

# Rhode Island Real Estate Law



**Section 1**  
**Relationships in Residential Real Estate transaction**

**Relationship in Residential Real Estate Transactions** Who do you represent in a Real Estate Transaction? The buyer or the seller? The landlord or the tenant? Or neither?



*Ask the question, as a real estate agent who do I represent in a real estate transaction?  
 Depending on the answer will determine your legal duties and responsibilities to the parties.*

**Rhode Island Mandatory Real Estate Relationship Disclosur**  
 This form is used by a Rhode Island real estate agent to inform the Buyer/Seller or Tenant/Landlord about the type of relationship they will have with the agent.  
**Client or Customer?**

**RHODE ISLAND MANDATORY REAL ESTATE RELATIONSHIP DISCLOSURE**

R.I.G.L. § 5-205-8 allows a real estate broker or salesperson to provide real estate services to you whether you are a buyer, seller, tenant, or landlord. The minimum level of service required by law will depend on the type of relationship that you wish to have with a real estate licensee. These relationships are defined on this form. Although it is not legally required, you may also choose to sign a written contract to further define your relationship. The principal broker of the real estate brokerage or a person designated by him or her must also agree to the type of relationship that you choose to have with the licensee.

**Types of Real Estate Relationships**

**TRANSACTION FACILITATOR**  
 A Transaction Facilitator is a real estate licensee who provides assistance to a buyer, seller, tenant, or landlord, or both, in a real estate transaction but does not represent you.

A Transaction Facilitator owes the following duties to you as a customer: to perform agreed upon ministerial acts timely and competently, to perform these acts with honesty, good faith, reasonable skill and care, and properly account for money or property placed in the care and responsibility of the principal broker. A licensee acting as a transaction facilitator does not owe confidentiality or any other fiduciary duties to a customer. A Transaction Facilitator does not represent you and cannot negotiate on your behalf.

**DESIGNATED CLIENT REPRESENTATIVE**  
 A Designated Client Representative is a real estate licensee who represents a buyer, seller, tenant, or landlord in a real estate transaction and advocates on your behalf.

A Designated Client Representative owes the following duties to you as a client: to perform the terms of the client representation contract, if any, with reasonable skill and care; promote the client's best interest in good faith and honesty; protect the client's confidential information during the relationship and after its termination; perform agreed upon ministerial acts timely and competently; perform these acts with honesty, good faith, reasonable care and skill, and to properly account for money or property placed in the care and responsibility of the principal broker. Only the real estate licensee(s) who have been specifically appointed by the principal broker or the principal broker's designee may represent you as a client. The other real estate licensee(s) who are affiliated with the brokerage owe no duty to you except for confidentiality. If another licensee who is affiliated with the same brokerage becomes a Designated Client Representative for another party in a transaction with you, then that other affiliated licensee has no duty to protect any confidential information about you learned after he or she begins to represent the other party. In order for a real estate licensee to represent you as a Designated Client Representative, the licensee must obtain your informed written consent and provide you with a written notice.

**NEUTRAL DUAL FACILITATOR**  
 A Neutral Dual Facilitator is an individual real estate licensee who assists a buyer and seller or tenant and landlord in the same transaction and must be neutral as to any conflicting interests between the parties to the transaction.

A Neutral Dual Facilitator relationship exists solely for a specific transaction between the parties. A Dual Facilitator must be neutral as to any conflicting interests between the parties to the transaction. A Dual Facilitator owes the following duties to all parties: protecting the confidential information of you and the other party except where disclosure is required or permitted by state law; and accounting for funds. This Mandatory Real Estate Relationship Form cannot be used to obtain your consent to a Dual Facilitator relationship. In order for a real estate licensee to assist you as a neutral Dual Facilitator, the licensee must obtain the informed, written consent from you, the other party and the principal broker on a separate Dual Facilitator consent form.

**TRANSACTION COORDINATOR**  
 A Transaction Coordinator is a principal broker or his or her designee who supervises a real estate transaction.

The principal broker or his or her designee assumes this role in a transaction in which one affiliated licensee represents a buyer or tenant as a designated client representative and another affiliated licensee represents a seller or landlord as a designated client representative in the same transaction or if one affiliated licensee is assisting both the buyer and seller or landlord and tenant in the same transaction as a dual facilitator. A transaction coordinator does not owe any fiduciary duties to any party in a transaction except the duties to protect the confidential information of the parties and to properly account for money placed in his or her care. A principal broker or his or her designee becomes a Transaction Coordinator automatically, so a customer or client is not required to sign an additional disclosure form.

R.I.G.L. § 5-205-8 requires any real estate licensee who assists you to present this form to you prior to the disclosure of any confidential information. A real estate licensee must also disclose which party they represent, and obtain your written acknowledgement of that relationship. The law also requires real estate licensees to fulfill the duties of their relationship with you as defined by state law and/or in a written contract. Failure to comply with this law is a violation of Rhode Island license law and can result in disciplinary action to the licensee.

**Consumer Information and Responsibilities**

If you wish to have a real estate licensee represent you, this relationship must be established no later than the preparation of an offer to purchase, purchase and sales agreement or lease. Rhode Island law presumes that all real estate licensees are acting as Transaction Facilitators unless otherwise stated on this form. A real estate licensee can act as your designated client representative only if that real estate licensee obtains your informed written consent to that relationship on this form.

A principal broker may only appoint a real estate licensee to represent you as a Designated Client Representative with your informed, written consent acknowledged on this Mandatory Relationship Disclosure Form. This designation as your representative applies only to the real estate licensee listed below. An inherent conflict of interest may exist if you as a buyer choose a designated client representative affiliated with the same principal broker as the seller's designated client representative. Other licensees affiliated with the company do not represent you or owe you any duties unless disclosed to you in writing. Also, these other licensees may represent or assist another party in your real estate transaction.

The duties of a real estate licensee do not relieve consumers of the responsibility to protect their own interests. If you need advice on specialized issues, such as legal, tax, or insurance, consumers are advised to refer specialized questions to the proper expert, including, but not limited to, a home inspector, attorney, tax advisor, appraiser or appropriate government official.

**Consumer and Broker Acknowledgement**

By signing below, I, the consumer, acknowledge that I have received and read the information in this Rhode Island Mandatory Relationship Disclosure Form. I understand and agree that the real estate licensee has disclosed that he or she will be working with me in the following capacity. (Check all that apply.)

<b>Seller/Landlord</b>	<b>Buyer/Tenant</b>
<input type="checkbox"/> Transaction Facilitator	<input type="checkbox"/> Transaction Facilitator
<input type="checkbox"/> Designated Client Representative	<input type="checkbox"/> Designated Client Representative

Consumer Signature \_\_\_\_\_ Printed Name \_\_\_\_\_ Date \_\_\_\_\_

Consumer Signature \_\_\_\_\_ Printed Name \_\_\_\_\_ Date \_\_\_\_\_

Consumer Signature \_\_\_\_\_ Printed Name \_\_\_\_\_ Date \_\_\_\_\_

By signing below, I, the real estate licensee, acknowledge that I have provided this disclosure form to the above consumer(s) as required by Rhode Island law.

