

## **Some Basic Thoughts on Closing the Knowledge and Skill “Competency Gap” Among Real Estate Licensees**

By Wayne S. Bell, California Real Estate Commissioner

In its 2015 “Definitive Analysis of Negative Game Changers Emerging in Real Estate” (DANGER Report), the National Association of Realtors refers to a very large real estate licensee “knowledge and competency gap from the most to the least”. In the discussion in the DANGER Report under a section entitled “Masses of Marginal Agents Destroy Reputation”, it states that “[t]he delta between great real estate service and poor real estate service has simply become too large, due to the unacceptably low entry requirements to become a real estate agent”. Some additional attention is focused on the number of hours of instruction required to become a licensed real estate agent, and a prescription offered was to “raise the bar” relative to “agent knowledge”.

In traveling throughout California and having the privilege and opportunity to meet and talk with real estate licensees, I hear agreement (mostly based on anecdote) with the conclusion that there is a knowledge and skill competency gap, and the notion that a number of real estate licensees have not been sufficiently educated and trained, but there is no consensus with regard to the proper cure or remedies.

I want to share some basic thoughts on the assertions regarding a knowledge and competency gap, and the entry requirements to licensure, and the two remedies (from a larger group) that I hear advanced by a few licensees somewhat regularly. Those proposed fixes are to (1) require more substantively complex classes and hours of instruction before an individual is able to take a real estate license examination, and to (2) make the license examinations more challenging and difficult to pass.

After discussing the above, I will share a few ideas on how the “gap” can be narrowed or closed.

### More Challenging Pre-Licensure Coursework and Hours of Instruction

The purpose of the California licensing requirements is to protect the public from unknowledgeable, unskilled, and dishonest individuals.

With respect to knowledge and skills, the current requirements for coursework for real estate brokers and salespersons are statutory mandates. They start at section 10153.2 of the California Business and Professions Code, and were enacted by the California legislature, with input from organized real estate.

The pre-licensure real estate courses required for license applicants cover a variety of topics, including real estate practice, real estate principles, legal aspects of real estate, real estate appraisal, real estate financing, and real estate economics or accounting. Then there are experience requirements (or equivalency) applicable to broker applicants.

Those requirements reflect that all real estate licensees must have a basic or core knowledge and understanding concerning California real estate matters and services.

The coursework (and the examinations – which will be discussed below) is relevant to real estate practice – and its fundamentals – mostly in a generic sense, and that is because there are a number of specific real estate practice sectors. In addition to residential real estate, there are those who specialize in commercial real estate, industrial real estate, agricultural real estate, oil and gas, property management, and other real estate sectors.

The dimensions of competence are many, and they evolve depending on what work is performed by licensees. Extra and specialized knowledge is no doubt required for the various specialty real estate practice areas, and completion of focused or targeted education is and will be required for successful practice in those areas.

Clearly defining and measuring knowledge and skill competence is imperfect in the real practice world. In addition to the required core or foundational pre-licensure education coursework in real estate, there are “specialty” and specialization training competencies, and workplace (actual practice setting) competencies and workplace readiness issues. The latter includes (or may include) skills in the areas of information technology, client service and satisfaction, communications, interpersonal abilities, negotiations and facilitation, motivation, and resource allocation. Moreover, it necessitates workplace-based learning.

In the 2015 DANGER Report prepared and issued by the National Association of Realtors, it also states (at page 20) that “...becoming a cosmetologist requires an average of 372 hours. [Note: in California even more hours are required to acquire a license as a cosmetologist] But to become a licensed real estate agent requires an average of only 70 hours with the lowest state requirement being 13 hours”.

In order to successfully complete the pre-licensure coursework in California, the number of hours of instruction will vary among those wishing to become salespersons or brokers. But the aggregate number of hours and time needed to complete those fields of study is not insignificant.

California is in the upper echelon regarding hours required. 135 clock hours of pre-licensure education is required for salespersons, and 360 clock hours of pre-licensure education are required for brokers.

Additionally, candidates for a real estate broker license must demonstrate that they have two years of active engagement as a licensed real estate salesperson, or comparable experience, or specialized education, in order to qualify.

Before moving on to a discussion of real estate license examinations, a quick mention should be made of the recent U.S. Supreme Court case titled “North Carolina State Board of Dental Examiners v. Federal Trade Commission” (No. 13-534), and its potential effect on the establishment by a State regulatory agency of minimum hour requirements for trades and occupations. The discussion below applies to all State regulatory bodies where a controlling number of the body’s decision-makers are active market participants in the occupation or trade the body regulates. While the California Department of Real Estate is not such a body, and the decision would not have any direct applicability to the Department, the ruling and policy set forth by the Court is instructive.

