



**Limited Function Referral Organizations (LFRO)
Information Packet – Revised *February 2024***

Enclosed:

- 1) **DR/LFRO Certification – Signed copy kept on file at the local. Local sends copy to Texas REALTORS®.**
- 2) **Annual LFRO Certificate – Certified every year - 1 copy local. Local sends copy to Texas REALTORS®.**
- 3) **NAR Model Board Bylaws Excluding LFRO agents for dues - FYI**
- 4) **FAQs - Frequently Asked Questions about Limited Function Referral Offices**

Dues Calculations for Limited Function Referral Organizations (LFRO)

Article III, Section 3 of the Texas REALTORS® bylaws states:

A REALTOR® with a direct or indirect ownership interest in an entity engaged exclusively in soliciting and/or referring clients and customers to the REALTOR® for consideration on a substantially exclusive basis shall annually file with the association on a form approved by the association a list of the licensees affiliated with that entity and shall certify that all of the licensees affiliated with the entity are solely engaged in referring clients and customers and are not engaged in listing, selling, leasing, renting, managing, counseling, or appraising real property. The individuals disclosed on such form shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this section and shall not be included in calculating the annual dues of the designated REALTOR®. Designated REALTORS® shall notify the association within three (3) days of any change in status of licensees in a referral firm.

The exemption for any licensee included on the certification form shall automatically be revoked upon the individual being engaged in real estate licensed activities (listing, selling, leasing, renting, managing, counseling, or appraising real property) other than referrals, and dues for the current fiscal year shall be payable.

A LFRO is an entity – a corporation, LLC, partnership, LP, or LLP – that sponsors or affiliates with real estate license holders whose *sole* function is to refer prospective clients to a particular broker. The real estate license holders under a LFRO do not engage in any other brokerage services. A REALTOR® may own a LFRO and the license holders under the LFRO refer the prospects to the REALTOR®. The above-cited provision provides that the dues formula is not to take the license holders under the LFRO into account when calculating the REALTOR®'s dues, provided that the LFRO is a bona fide referral organization and the license holders under the LFRO engage in no brokerage activity (except referrals).

To qualify under the above-cited provision, the REALTOR® who owns the LFRO will need to file the below certification with the local association.

Designated REALTOR® LFRO Certification 2025

I affirm and certify that:

- (1) _____ (Limited Referral Organization) is an entity that is engaged solely in soliciting and referring prospective customers and clients to me or my firm;
- (2) the Limited Referral Organization is an entity that is separate from me and my firm;
- (3) I own or my firm owns the Limited Referral Organization;
- (4) the Limited Referral Organization (including all its sponsored sales agents, affiliated brokers) is engaged *exclusively* in the business of soliciting or referring clients and customers to me or my firm; and
- (5) the following list of brokers, sales agents, or appraisers are sponsored by or affiliated with the Limited Referral Organization (and the affiliated brokers have filed a Notice of Assumed Business Name (DBA) for the Limited Referral Organization with TREC) and are engaged solely in referring clients and customers to me or my firm and are not engaged in listing, renting, selling, leasing, managing, counseling, or appraising real property:

(List agents' names and license numbers))

Signature, Designated REALTOR® Date

Printed Name

Phone

Fax

E-mail

** Submit form to local association. Local association should send a copy to Texas REALTORS®.*

BOARD NAME: _____

FOR YEAR: 2025

DUE BY: JANUARY 1, 2025

LFRO FIRM NRDS # _____

DR NRDS # _____

Limited Function Referral Office (LFRO) Certification Form

To Designated REALTORS®: Please complete the following and return to the association office no later than _____.

In accordance with Article 3, Section 3, of the association's bylaws, this will certify that the undersigned Designated REALTOR® (or his firm) has a direct or indirect ownership interest in an entity engaged exclusively in soliciting and/or referring clients and customers to the REALTOR® for consideration on a substantially exclusive basis. This will also certify that all of the license holders sponsored by or affiliated with that entity (list provided below) are solely engaged in referring clients and customers and are not engaged in listing, renting, selling, leasing, managing, counseling or appraising real property.