Name of Brokerage Firm \_\_\_\_\_

Licensee Signature \_\_\_\_\_ Printed Name \_\_\_\_\_ License # \_\_\_\_\_ Date \_\_\_\_\_

Licensee: please initial here if the consumer declines to sign this notice and state the consumer's reason for refusal:

# Do you have a *Customer* or *Client* relationship with the consumer?

## The Mandatory Relationship Disclosure defines the difference.

### RHODE ISLAND MANDATORY REAL ESTATE RELATIONSHIP DISCLOSURE

R.I.G.L. § 5-20.6 allows a real estate broker or salesperson to provide real estate services to you whether you are a buyer, seller, tenant, or landlord. The minimum level of service required by law will depend on the type of relationship that you wish to have with a real estate licensee. These relationships are defined on this form. Although it is not legally required, you may also choose to sign a written contract to further define your relationship. The principal broker of the real estate brokerage or a person designated by him or her must also agree to the type of relationship that you choose to have with the licensee.

#### *Types of Real Estate Relationships*

##### **TRANSACTION FACILITATOR**

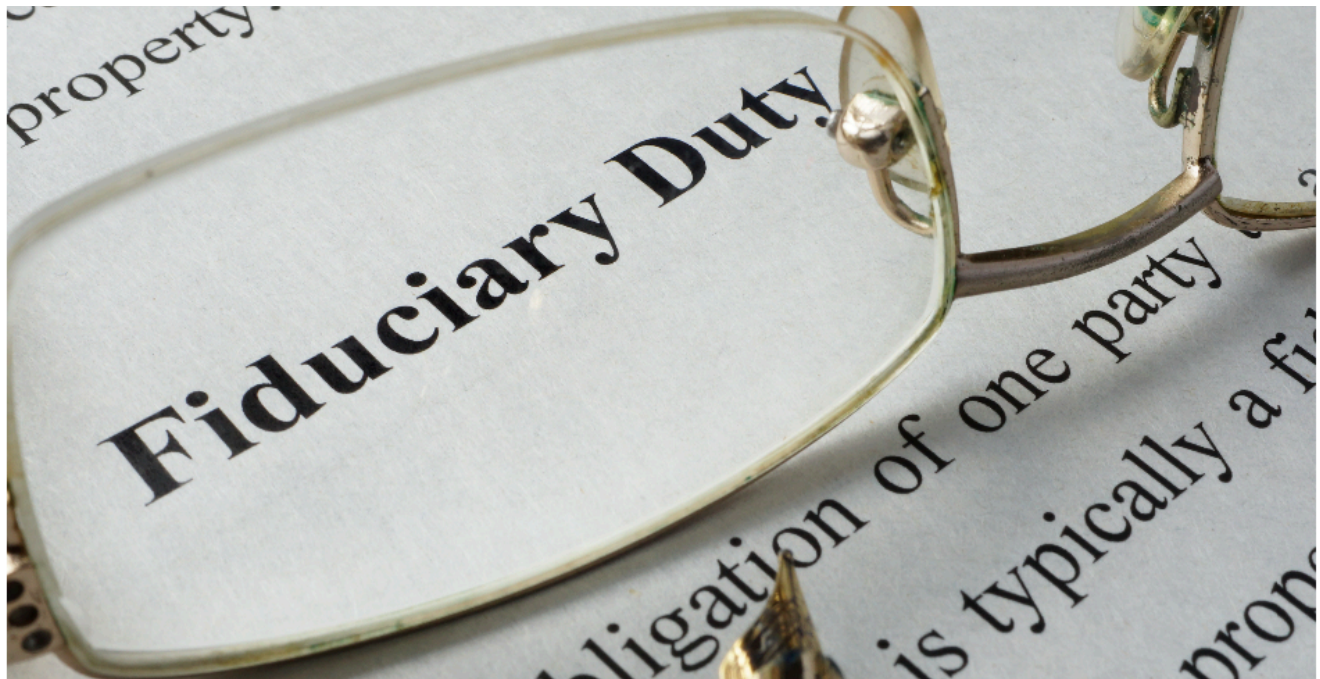
A Transaction Facilitator is a real estate licensee who provides assistance to a buyer, seller, tenant, or landlord, or both, in a real estate transaction but does not represent you.

A Transaction Facilitator owes the following duties to you as a customer: to perform agreed upon ministerial acts timely and competently; to perform these acts with honesty, good faith, reasonable skill and care; and properly account for money or property placed in the care and responsibility of the principal broker. A licensee acting as a transaction facilitator does not owe confidentiality or any other fiduciary duties to a customer. A Transaction Facilitator does not represent you and cannot negotiate on your behalf.

##### **DESIGNATED CLIENT REPRESENTATIVE**

A Designated Client Representative is a real estate licensee who represents a buyer, seller, tenant, or landlord in a real estate transaction and advocates on your behalf.

A Designated Client Representative owes the following duties to you as a client: to perform the terms of the client representation contract, if any, with reasonable skill and care; promote the client's best interest in good faith and honesty; protect the client's confidential information during the relationship and after its termination; perform agreed upon ministerial acts timely and competently; perform these acts with honesty, good faith, reasonable care and skill; and to properly account for money or property placed in the care and responsibility of the principal broker. Only the real estate licensee(s) who have been specifically appointed by the principal broker or the principal broker's designee may represent you as a client. The other real estate licensees who are affiliated with the brokerage owe no duty to you except for confidentiality. If another licensee who is affiliated with the same brokerage becomes a Designated Client Representative for another party in a transaction with you, then that other affiliated licensee has no duty to protect any confidential information about you learned after he or she begins to represent the other party. In order for a real estate licensee to represent you as a Designated Client Representative, the licensee must obtain your informed written consent and provide you with a written notice.



### **The Fiduciary Duties (Memory tip COLD-AC)**

The **fiduciary** duties (Legal Responsibilities) required of a real estate professional acting as an agent for a buyer, seller, tenant or landlord in a real estate transaction will depend on the degree of representation agreed upon.

**(C)**are: The words *reasonable care*; The level of knowledge and competency a consumer should expect from their agent.

**(O)**bedience: As an agent you must obey the consumers lawful instructions.

**(L)**oyalty: As the agent for the consumer, you must be loyal and keep their best interests ahead of those of any other party, including yourself.

**(D)**isclosure: Material facts are those that, if known by the buyer or seller, might have caused them to change their purchase or sale actions.

**(A)**ccounting: Accounting for all documents and funds in the transaction.

**(C)**onfidentiality: Your fiduciary duty of confidentiality means that you do not disclose anything that you learn about the consumer, their business, financial or personal affairs or motivation.

***Depending on whether the consumer is a Client or a Customer of the real estate agent will determine which of the six fiduciary duties the real estate agent will owe them.***

# Customer or Client?



The consumer needs to be able to make an informed decision about the differences between the two types of relationships they could potentially have with you and how it will impact them in a real estate transaction.

Your legal duty and responsibility as a real estate professional is to ***Disclose***.

## Transaction Facilitator *Customer Relationship*

- Care
- Obedience
- Disclosure (Limited)
- Accounting

(No Loyalty or Confidentiality)

Vs.