In the case, the U.S. Supreme Court held that the North Carolina State Board of Dental Examiners was a State agency operated by a majority of industry participants (which was deemed akin to a private trade association vested by the State with regulatory authority), and some of its actions were ruled to be anticompetitive rather than consumer protection-oriented.

The issue going forward – with respect to State regulations and requirements which limit entry into occupations or trades – will be whether those regulations are anticompetitive and protectionist (imposed unjustifiably and/or unreasonably to exclude or restrain competition), or necessary to protect the public.

### Making License Examinations More Challenging and Difficult to Pass

We have come a long way from the early days of licensure when there was simply a licensee registration system. The early laws were changed to require examinations, and the examinations have continued to evolve and become more advanced.

The proposal to develop more “challenging” examinations which are more difficult to pass would suggest that the California examinations for real estate brokers and salespersons no longer measure minimum or foundational levels of necessary real estate content, and that the examinations are “too easy to pass”.

The examinations now given to license applicants assess whether the applicants demonstrate a foundational level of information and understanding of the required real estate coursework so that the public is protected from uninformed practitioners.

Both the real estate salesperson and real estate broker examinations test applicants on the core knowledge required by the law, and even broader knowledge. The coverage of the examinations is set forth in section 10153 of the California Business and Professions Code.

The former Department of Real Estate and current Department of Real Estate (DRE) have expended considerable effort to make the examinations now given more relevant to current real estate practice and services, and have collaborated with and used testing experts and subject matter experts to validate our examinations and to develop examinations which test for foundational competencies.

DRE does not establish a minimum or maximum percentage passing rate. Rather, the examinations given and the applicants' successes on those examinations set the rates of passage. During fiscal years 2012/2013, 2013-2014, and 2014-2015, CalBRE's examination statistics show an "average" range of between 42-45 percent passage rate for broker examinees, and an "average" range of between 49-60 percent pass rate for salesperson examinees.

Those percentages do not evidence – nor do they support the assertion – that the licensure examinations are “too easy to pass”.

#### Narrowing/Closing the Gap

At a minimum, real estate licensees must represent their principals competently and within the bounds of the law.

The coursework and entry-level licensure testing covers real estate fundamentals, including salient portions of the Real Estate Law.

If there is a knowledge or skill competency gap that can be addressed through statutory changes to State law (that would be applicable to pre-licensure coursework and to continuing education requirements), or through the licensure examinations, organized real estate should proffer observed, pragmatic, detailed, clear, constructive, and practical information, data and objective evaluations about the gap and the proposed remedial statutory and examination solutions as a starting point for review, study, discussion, and further action.

Obviously, gaps of various kinds can be ameliorated and/or filled. If there is a core educational competency that is untaught, an educational component can be designed to intervene and fill that need.

In a similar vein, practice skill gaps can be bridged or closed through appropriate practical skills trainings.

## Practical Skills and Specialized Real Estate Knowledge

Studying and book learning (and learning the fundamentals of real estate) alone does not teach real estate salespersons or brokers how to conduct a real estate practice or to provide day-to-day real estate services. Many of those individuals who pass the real estate license test do not know where they will be performing licensed services, or if they will work for a small or large brokerage. Added to that, they may end up focusing on a real estate specialty or subject area that was not addressed in the fundamentals they studied and/or were tested on for licensure. Moreover, the way that real estate services are offered and conducted may be specific to the broker (and the broker's salespersons and associates) or the standards used in a particular brokerage.

The basic premise is that pre-licensure education and the examination(s) covers the knowledge and skills generic to the real estate industry. Beyond that is the knowledge and skills specific to real estate sectors or specialties. Then there is the knowledge and skills specific to real estate brokerages/entities.

A pervasive and systematic "training and education" culture throughout the industry would be a stellar starting point.

Some concepts come to mind when I think of developing and imparting useful or innovative practical skills trainings or education about specialized real estate knowledge in a real world setting:

1. Mentorship programs; on-the-job training.
2. Video instruction programs, and Web-based training modules.
3. More robust supervision -- and education/training -- of real estate salespersons by those brokers who have associated those salespersons.
4. Clinical-type training programs to cover those things necessary beyond the fundamentals (such as transactional and facilitation skills).
5. Trainings on the component tasks which need to be performed to carry out particular real estate services.
6. Practice checklists.
7. Continual training, education, and development strategies.
8. Imparting the rules of ethics, and how they would be applicable in everyday situations.

As I have traveled across California and talked with and listened to real estate licensees, I have been deeply impressed by the passion I have heard expressed for the real estate industry, as well as the commitment of licensees to serving the industry, the public, and their communities.

DRE and I want to build on the important work of our predecessors, and those in organized real estate, and we are ready, willing, and able to continue and advance the dialogue on knowledge and skills competencies, professionalism, and helping to improve the real estate industry.

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