

FAQ – Proposed Northern Lights Regional MLS

Note: “Northern Lights” is a temporary name.

Introduction: The following is information regarding the possibility of consolidating with other MLSs in North Dakota. It is important to understand why this opportunity is being presented at this time in our real estate industry.

In 2019, an informal conversation started between local association executives, local association leaders and other interested members to discuss the possibility of a statewide MLS in North Dakota. This conversation was born out of an increasing need for better access to information for our members; and ultimately, better service for our clients and customers. Eventually, the idea even expanded into envisioning a larger regional MLS and going beyond the borders of North Dakota.

“To consolidate generally means to make something physically stronger or more solid and to combine a few things into a single more effective or coherent whole.”

(<https://www.nar.realtor/sites/default/files/documents/MLS-Consolidation.pdf>)

The concept of MLS consolidation is certainly not new to the real estate industry. The number of MLSs in the United States continues to shrink as brokers and agents see the need for efficiency in their businesses, access to more timely and accurate information, and consistency in platforms and regulations. MLS consolidations tend to happen more often in geographical areas, however, the need to share resources is so great, that some are consolidating with other MLSs outside OF their regions.

It is time to consider consolidating into a regional MLS. It is important we understand the complex process of consolidation; thus, both benefits and obstacles need to be identified and addressed. A discussion group made up of representatives from seven MLSs have been meeting periodically, since January 2020. A budget was developed to understand the projected costs surrounding the process and running of a regional MLS. Finally, work groups met several times in May and June on MLS governance and other general topics so that as many details as possible could be presented to Realtors® and their Associations.

This information is intended to help you answer questions and to provide a platform for respectful dialogue between Realtors® about MLS consolidation.

This Frequently Asked Questions document is designed to help you understand the reasons for consolidation, what it means to Realtors® in their day-to-day business, and what changes and benefits can be expected.

1 What are the primary reasons for forming a regional MLS?

- The bottom line is that Realtors® can provide better service to their clients with more information and providing more exposure for listings. There will no longer be overlapping areas for most of the regional MLS area. More exposure for listings means more competition and better offers for sellers. More information means more options for buyers.
- Appraiser members will have access to more information when finding comparable sales and understanding the market. Appraisers will be more apt to take difficult jobs and it will speed up the time it takes to complete appraisals because of access to more information. This could potentially help with the price of appraisals. This is all good for buyers and sellers.
- For some Realtors®, there will be cost savings because participation in multiple MLSs and Associations will no longer be necessary.
- Consistent MLS rules help Realtors® function competently in overlapping markets. Realtors® will not have to learn multiple sets of rules or spend time learning multiple systems.
- Overall, administration and oversight of a regional MLS is more efficient. In today's world, there are ever-changing requirements, policies, evolving technology, and data feed issues. Rather than each of the Associations and MLSs working on these issues, it would be administered at a regional level.
- With 2,000 potential Realtors®, the regional MLS will be able to negotiate and secure better pricing on programs and services from vendors who serve Realtors®.
- A regional MLS will be in a better position with listing aggregators (Zillow, Realtor.com, etc.) to negotiate terms for data feeds. It gives us an opportunity to take back control of our data.
- Consolidation is inevitable in this business and being proactive with a voice is far better than being reactive and having little to no voice in our future matters. We are stronger together.

2. Why would this be good for your customers and clients?

- Consumers will have access to more information.
- Information will be more consistent, accurate and timely.
- Sellers will have more exposure for their listings.
- Buyers are aware and have access to more options to purchase.
- Buyers and sellers will work with Realtors® who have more information, especially in overlapping areas.
- Access to more comparable sales for appraisal purposes.

3. Why would this be good for the Realtors®?

- More information in overlapping areas.
- More access to comparable sales information in rural areas or for unique properties.
- One login/One Account to access Regional MLS.
- No duplicate entry of listings in multiple MLSs.
- Consistency in MLS rules and regulations.
- Better understanding of the regional, state and local market.
- Realtors® have a better grasp on the “big picture”.
- Added services to enhance their business.

4. Why would this be good for Appraisers?

- Many appraisers are Realtors® in multiple MLSs to have access to more property information. A regional MLS will allow them access to a broad range of property information without paying multiple MLS fees.
- Those that only subscribe to one MLS would now have more comparable sales available to them, which could increase the number of appraisers in our rural/overlapping markets who are willing to take on unique properties.
- One Login/One Account to access MLS.
- Consistency in MLS rules and regulations.
- Better understanding of the regional, state and local market.
- Realtors® have a better grasp on the “big picture”.
- Potential cost savings with one MLS fee.
- Added services to enhance their business.