## Designated Client Representative *Client Relationship*

- Care
- Obedience
- Loyalty
- Disclosure
- Accounting
- Confidentiality

Full COLD-AC

# Transaction Facilitator = Customer Relationship

## TRANSACTION FACILITATOR

A Transaction Facilitator is a real estate licensee who provides assistance to a buyer, seller, tenant, or landlord, or both, in a real estate transaction but **does not represent you.**

A Transaction Facilitator owes the following duties to you as a customer: to perform agreed upon ministerial acts timely and competently; to perform these acts with honesty, good faith, reasonable skill and care; and properly account for money or property placed in the care and responsibility of the principal broker. A licensee acting as a transaction facilitator **does not owe confidentiality or any other fiduciary duties** to a customer. **A Transaction Facilitator does not represent you and cannot negotiate on your behalf.**

## As a Transaction Facilitator you owe the following duties to the Customer:

- **Care**
- **Obedience**
- **Disclosure (Limited)**
- **Accounting**
  
- (No **Loyalty** or **Confidentiality** with this type of relationship)

Agent does not represent the customers best interest and or advocates on their behalf.

ie: give advice, counsel or negotiate.

# Designated Client Representative = Client Relationship

Think of yourself like an attorney in the courtroom advocating and defending your clients best interest.

## DESIGNATED CLIENT REPRESENTATIVE

A Designated Client Representative is a real estate licensee who represents a buyer, seller, tenant, or landlord in a real estate transaction and advocates on your behalf.

A Designated Client Representative owes the following duties to you as a client: to perform the terms of the client representation contract, if any, with reasonable skill and care; promote the client's best interest in good faith and honesty; protect the client's confidential information during the relationship and after its termination; perform agreed upon ministerial acts timely and competently; perform these acts with honesty, good faith, reasonable care and skill; and to properly account for money or property placed in the care and responsibility of the principal broker. Only the real estate licensee(s) who have been specifically appointed by the principal broker or the principal broker's designee may represent you as a client. The other real estate licensees who are affiliated with the brokerage owe no duty to you except for confidentiality. If another licensee who is affiliated with the same brokerage becomes a Designated Client Representative for another party in a transaction with you, then that other affiliated licensee has no duty to protect any confidential information about you learned after he or she begins to represent the other party. In order for a real estate licensee to represent you as a Designated Client Representative, the licensee must obtain your informed written consent and provide you with a written notice.

## Full COLD-AC



I represent the best interest of the Seller. The seller is my **client** the buyer is a **customer**

- **Care**
- **Obedience**
- **Loyalty**
- **Disclosure**
- **Accounting**
- **Confidentiality**

I represent the best interest of the Buyer. The buyer is my **client** the seller is a **customer**

- **Care**
- **Obedience**
- **Loyalty**
- **Disclosure**
- **Accounting**
- **Confidentiality**

# When is the consumer treated as a customer?



**Sellers Agent**

**When you represent the Seller as a Client the Buyer is always treated as a Customer.**

**A Customer is defined as a buyer who is:**

- **Represented by an another agent.**
- **Unrepresented. Not represented by you or any other agent.**



**Buyers Agent**

**When you represent the Buyer as a Client the Seller is always treated as a Customer.**

**A Customer is defined as a buyer who is:**

- **Represented by an another agent.**
- **Unrepresented. Not represented by you or any other agent.**

# Neutral Dual Facilitator

One agent with two clients in the same transaction

## NEUTRAL DUAL FACILITATOR

A neutral Dual Facilitator is an individual real estate licensee who assists a buyer and seller or tenant and landlord in the same transaction and must be neutral as to any conflicting interests between the parties to the transaction.

A neutral Dual Facilitator relationship exists solely for a specific transaction between the parties. A Dual Facilitator must be neutral as to any conflicting interests between the parties to the transaction. A Dual Facilitator owes the following duties to all parties: protecting the confidential information of you and the other party except where disclosure is required or permitted by state law; and accounting for funds. This Mandatory Real Estate Relationship Form cannot be used to obtain your consent to a Dual Facilitator relationship. In order for a real estate licensee to assist you as a neutral Dual Facilitator, the licensee must obtain the informed, written consent from you, the other party and the principal broker on a separate Dual Facilitator consent form.

### Dual Facilitator Consent Form

One agent, two principles in the same transaction.

- ✓ Buyer & Seller must mutually agree to (temporarily become customers)
- ✓ Principle broker must consent



**RI** DUAL FACILITATOR CONSENT FORM  
Rhode Island Association of REALTORS®

SELLER(S)/LANDLORD(S): \_\_\_\_\_

BUYER(S)/TENANT(S): \_\_\_\_\_

PROPERTY: \_\_\_\_\_

NAME OF INDIVIDUAL REAL ESTATE LICENSEE: \_\_\_\_\_

R.I.G.L. 5-20.8 allows an individual real estate licensee to act as a neutral dual facilitator and assist both the Buyer and Seller or Tenant and Landlord in the same transaction with the informed, written consent of both parties and the Principal Broker. State law requires consent to be given before the real estate licensee presents an offer to Seller or Landlord.

The dual facilitator can assist both parties in a transaction but shall be neutral as to any conflicting interests between the parties to the transaction. When an affiliated licensee acts as a dual facilitator, the principal broker or his or her designee shall act as a transaction coordinator in the transaction and shall protect the parties' confidential information except where disclosure is required or permitted by state law.

A dual facilitator owes the following duties to all parties:

- Accounting for funds.
- Protecting the confidential information of all parties except if disclosure is expressly authorized by the party who shared the confidential information; required by law; intended to prevent illegal conduct; or is necessary to prosecute a claim against a person represented or to defend a claim against the licensee. The duty to protect confidential information shall continue after the completion of the transaction.

A dual facilitator cannot act as an advocate for either party.

"If a comparative market analysis was prepared for a seller client or a buyer client and a dual facilitation situation subsequently arises, the dual facilitator may only provide the comparative market analysis to the other party with the prior consent of the party for whom it was initially prepared. A dual facilitator shall not be able to prepare a comparative market analysis for either party after a dual facilitation situation arises as it may adversely affect one party's bargaining position relative to the other party."

"In the event that either the seller client or buyer client in the case of a sale of property, or the landlord client and the tenant client in the case of a rental of property, does not consent to dual facilitation, then the principal broker or his or her designee, may, with the consent of the party(ies) withholding consent designate another licensee to represent one of the parties as a designated client representative."

NOTICE: THIS IS A LEGAL DOCUMENT THAT CREATES BINDING OBLIGATIONS.  
IF NOT UNDERSTOOD, CONSULT AN ATTORNEY.

BUYER'S/TENANT'S INITIALS \_\_\_\_\_ SELLER'S/LANDLORD'S INITIALS \_\_\_\_\_

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# Transaction Coordinator

**The principle broker or their designee will oversee a transaction as a Transaction Coordinator when;**

- 1) One agent from the brokerage represents the seller and another agent from the same brokerage represents the buyer or;
- 2) One agent from the brokerage is assisting both the buyer/seller as a dual facilitator.

## **TRANSACTION COORDINATOR**

A Transaction Coordinator is a principal broker or his or her designee who supervises a real estate transaction.

The principal broker or his or her designee assumes this role in a transaction in which one affiliated licensee represents a buyer or tenant as a designated client representative and another affiliated licensee represents a seller or landlord as a designated client representative in the same transaction or if one affiliated licensee is assisting both the buyer and seller or landlord and tenant in the same transaction as a dual facilitator. A transaction coordinator does not owe any fiduciary duties to any party in a transaction except the duties to protect the confidential information of the parties and to properly account for money placed in his or her care. A principal broker or his or her designee becomes a Transaction Coordinator automatically, so a customer or client is not required to sign an additional disclosure form.

