IDFPR completed 80 new hires. However, in spite of the new hires, the agency ended the year with a net decrease in headcount. The agency maintains that personnel rules and laws often make it difficult to fill vacant positions in a timely manner.

Criteria (4) “The extent to which the agency running the program has recommended statutory changes to the General Assembly that would benefit the public as opposed to the persons it regulates.”

In 2017, IDFPR sponsored Public Act 100-262, the purpose of which was to streamline and modernize the Agency’s licensure and administrative case process. The Act enhances the Department’s e-license initiative to streamline the initial licensure and renewal as well as allow recipients to know the results of an administrative case with greater immediacy so they can react more quickly and appropriately. This helps ensure that regulated professions are able to use their time to address the needs of their clients, rather than addressing regulatory requirements. Furthermore, this benefits the members of the public at large in that it enables the department to more efficiently suspend the licenses determined to be in who have violation of rules and statutes. The agency maintains that this ensures a fairer marketplace for the consumer and allows the consumer to engage the services of an auctioneer with more confidence in their trustworthiness.

Criteria (5) “The extent to which the agency or program has required the persons it regulates to report to it concerning the impact of rules and decisions of the agency or the impact of the program on the public regarding improved service, economy of service, and availability of service.”

IDFPR adheres to the guidelines and requirements established by the Joint Committee on Administrative Rules (JCAR), the administrative body responsible for approving rule proposals by state agencies. This process allows for input from industry and community stakeholders impacted by the Department’s proposed changes. The Department works with lawmakers, community stakeholders, and members of industry to ensure that the proper regulatory approach is employed to best protect the citizens of Illinois.

Criteria (6) “The extent to which persons regulated by the agency or under the program have been required to assess the problems in their industry that affect the public.”

Full information on this criterion was not available at the time of this report.

Criteria (7) “The extent to which the agency or program has encouraged participation by the public in making its rules and decisions as opposed to participation solely by the persons it regulates and the extent to which such rules and decisions are consistent with statutory authority.”

IDFPR adheres to the guidelines and requirements established by the Joint Committee on Administrative Rules (JCAR) and the Illinois General Assembly (ILGA) for approving rule proposals, legislative changes, and internal policies. In addition, the Department adheres to the requirements established in the Illinois Open Meetings Act (5 ILCS 120).

Criteria (8) “The efficiency with which formal public complaints filed with the regulatory agency or under the program concerning persons subject to regulation have been processed to completion, by the executive director of the regulatory agencies or programs, by the Attorney General and by any other applicable department of the State government.”

IDFPR accepts public complaints via its website and by phone. The average time from a complaint being received to an investigation being opened is five days. The average time to complete an investigation varies according to how the investigation proceeds:

- Average time to close a case at Investigations: 9 months
- Average time to refer a case from Investigations to Prosecutions: 4 months
- Average time to close a case at Prosecutions: 13 months
- Average time to close a case at Prosecutions with Discipline: 35 months

These average times represent Department complaints overall. Individual complaint data for each regulated profession are not available.

Criteria (9) “The extent to which changes are necessary in the enabling laws of the agency or program to adequately comply with the factors listed in this section.”

IDFPR recommends that sunset extension proposed language provide for modernizations necessary to implement

more streamlined and efficient regulation of this profession, which will ensure public safety and ease the burden of regulatory compliance:

- Allow applicants to apply for “Licensure by Endorsement” without providing education or test information to IDFPR, if: (1) the applicant has been licensed for 10 consecutive years in another state, (2) the other state sends verification of consecutive licensure of the applicant, and (3) the applicant has never been disciplined.
- Add a definition of “Email address of record,” standardizing IDFPR’s initiative to become more efficient and paperless.

Conclusion:

Real Estate Licenses are needed in Illinois for the selling of or purchase of another person’s real estate. The absence of this Act would mean that Real Estate Brokers, Leasing Agents and other licensed professionals would not be required to meet the educational competencies or be subject to the laws of this Act, which protect consumers. There is currently not sufficient evidence to suggest the burdens imposed by regulation outweigh the benefits to the health, safety and welfare of the people of Illinois in continuing the regulation of this profession.