5. Why would this be good for Associations?

- Overall administration and oversight of a regional MLS is more efficient. In today’s world there are ever-changing requirements, policies, evolving technology, and data feed issues. Rather than each of the Associations and MLSs working on these issues, it would be administered at a regional level.
- Association staff is not required to be a “jack-of-all-trades”; but, instead, can focus on Association functions and have MLS staff focus on being experts at the MLS system/functions.

6. How will a regional MLS affect how I conduct my business?

- Most Realtors® will see little difference in their day-to-day operations.
- Some rules and regulations may change as the regional MLS leadership establishes the final set of rules.
- For most Realtors®, the MLS system will remain the same with FlexMLS and each Association and Realtor® will still be able to customize their dashboard.

7. What will it cost?

- To cover start-up costs such as legal and accounting services and the initial hire of the CEO, each investing Association will be asked to provide funds equal to approximately \$40 per Realtor®.
- **The preliminary budget for the regional MLS is not finalized.** At this time, each local Association will be billed approximately \$29 per Realtor® per month. Each local Association will determine the amount they will assess each Realtor in their respective Association.
- Realtors® will also pay lockbox and key fees to their local Association along with the fee for the regional MLS.
- Your association will provide final costs.

8. Won't this open the door for Realtors® from throughout the regional MLS to come into our marketplace?

- This is a common concern among Realtors® when a merger, consolidation, or expansion is proposed. However, experts say that it is unlikely to change the area in which an agent works.
- The Realtors® Code of Ethics states in Article 11-1-(3) "Realtors®...must...be familiar with the area where the subject property is located."
- We also need to remember that licensees may sell real estate in the state(s) in which they are licensed to do business. Some Realtors® have already made the decision to do business in multiple markets.
- Real estate is local and will continue to be local. Overall, customers and clients want to work with a local agent who knows the market.
- A Realtor® is there to provide a service to their clients. Does it matter where the buyer should come from?

9. Which MLS Vendor will be used by the regional MLS?

- FlexMLS by FBS

10. Will things look the same in FlexMLS for those who already use it?

- The databases of participating associations will be merged. When all of the participating associations in the merger are confirmed, a work group can then develop the details to create the new database. You'll still have the same options for choosing search criteria and areas in which to search. There may be some new searchable fields, and some existing fields may be modified. The FlexMLS system will continue to be customizable for its users as it is today.

11. What additional services will be offered and/or considered for the regional MLS?

- The services that will be included in the regional MLS are:
 - FlexMLS
 - Transaction Desk
 - ShowingTime
 - Flex FloPlan
 - ReaList
 - TrustFunds (currently provided through NDAR)

12. What lockbox system will be utilized?

- Each Association will continue to use the key and lockbox system they have in place.
- Each Association will be the service center for their own lockbox and key systems.

13. Will this change how we access real estate forms?

- Realtors® will continue to have access to their association and state forms.
- North Dakota forms are currently proprietary to each Association.

14. How will this affect listings displayed on public websites?

- Public web sites will remain the same with each Realtor® or brokerage deciding the area they want to display via IDX.

15. How will the MLS Rules and Regulations change?

- The mandatory rules established by NAR will apply. For many Associations, this means little change but for a couple of MLSs, this could mean more change.
- A work group will be established to review all invested Associations' rules and regulations, identify where there are differences, and make recommendations for consistency.
- The Northern Lights MLS Board of Directors will establish rules and regulations going forward.

16. How will the regional MLS be structured and governed?

- It is proposed that there will be a separate corporation formed to operate the MLS. This corporation would be owned by the Realtor® Associations who are part of the corporation when it is launched.
- A Shareholder Group would consist of one representative of each invested Association. Ownership will be based on percentage of Realtors® represented. This group will hold an annual meeting to determine the direction of the Board of Directors.
- A Board of Directors would hire a CEO and provide guidance, approve the budget, approve rules and regulations, approve contracts with vendors, consider new programs and services to offer, etc. Each Association invested in the MLS will have representation on this Board as well. It is proposed that a tiered structure be established, and that no Association have more than two representatives.
- Through its ownership by the founding Realtor® Associations, the regional MLS would maintain its tie to the National Association of Realtors® and abide by the rules and regulations mandated by NAR. This also provides a level of security and insurance for the regional MLS.
- Each Association will purchase MLS services from the regional MLS. Realtors® would become part of the regional MLS through their local Association of Realtors®. Payment for MLS fees will be assessed by the regional MLS to the local Associations. Local Associations will invoice the MLS participants for their related fees.