### ***Real Estate Licensee's Responsibilities***

R.I.G.L. § 5-20.6-8 requires any real estate licensee who assists you to present this form to you prior to the disclosure of any confidential information. A real estate licensee must also disclose which party they represent and obtain your written acknowledgement of that relationship. The law also requires real estate licensees to fulfill the duties of their relationship with you as defined by state law and/or in a written contract. Failure to comply with this law is a violation of Rhode Island license law and can result in disciplinary action to the licensee.

**Consumer Information and Responsibilities**

If you wish to have a real estate licensee represent you, this relationship must be established no later than the preparation of an offer to purchase, purchase and sales agreement or lease. Rhode Island law presumes that all real estate licensees are acting as Transaction Facilitators unless otherwise stated on this form. A real estate licensee can act as your designated client representative only if that real estate licensee obtains your informed written consent to that relationship on this form.

A principal broker may only appoint a real estate licensee to represent you as a Designated Client Representative with your informed, written consent acknowledged on this Mandatory Relationship Disclosure Form. This designation as your representative applies only to the real estate licensee(s) listed below. An inherent conflict of interest may exist if a buyer chooses a designated client representative affiliated with the same principal broker as the seller's designated client representative. Other licensees affiliated with the company do not represent you or owe you any duties, except for confidentiality in accordance with R.I.G.L. § 5-20.6-5(e), unless disclosed to you in writing. Also, these other licensees may represent or assist another party in your real estate transaction.

If the real estate licensee who provided this disclosure is a member of a team, 230-RICR-30-20-2.31(B) states "When a Team is working with a prospective buyer, seller, tenant or landlord, the relationship of each licensee on the team to the client(s) must be disclosed in accordance with R.I. Gen. Laws § 5-20.6-8." **[Sign and attach an Addendum for teams.]**

230-RICR-30-20-2.2 (A)(13) defines a team as "two (2) or more licensees who: (a) Work under the supervision of the same principal broker to perform activities that require a license; (b) Represent themselves to the public as being part of a team or group; and (c) Are designated by a team name that is both approved by the principal broker and different from the brokerage name of their principal broker."

**Consumer and Broker Acknowledgement**

By signing below, I, the consumer, acknowledge that I have received and read the information in this Rhode Island Mandatory Relationship Disclosure Form. I understand and agree that the real estate licensee has disclosed that he or she will be working with me in the following capacity. (Check all that apply.)

**Seller/Landlord**

- Transaction Facilitator
- Designated Client Representative

**Buyer/Tenant**

- Transaction Facilitator
- Designated Client Representative

\_\_\_\_\_  
Consumer Signature

\_\_\_\_\_  
Consumer Signature

\_\_\_\_\_  
Consumer Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

By signing below, I, the real estate licensee, acknowledge that I have provided this disclosure form to the above consumer(s) as required by Rhode Island law.

\_\_\_\_\_  
Name of Brokerage Firm

\_\_\_\_\_  
Licensee Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
License #

\_\_\_\_\_  
Date

\_\_\_\_\_  
Licensee: please initial here if the consumer declines to sign this notice and state the consumer's reason for refusal:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# **R.I. Gen. Laws § 5-20.6-1 — Legislative Purpose**

## **(Real Estate Agency Law)**

### **Key Concept**

This section explains the **intent behind Rhode Island’s real estate agency law**. It modernizes agency relationships, limits traditional fiduciary duties by default, and emphasizes **consumer choice through written agreements**.

### **Core Purpose of the Law**

#### Consumer Choice

The law exists to reflect how real estate transactions have evolved and to ensure consumers can:

- Buy, sell, rent or exchange property.

with more flexibility in how they are represented.

### **Abolishing Common Law Agency (Important Exam Point)**

#### **Key Rule:**

This chapter **replaces traditional common law agency rules** in real estate transactions.

#### **Meaning:**

- Old common-law fiduciary agency rules do NOT automatically apply
- Agency duties are now defined by statute, not common law

### **Default Duties of Licensees**

Unless a Written Agreement Expands Duties:

A licensee only owes duties that are:

- Defined in Chapter 5-20.5
- Defined in this chapter (5-20.6)
- Established by DBR regulations

### **Critical Exam Rule:**

- Licensees are **NOT automatically fiduciaries**

### **Meaning:**

- No automatic fiduciary duty under common law agency

### **Fiduciary Duties Defined**

Depending on if its a customer or client relationship determines the duties a broker and agent owe the consumer.

- **C**are
- **O**bedience
- **L**oyalty
- **D**isclosure
- **A**ccounting
- **C**onfidentiality

### **Written Agreements Can Expand Duties (COLD-AC)**

#### **Key Rule:**

A broker and client **MAY** enter into a written agreement that:

- Creates higher duties than the statute requires
- Establishes fiduciary-level obligations if agreed upon

#### **Practical Meaning:**

- Default = **Customer level service**- limited statutory duties
- Contract = can elevate relationship to full fiduciary standards-**Client level service**

#### **Legal Policy Impact**

This law:

- Shifts agency from implied fiduciary duty → written contract model
- Protects consumers through disclosure and choice
- Reduces automatic liability for licensees
- Emphasizes clarity in representation agreement

## **Most Important Exam Takeaways**

- Rhode Island replaces common law agency in real estate transactions
- Licensees do NOT automatically owe fiduciary duties
- Duties are limited to what is in statute unless expanded in writing
- Fiduciary relationships must be **expressly created by contract**
- This law prioritizes **consumer choice and disclosure**

## **R.I. Gen. Laws § 5-20.6-2 — Key Definitions (Agency Law)**

### **Key Concept**

This section defines the **core roles, relationships, and terms** used in Rhode Island real estate agency law. These definitions control how duties, representation, and confidentiality work in practice.

### **Core Relationship Definitions**

#### Licensee & Brokerage Structure

- **Licensee:** Any broker or salesperson licensed in RI
- **Affiliated Licensee:** A licensee working under a principal broker
- **Brokerage:** The principal broker + all affiliated licensees
- **Principal Broker:** The broker responsible for supervising the brokerage
- **Designee:** Associate broker authorized to act for the principal broker

### **Client vs Customer (VERY IMPORTANT EXAM DISTINCTION)**

#### **Client (Higher Level Relationship) Full COLD-AC**

- Has a **written representation agreement**
- Receives full statutory duties under § 5-20.6-5

### **Customer (Limited Relationship) C. O.(D. limited) A (No L or C)**

- Receives limited assistance only
- Duties are defined under § 5-20.6-4

### **Representation Structures**

#### **Client Representation Contract (Client Relationship)**

- Written agreement between broker and client
- Establishes formal representation
- Must meet statutory requirements

#### **Designated Client Representative (Client Relationship)**

- Specific licensee assigned to represent a client
- Requires **written informed consent**

#### **Transaction Coordinator (BROKER OR DESIGNEE)**

- Supervises transactions involving both sides represented within same brokerage.
- Must protect confidentiality and handle funds properly

#### **Transaction Facilitator (Customer Relationship)**

- Provides assistance but does NOT act as fiduciary
- Owes only statutory duties
- No traditional agency loyalty duties

#### **Dual Facilitator**

- One licensee assists BOTH buyer and seller clients in same transaction
- Requires **written consent from both parties**
- Subject to strict limitations

## **Confidential Information (CRITICAL EXAM TOPIC)**

Cannot Be Disclosed as a Dual Facilitator:

- Buyer willing to pay more
- Seller willing to accept less
- Previous offers (buyer or seller)
- Motivating factors of any party
- Financing flexibility
- Psychological stigmas affecting property value
- Financial status (assets, liabilities, income, expenses)

Confidential information is heavily protected and generally cannot be disclosed without consent.