List name and license number of sales agents. OR print TREC page for the firm.

The exemption for any license holder included on the certification form shall automatically be revoked upon the individual being engaged in real estate licensed activities (listing, renting, selling, leasing, managing, counseling or appraising real property) other than referrals and dues for the current fiscal year shall be payable.

Certified by (Designated REALTOR®) _____ Date _____
(print or type name)

Signature of Designated REALTOR® _____
(or appointed designee)

Name of firm as listed in TREC _____

Cell Phone _____ Business Phone _____

E-mail address for Designated REALTOR _____



NAR POLICY

At the 2003 Midyear Legislative Meetings & Trade Expo in Washington, DC, the National Association's Board of Directors approved the following committee recommendations:

Concerning consideration of proposed amendments to the Model Board Bylaws to exclude licensees affiliated with a limited function referral office (LFRO) from the size formula dues obligation of a Designated REALTOR®

- **That Article X, Section 2 (a) (1), of the Model Board Bylaws be amended as follows: (underscoring indicates additions; strikeouts indicate deletions)**

Section 2. Dues. The annual dues of Members shall be as follows:

(a) REALTOR® Members. The annual dues of each Designated REALTOR® Member shall be \$ _____ plus an amount equal to \$ _____ times the number of real estate salespersons and licensed or certified appraisers who (1) are employed by or affiliated as independent contractors, or who are otherwise directly or indirectly licensed with such REALTOR® Member, and (2) are not REALTOR® Members of any Board in the state or a state contiguous thereto or Institute Affiliate Members of the Board. In calculating the dues payable to the Board by a Designated REALTOR® Member, non-member licensees as defined in (1) and (2) of this paragraph shall not be included in the computation of dues if the Designated REALTOR® has paid dues based on said non-member licensees in another Board in the state or a state contiguous thereto, provided the Designated REALTOR® notifies the Board in writing of the identity of the Board to which dues have been remitted. In the case of a Designated REALTOR® Member in a firm, partnership, or corporation whose business activity is substantially all commercial, any assessments for non-member licensees shall be limited to licensees affiliated with the Designated REALTOR® (as defined in (1) and (2) of this paragraph) in the office where the Designated REALTOR® holds membership, and any other offices of the firm located within the jurisdiction of this board. * (Amended 1/01)

(1) For the purpose of this Section, a REALTOR® Member of a Member Board shall be held to be any Member who has a place or places of business within the state or a state contiguous thereto and who, as a principal, partner, corporate officer, or branch office manager of a real estate firm, partnership, or corporation, is actively engaged in the real estate profession as defined in Article III, Section 1, of the Constitution of the NATIONAL ASSOCIATION OF REALTORS®. An individual shall be deemed to be licensed with a REALTOR® if the license of the individual is held by the REALTOR®, or by any broker who is licensed with the REALTOR®, or by any entity in which the REALTOR® has a direct or indirect ownership interest and ~~which is engaged in soliciting and/or referring clients or customers to the REALTOR® or his firm on a substantially exclusive basis or~~ which is engaged in other aspects of the real estate business (except as provided for in Section 2 (a) (1) hereof) provided that such licensee is not otherwise included in the computation of dues payable by the principal, partner, corporate officer, or branch office manager of the entity.

A REALTOR® with a direct or indirect ownership interest in an entity engaged exclusively in soliciting and/or referring clients and customers to the REALTOR® for consideration on a substantially exclusive basis shall annually file with the association on a form approved by the association a list of the licensees affiliated with that entity and shall certify that all of the licensees affiliated with the entity are solely engaged in referring clients and customers and are not engaged in listing, selling, leasing, managing, counseling or appraising real property. The individuals disclosed on such form shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this Section and shall not be included in calculating the annual dues of the Designated REALTOR®.

Membership dues shall be prorated for any licensee included on a certification form submitted to the association who during the same calendar year applies for REALTOR® or REALTOR-ASSOCIATE® membership in the association. However, membership dues shall not be prorated if the licensee held REALTOR® or REALTOR-ASSOCIATE® membership during the preceding calendar year.