- The MLS will not be under the umbrella of NDAR. It will be an independent corporation owned by the invested local Associations.
- Each local association will determine if they will maintain a MLS body and what purpose it will serve.

17. Will the regional MLS have a name?

- The tentative name for discussion purposes is “Northern Lights MLS”. A final decision will be made prior to starting the legal process to form the corporation.
- We are open to hearing your ideas!

18. What area is included in the proposed regional MLS?

- Currently involved in the discussions: Williston, Dickinson, Minot, Jamestown, Bismarck, Grand Forks, and Fargo-Moorhead.
- It is possible that consolidation with other areas lies in the future of the regional MLS.

19. Who will own the MLS?

- It will be owned by all the local Realtor® Associations who are invested.
- It will be a separate legal corporation.
- An Association’s ownership percentage will be based on the number of Realtors® it represents in the MLS.

20. Who will manage the MLS and who will provide support for the Realtors®?

- The regional MLS Board of Directors will hire a CEO.
- The CEO will hire additional staff as needed to provide Realtor® support and services as approved in the regional MLS budget.
- Efforts will be made to hire staff from the invested associations.

21. Where will the regional MLS office be located?

- This will be determined when the CEO is hired and there is a better picture of what the needs will be for staffing and a physical office.
- It is possible, but not yet determined, that all staff could work remotely from various locations within the regional MLS area. It is possible they may be housed with the staff of an existing Realtor® Association.

22. What will become of the local MLS Committees and MLS Boards?

- Local Associations will determine what is best for their Realtors®. This may include dissolving an existing committee or MLS Board, or an association may choose to keep a MLS Committee or Board to use as an “issues platform” that might provide recommendations to the regional MLS Board. It is a local decision.

23. What will happen to the local Associations?

- Local Associations or “local Boards” will continue to conduct activities and programs to meet NAR’s Core Standards and provide other member services such as education, professional standards enforcement, member safety information, community outreach, advocacy efforts, RPAC fundraising and candidate support, membership events, media relations, local promotion and advertising, lockbox and key services; and, they will have ownership in the new MLS and have a say in its operation.

24. What will the financial impact be on the local Associations and their members?

- Your local association will address any budgetary adjustments (up or down) that may be required.
- There will be a decrease in “MLS Only” income for some associations when Realtors® no longer pay to be in multiple MLSs.

25. Is NAR requiring MLS mergers?

- NAR is not requiring MLSs to merge. However, NAR is keenly aware of the challenges in introducing new technology in the real estate industry when there are between 600 and 700 different MLSs operating in the U.S. Vendors express concerns and frustrations in introducing new technology and then having to modify their product for each MLS that adopts it. It has been a deterrent to seeing new options developed for our industry. NAR also hears from large and mega-brokers about belonging to multiple MLSs and the challenge of adhering to rules and regulations that vary from one MLS to another. To support the consolidation and merger effort, NAR provides resources on its website for those looking to merge or consolidate with others.

26. How will this MLS be governed? (Also see #16 above)

Shareholders Board:

- Each Shareholder (association or MLS) will have 1 representative/vote.
- Shares will be distributed by percentage of subscribers.
- Establishes Bylaws
- Hires the first CEO
- Holds annual shareholder meeting
- Determines how to incorporate new associations or MLSs who would like to become shareholders and how to process shares of associations who may choose to leave

Board of Directors:

- Each shareholder will have at least one representative/vote, and no more than two. A tiered representation system based on subscribers is recommended.
- Establishes Rules & Regulations
- Determines services and programs provided to subscribers

- After initial hiring of the CEO by the Shareholder Board, this body will have future responsibility of evaluation of the CEO and any future hirings of a CEO.

Participation in the regional MLS after initial launch:

- If an association or MLS chooses to join the regional MLS later and wants to be a shareholder with a representative(s) on the Shareholder Board and Governing Board of Directors, the recommendation is to assess a fee of least \$75,000 plus any conversion costs. These associations and MLSs will be granted no more than one shareholder seat and no more than one seat on the Board of Directors.
- If an association or MLS wants to join later and NOT have a vote, it is recommended a cost of at least \$25,000 be assessed, plus any conversion costs. This will allow participation in the MLS but does not grant any ownership or governance representation.

27. When will this happen?

- It is anticipated that each local Association will make a commitment to be part of the regional MLS by the end of August and that steps will be taken to hire the CEO and organize the corporation in the fall of 2020.
- The targeted “up and running” date is January 1, 2021. However, this is subject to change.

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