## **Key Rule**

### **Transaction Documents**

#### **Mandatory Relationship Disclosure**

- Required document explaining agency relationship- Customer VS. Client
- Must be signed
- Establishes duties owed to client or customer

#### **Sales Agreement**

- Written contract between buyer and seller
- Governs purchase and sale of real estate

#### **Property Definition (Limited Scope)**

“Real Estate” under this chapter:

- Residential properties with:
  - 1–2 units, OR up to 4 residential units

**Ministerial Acts (VERY IMPORTANT) These are NON-AGENCY administrative tasks:**

- Showing property
- Preparing offers
- Transmitting documents
- Providing basic information

**Key Rule:**

Ministerial acts do NOT create fiduciary duties.

**Key Relationship Types Summary**

**Fiduciary-Level (Client Representation)**

- Full statutory duties apply

**Limited Assistance (Customer / Facilitator)**

- No fiduciary duty
- Only statutory obligations

**Most Important Exam Takeaways**

- **Client = written representation + full duties**
- **Customer = limited assistance only**
- Confidential information is strictly protected
- Ministerial acts do NOT create agency
- Dual facilitation requires written consent from both parties
- Transaction facilitator owes NO fiduciary duties
- Principal broker controls and supervises all affiliated licensees
- Mandatory relationship disclosure is required in transactions

# **R.I. Gen. Laws § 5-20.6-3 — Real Estate Relationships (Creation & Presumption)**

## **Key Concept**

This section establishes the **default rule for agency relationships in Rhode Island real estate**: all licensees are presumed to be neutral facilitators unless a formal written agreement creates client representation.

## **Core Rule: Default Relationship**

Presumption Rule (VERY IMPORTANT)

- All licensees are presumed to be **transaction facilitators**
- This is the default status in every transaction

## **How to Become a Client Representative:**

A licensee only becomes a **designated client representative** if:

- The consumer gives **informed written consent**, AND
- A **mandatory relationship disclosure** is executed

## **Abolition of Common Law Agency (HIGH-TESTED CONCEPT)**

### **Key Rule:**

- Common law agency **DOES NOT** apply
- Agency relationships **CANNOT** be assumed or implied

### **Meaning:**

- No implied fiduciary duties
- No accidental agency relationships
- Everything must be clearly documented

## **No Implied Representation Allowed**

Strict Prohibition:

Agency cannot be created by:

- Assumption
- Conduct
- Verbal understanding
- Prior practice

Only written disclosure creates representation.

## **Recognized Relationship Types**

### **1. Transaction Facilitator (DEFAULT ROLE)**

- Assists one or more customers
- No fiduciary duty
- Limited statutory duties only

### **2. Designated Client Representative**

- Represents buyer, seller, tenant, or landlord
- Requires written consent
- Owes full statutory client duties

## **Practical Meaning**

In Real Estate Transactions:

- Everyone starts as a facilitator
- Representation must be “opted into” in writing
- No surprises or implied loyalty relationships

## **Most Important Exam Takeaways**

- Default relationship = **transaction facilitator**
- Client relationship requires **written consent + disclosure form**
- No common law agency exists in Rhode Island real estate
- Agency cannot be implied under any circumstance
- Two legal relationship types only:
  - Facilitator (customer assistance)
  - Designated client representative (formal agency)
- Everything depends on documentation, not assumptions

## **R.I. Gen. Laws § 5-20.6-4 — Duties of a Transaction Facilitator**

### **Key Concept**

This section defines the **limited, non-fiduciary duties** owed when a licensee is acting as a **transaction facilitator** assisting a customer.

### **Core Principle**

Transaction Facilitator = Limited Duties Only

A facilitator does **NOT** act as a fiduciary. Instead, they owe only specific statutory duties.

### **Required Duties of a Transaction Facilitator**

#### **1. Perform Ministerial Acts Properly**

- Must complete agreed-upon administrative tasks
- Must do so:
  - timely & Competently

Examples:

- Showing property & Providing basic transaction information
- Submitting offers

## **2. Standard of Conduct**

The facilitator must act with:

- Honesty
- Good faith
- Reasonable skill
- Reasonable care

## **3. Proper Accounting of Funds**

- Must properly account for money or property held by the principal broker
- Ensures escrow integrity and transparency
- No misuse or mismanagement of client/customer funds

## **4. Confidentiality (Dual Facilitator Situations)**

- Must protect confidential information when acting as a dual facilitator
- Applies when assisting both sides in a transaction under consent

## **What a Transaction Facilitator DOES NOT OWE**

### **No Fiduciary Duties**

A facilitator is NOT required to provide:

- Loyalty
- Advocacy
- Full disclosure beyond statute
- Obedience to client interests over others

## **Key Legal Rule**

### **Only the Listed Duties Apply**

A transaction facilitator:

Owes ONLY the duties as stated.

## **Practical Meaning**

This creates a **limited liability, service-based role**, where the licensee:

- Assists in the transaction
- Stays neutral
- Avoids agency obligations
- Must remain careful with money and confidentiality

## **Most Important Exam Takeaways**

- Transaction facilitator = **no fiduciary duty**
- Duties are strictly limited to statute
- Must act with honesty, good faith, skill, and care
- Must properly handle escrow-related funds
- Confidentiality still applies in dual facilitation
- Cannot elevate duties beyond what is written in law

## **Quick Memory Tips**

“4 Core Duties Only”

1. Ministerial acts
2. Honesty & skill
3. Proper accounting
4. Confidentiality (when dual facilitating)

## **“No Fiduciary = No Loyalty Duty”**

Facilitator is neutral, not an advocate.

# **R.I. Gen. Laws § 5-20.6-5 —**

## **Duties of a Designated Client Representative**

### **Key Concept**

This section defines the **full legal duties owed when a licensee is formally representing a client** under a written agreement. This is the **highest level of duty in Rhode Island real estate agency law**.

### **Core Rule**

#### **Designated Client Representative = Full Statutory Duties**

A licensee only becomes a designated client representative when:

- Appointed by the principal broker (or designee)
- A written mandatory relationship disclosure is executed
- The consumer gives informed consent

### **Legal Duties Owed to a Client**

#### **1. Contract Performance (If Applicable)**

- Must perform client representation agreement
- Must use:
  - reasonable skill
  - reasonable care

#### **2. Loyalty in Good Faith**

- Must promote the client's best interest
- Must act honestly and in good faith
- Requires active advocacy within legal limits

#### **3. Confidentiality (VERY IMPORTANT)**

- Must protect client confidential information:

- during the relationship
- AFTER termination

This is one of the strongest ongoing duties in the statute.

#### **4. Ministerial Acts**

- Must perform agreed-upon administrative tasks
- Must do so:
  - timely
  - competently

#### **5. General Standard of Care**

- Honest conduct
- Good faith
- Reasonable care
- Professional skill

#### **6. Proper Accounting of Funds**

- Must properly account for money/property handled by the broker
- Ensures escrow integrity and financial transparency

#### **Brokerage Structure in Transactions**

Same-Brokerage Representation Allowed (Designated Agency)

A principal broker may:

- Assign one licensee to represent the seller/landlord
- Assign another licensee to represent the buyer/tenant
- In the same transaction

BUT:

- All parties must be notified of potential conflict of interest

#### **Confidentiality Between Opposing Clients**

Strict Separation Rule

- Seller-side representative does NOT protect buyer confidential info
- Buyer-side representative does NOT protect seller confidential info

Each side's confidentiality is limited to their own client.

### **Transaction Coordinator Role (IMPORTANT)**

When both sides are represented in the same brokerage:

- Principal broker acts as **transaction coordinator**
- Must:
  - protect confidentiality of all parties
  - properly account for funds

### **Limits on Other Licensees in Brokerage**

Not Appointed = Limited Role

- Only designated representatives owe full client duties
- Other affiliated licensees:
  - cannot represent the client
  - owe no fiduciary duties
  - but **MUST** still protect client confidentiality

### **Conflicts of Interest Rule**

- Affiliated licensees **MAY** represent opposing parties in the same transaction
- This is allowed under statutory structure
- Must follow disclosure requirements

### **Responsibility Rule**

Designated Representative is Fully Responsible

- The appointed licensee is solely responsible for client duties
- Other affiliated licensees are not responsible for representation duties

## **Broker Liability Rule (CRITICAL)**

- Principal broker remains fully liable
- Cannot avoid responsibility for acts of designated representatives

## **Most Important Exam Takeaways**

- This is **true client representation with fiduciary duties**
- Confidentiality continues even AFTER the relationship ends
- Good faith + best interest = core duty
- Same brokerage can represent both sides with disclosure
- Principal broker remains fully responsible
- Only designated licensee owes full client duties
- Other licensees must still protect confidentiality but do NOT represent the client

## **Quick Memory Tips**

“Client = Full Duty Package-COLD-AC”

- Care
- Obedience
- Loyalty
- Disclosure
- Accounting
- Confidentiality

## **R.I. Gen. Laws § 5-20.6-6 — Dual Facilitator**

### **Key Concept**

This section allows **one licensee to assist both sides of a transaction**, but only under strict conditions that preserve neutrality and confidentiality.

### **Core Rule**

#### **Dual Facilitator = Neutral Role Only**

A licensee may assist:

- Buyer and seller in the same transaction, OR
- Tenant and landlord in the same transaction

BUT only as a **neutral facilitator**, not an advocate.

#### **Scope of Relationship**

Transaction-Specific Only

- Dual facilitation applies **ONLY** to the current transaction
- If the deal fails:
  - The facilitator returns to representing each party separately
  - No ongoing “dual role” relationship continues

#### **Required Consent (CRITICAL)**

Before acting as a dual facilitator, the licensee must obtain:

- Written consent from:
  - Principal broker
  - All parties involved
- Consent must be obtained **BEFORE** presenting offers

## **Mandatory Disclosures to All Parties**

All parties must be informed that:

### **1. Neutral Role**

- Licensee assists both sides
- Must remain neutral between conflicting interests

### **2. Core Duties Still Apply**

Dual facilitator must:

- Protect confidential information of ALL parties
- Properly account for funds

### **3. Confidentiality Rules (VERY HIGH TEST VALUE)**

Confidential information cannot be disclosed except when:

- (i) Expressly authorized
- (ii) Required by law
- (iii) To prevent illegal conduct
- (iv) To defend or prosecute a legal claim

### **Key Rule:**

Confidentiality continues even AFTER the transaction ends.

### **4. Market Analysis Restrictions**

- If a Comparative Market Analysis (CMA) was created for one party:
  - It cannot be shared without consent
- Once dual facilitation exists:
  - No new CMAs can be created for either side

### **Reason:**

Prevents unfair bargaining advantage

### **If Consent Is NOT Given**

- Principal broker may assign another licensee
- That licensee represents one party as a full client representative
- Dual facilitation does NOT proceed

## **Brokerage Supervision Role**

### Transaction Coordinator Duties

When dual facilitation occurs:

- Principal broker acts as transaction coordinator
- Must:
  - protect confidentiality
  - oversee transaction
  - manage compliance

If the principal broker is the dual facilitator:

- They may also act as transaction coordinator

## **Key Legal Structure Summary**

### Dual Facilitator = Hybrid Role

- Assists both sides
- No advocacy
- Strict neutrality required
- Heavy confidentiality protections

## **Most Important Exam Takeaways**

- Dual facilitator = **neutral, not a negotiator**
- Requires **written consent from all parties + broker**
- Confidentiality exceptions are **LIMITED** and strictly defined
- CMAs cannot be reused or newly created once dual facilitation begins

- Role is transaction-specific only (does not carry forward)
- Principal broker always remains involved as coordinator
- If no consent → another licensee must be assigned

## **R.I. Gen. Laws § 5-20.6-7 — Duty to Protect Confidential Information**

### **Key Concept**

This section establishes one of the **strongest and most heavily tested obligations in Rhode Island agency law: confidentiality**. It applies across all relationship types, but the level of duty depends on the role.

### **Core Rule**

Confidential Information Cannot Be Disclosed

A licensee may NOT disclose confidential information unless a specific legal exception applies.

### **Who Is Protected (By Role)**

#### **1. Designated Client Representative**

- Cannot disclose **client confidential information**

#### **2. Transaction Facilitator or Transaction Coordinator**

- Cannot disclose **customer confidential information**

#### **3. Non-Appointed Affiliated Licensee**

- Cannot disclose **any represented party's confidential information**

### **General Rule**

No Disclosure Without Consent

Confidential information is protected unless:

- The client/customer gives consent, OR
- A legal exception applies

### **Permitted Exceptions to Confidentiality**

A licensee MAY disclose confidential information if:

## **1. Public or General Information**

- Already publicly known
- Found in public records or authorized files

## **2. Legal Defense**

- Required to defend the licensee in a legal claim

## **3. Required by Law**

- Disclosure is mandated by statute, regulation, or court order

## **Brokerage Responsibility (VERY IMPORTANT)**

### Principal Broker Duties

A principal broker must:

- Implement procedures to protect all client confidentiality
- Protect:
  - Client information (designated representation)
  - Customer information (facilitator relationships)

### **Key Point:**

The broker is responsible for system-wide confidentiality compliance.

## **Special Rule for Prior Relationships**

### Limited Exception

A designated client representative does NOT owe confidentiality to a non-client party EXCEPT:

- If that confidential information was obtained in a prior relationship with that same party

**Meaning:** Confidentiality can “carry over” from prior dealings

## **Most Important Exam Takeaways**

- Confidentiality is required in ALL roles (client, customer, or facilitator context)
- No disclosure without consent unless legally permitted
- Public records are NOT confidential

- Legal defense is a valid exception
- Principal broker must enforce confidentiality systems
- Confidentiality may carry over from prior relationships
- This is one of the most important fiduciary-like protections in the statute

## **R.I. Gen. Laws § 5-20.6-8 — Mandatory Relationship Disclosure**

### **Key Concept**

This section creates a **required disclosure system** that forces transparency about agency relationships in every real estate transaction. Nothing related to representation can begin until this form is properly delivered and acknowledged.

### **Core Rule**

#### **Mandatory Disclosure is Required in ALL Transactions**

A licensee must:

- Provide the mandatory relationship disclosure
- Obtain signed acknowledgement
- Do this **before any confidential information is shared**

### **Timing Requirement (CRITICAL EXAM POINT)**

When Must It Be Signed?

- Before disclosure of ANY confidential information

### **If refusal occurs:**

- Licensee must document:
  - refusal
  - date
  - signature of licensee
- Written record must be kept

## **What the Disclosure Must Contain**

### **1. Available Relationship Types**

Must explain all options under § 5-20.6-3:

- Transaction facilitator (Customer Relationship)
- Designated client representative (Client Relationship)

### **2. Relationship Transparency Requirement**

Must state:

- Broker and agents must disclose their role in every transaction:
  - client representative
  - facilitator
  - transaction coordinator

### **3. Legal Duties Explained**

Must outline duties owed under:

- Chapter 5-20.6
- Chapter 5-20.5

### **4. No Representation Without Written Consent**

- No client relationship exists unless:
  - informed written consent is signed
  - disclosure form is executed

### **5. Consumer Choice Section**

Form must include checkboxes for:

- Desired representation type
- Understanding of other party's representation

### **6. Brokerage Dual Representation Notice**

Must explain that:

- Principal broker may assign different agents to each side

- Requires consent from represented client

## **7. Transaction Coordinator Role**

If both sides are represented within brokerage:

- Broker acts as transaction coordinator
- Must:
  - remain neutral
  - protect confidentiality
  - account for funds

## **8. Other Licensees May Represent Opposing Parties**

- Non-appointed licensees may represent competing interests
- This is legally permitted

## **9. Conflict of Interest Warning**

Must clearly explain:

- Risks of dual representation or same-brokerage transactions
- Potential conflicts between parties

## **10. Legal Consequences of Noncompliance**

Failure to comply:

- Violation of real estate license law
- Subject to disciplinary action

## **11. Timing of Relationship Change**

- Customer → Client conversion must occur no later than:

- offer to purchase
- sales agreement
- lease preparation

## **12. Consumer Acknowledgement**

Must include statement confirming:

- Form was received
- Read and understood
- Consent given to selected relationship

### **Final Timing Rule (VERY IMPORTANT)**

A client relationship must be established:

NO LATER than preparation of:

- Sales agreement
- Offer to purchase
- Lease

### **Practical Meaning**

This statute ensures:

- Full transparency from the beginning
- No hidden agency relationships
- Clear written consent before representation
- Documented consumer choice at every stage

### **Most Important Exam Takeaways**

- Mandatory disclosure is required in **ALL transactions**
- Must be signed **BEFORE** confidential information is shared
- No written disclosure = no client relationship

- Refusal must be documented in writing
- Relationship type must be clear and disclosed
- Failure to comply = disciplinary violation
- R.I. Gen. Laws § 5-20.6-9 — Written Requirement for Client Representation

### **Key Concept**

This section enforces a strict rule: **no written disclosure, no client representation.**

### **Core Rule**

No Written Disclosure = No Client Relationship

A licensee:

- Cannot act as a designated client representative
- Until § 5-20.6-8 (mandatory relationship disclosure) is fully completed

### **Bottom line:**

Representation is legally blocked until paperwork is done correctly.

### **Compliance Requirement**

Before Acting as a Client Representative:

The licensee must:

- Provide mandatory relationship disclosure
- Obtain signed acknowledgement
- Meet all requirements under § 5-20.6-8

### **Brokerage Responsibility**

Principal Broker Record keeping Duty

Each principal broker must:

- Maintain copies of executed mandatory relationship disclosures
- Store them in accordance with § 5-20.5-8(b) record keeping rules

## **Practical Meaning**

This law reinforces:

- Agency relationships are **paper-driven, not assumed**
- Client representation is legally invalid without documentation
- Brokers must be able to prove compliance at all times

## **Most Important Exam Takeaways**

- No written disclosure → no client representation allowed
- § 5-20.6-8 compliance is mandatory before acting as agent
- Principal brokers must retain executed disclosure records
- Record keeping is a legal obligation, not optional
- Reinforces strict “written-first” agency system in Rhode Island

# **R.I. Gen. Laws § 5-20.6-10 — Client Representation Contract (Minimum Requirements)**

## **Key Concept**

This section sets the **legal requirements for any written client representation agreement** between a consumer and a principal broker. If it is not properly written and signed, it is not enforceable as a client relationship.

**Key Point: The Mandatory Relationship Disclosure is NOT a contract.**

## **Core Rule**

Client Representation Must Be in Writing

A valid client representation contract must be:

- Express
- Written

- Fully executed by all parties

## **Required Contract Elements**

### **1. Must Be a Written Agreement**

- Oral agreements are not valid
- Must clearly document the relationship

### **2. Compensation Terms Must Be Included**

The contract must state:

- How the broker will be paid
- Commission structure or fees
- Any compensation conditions

### **3. Services and Limitations Must Be Defined**

The contract must clearly explain:

- What services the broker will provide
- What services are NOT included
- Scope of representation by affiliated licensees

### **4. Brokerage Structure Disclosure (IMPORTANT)**

Must state that:

- Principal broker may assign affiliated licensees to represent:
  - buyer or tenant
  - seller or landlord
- This may occur in the same transaction
- Requires client consent

### **5. Signatures Required**

The contract must be:

- Signed by all parties involved
  - client

- principal broker or authorized representative

## **Practical Meaning**

This statute ensures:

- Client relationships are formal and documented
- Compensation is transparent upfront
- Scope of representation is clearly defined
- Consumers understand brokerage structure and possible intra-brokerage representation

## **Most Important Exam Takeaways**

- Client representation contract **MUST** be written
- Must include compensation terms (no ambiguity)
- Must define services and limits clearly
- Must disclose possibility of same-brokerage dual representation
- Must be signed by all parties to be valid
- This contract is separate from mandatory relationship disclosure

# **Rhode Island General Laws**

## **Associate Broker**

- A licensed broker who works under another broker
- Can be an employee or independent contractor
- Has a broker's license but does not operate independently

## **Director**

- Refers to the Director of Business Regulation (DBR)
- Oversees Rhode Island real estate licensing and enforcement

## **Promptly Means 10 Days**

## **Opinion of Value**

- A property value estimate prepared by a real estate licensee
- Commonly done through a CMA (Comparative Market Analysis) or BPO (Broker Price Opinion)
- Used for listing or selling property
- NOT the same as an appraisal

## **Important:**

- Only licensed appraisers perform formal appraisals

## **Real Estate**

### **Includes:**

- Land
- Buildings
- Leaseholds
- Any interest in land or property

## **Real Estate Broker — Key Definition**

**A broker is someone who, for compensation or expected compensation:**

- Lists property
- Sells property
- Exchanges property
- Rents or leases property
- Auctions property
- Gives opinions of value
- Negotiates real estate transactions

## **Real Estate Salesperson**

- A licensed person who works under a broker
- Cannot work independently
- May be employee or independent contractor

## **Most Important Exam Takeaways**

- Salespersons must work under a broker

- Associate brokers are licensed brokers working under another broker
- An opinion of value is NOT an appraisal
- Expecting compensation requires a license

## **Principle Broker and Brokerage Responsibilities**

### **Broker Responsibilities**

- Supervision of all affiliated licensees and compliance with general laws
- Verification that each licensee is in good standing
- Supervision of non-licensed employees
- Filing of any change of address or trade name with the Department of Business Regulations
- Notify Department of Dissolution of the Brokerage within 10 Days

### **Payment of Commissions**

- Principle broker must have a written policy for the payment of commissions due on termination
- All commissions due licensees must be paid within 10 days of receipt
- An affiliated licensee may create a wholly owned corporation or limited liability company for receiving commissions

### **Disclosure of Personal Interest Brokers and Salespersons**

In any real estate transaction, a licensee must disclose that he or she is license, even if no commission is at issue, when he or she is a party to the transaction as following.

- A Buyer
- A Seller
- An owner of a business entity that is a buyer or seller
- A representative of a family member, by blood, marriage or adoption

- A representative of an adult that resides in the licensee's household
- A failure to disclose is subject to a \$2,000 penalty

### **Advanced Fees**

Any advanced fees earned for services must accompany a list of services rendered

### **Prohibition Against Lending Name**

No licensee will allow their license to be used by a third party who should have had a license to perform any real estate activities that require licensure

### **Advertising**

- No false or misleading advertisements
- All advertisements to include name of brokerage
- License name shall be small in size to the brokerage name
- Business cards shall clearly indicate Salesperson or Associate Broker
- Property advertisements shall designate the municipality of the property
- All advertisements shall include the trade name of a franchisor and operating name of the brokerage that owns the franchise. Must also include "each office independently owned and operated"
- Licensee may not advertise "rebates" or "discounts"
- Any advertisement that includes amounts for down payments, mortgage payments, taxes and other amounts shall include the words "approximately" or "estimate" and maintain written proof of such statements

### **Listing Agreements**

- No agreement shall contain a pre-printed fee or commission
- No Net-Listings
- Listings shall clearly state any broker retention of a defaulted deposit

## Team Regulations

### 1. Team Naming & Identification

Rhode Island is strict about how teams identify themselves to ensure the public does not mistake a team for an independent brokerage.

- **Mandatory Keywords:** All team names **must** include the word "**Team**" or "**Group**."
- **Prohibited Terms:** Teams are strictly prohibited from using words that imply they are a separate legal entity or brokerage. You **cannot** use:
  - Agency, Brokerage, Brokers, Firm, or Realty.
  - Company, Corporation (Corp.), or Inc.
  - LLC, LP, LLP, or Partnership.
  - Associates, Partners, or Properties.
- **Approval:** All team names must be approved by the **Principal Broker** before use.

### 2. Advertising Rules (The "Prominence" Rule)

The most common violations for teams occur in advertising (signs, social media, websites, and business cards).

- **Brokerage Prominence:** The name of the **Brokerage** must be displayed so it is:
  - **Larger** and more prominent than the team name.
  - In **close proximity** to the team name.
- **Business Cards:** This is the *only* exception where the team name and brokerage name may be the same size, though the brokerage name must still be present.

### 3. Supervision & Accountability

Regardless of how a team is structured, the **Principal Broker** remains the ultimate authority.

- **Supervisory Duty:** The Principal Broker is legally required to act in a supervisory capacity for **every** transaction. A team leader cannot "shield" the Principal Broker from this responsibility.
- **Internal Agreements:** It is highly recommended (and often required by office policy) that teams have a **Team Member Agreement** signed by the Principal Broker, outlining duties and compensation.
- **Escrow Accounts:** Teams **cannot** have their own escrow accounts. All deposits must be made payable to the **Brokerage** and held in the Principal Broker's escrow account.

### 4. Compensation & Commissions

Money flow is strictly regulated to prevent unlicensed or unauthorized entities from handling commission funds.

- **Direct Payment:** The Principal Broker must pay commissions directly to the **individual licensee** or a corporation/LLC **wholly owned** by that licensee.
- **No Team "Paymasters":** A team leader **cannot** receive a lump sum from the broker and then write commission checks to team members. All payments must come from the Principal Broker.
- **Unlicensed Assistants:** Teams may employ unlicensed assistants, but they **cannot** be paid on a commission basis or performed any "licensed" activities (e.g., negotiating, showing property, or explaining documents).

### 5. Agency & Relationships

Teams must be careful about how they represent clients to avoid unintended "Dual Agency."

- **Designated Agency:** If a team represents both a buyer and a seller, the Principal Broker may designate specific team members to represent each side.
- **Confidentiality:** Even within a team, "Dual Agency" rules apply. If the team represents both parties, they must remain neutral unless designated agency is properly disclosed and consented to in writing.

## **6. Penalties for Non-Compliance**

Violations of these DBR regulations can lead to:

- **Fines:** Up to **\$2,000 per offense**.
- **License Action:** Suspension or revocation of the licenses of the team members, the team leader, or even the Principal Broker.

## **R.I. Gen. Laws § 5-20.5-2 — Persons Exempt From Licensing**

Certain people and activities are exempt from Rhode Island real estate licensing laws. This means they can perform specific real estate-related activities without needing a real estate license.

### **Certain Persons are Exempt From Licensing**

#### **Property Owners**

A real estate license is NOT required when a person is dealing with their own property.

#### **Employees Managing Owner Property**

Regular employees working for a property owner may also be exempt.

#### **Investors**

People or companies buying, selling, leasing, or holding property for investment purposes are exempt.

#### **Attorney Exemption**

Licensed Rhode Island attorneys are exempt when performing legal duties involving real estate.

#### **Power of Attorney**

A person acting under a valid power of attorney may complete a real estate transaction without a license.

## **Court-Appointed Persons Exemption**

The following people are exempt when acting under legal authority:

- Receivers
- Trustees
- Administrators
- Executors
- Guardians

### **Example:**

An executor selling property from an estate does not need a real estate license.

## **Tax Assessment and Appraisal Exemption**

People performing:

- Mass appraisals
- Municipal revaluations
- Tax assessments

are exempt from this chapter.

### **Example:**

A municipality hiring appraisers for property tax assessments does not require those individuals to hold a real estate license under this law.

## **Public Officer Exemption**

Public officers are exempt while performing official government duties.

### **Example:**

A sheriff conducting a court-ordered property sale is exempt.

## **Most Important Exam Takeaways**

- Owners can sell or lease their own property without a license
- Employees managing owner property may be exempt
- Investors dealing with their own investments are exempt
- Attorneys do not need a real estate license when performing legal duties
- Executors and trustees acting under court authority are exempt
- Public officials performing official duties are exempt

# **R.I. Gen. Laws § 5-20.5-3 —**

## **Real Estate License Application Requirements**

### Key Concept

Anyone applying for a Rhode Island real estate broker or salesperson license must submit an application, pay required fees, and meet specific qualification standards.

### **Application Requirements**

#### **First-Time Applicants Must Provide:**

- Age (18 minimum age required for licensure)
- Residence address
- Place of business
- Current occupation
- License history

Applicants must also disclose:

- If they were ever denied a real estate license
- If any real estate license was ever suspended or revoked in Rhode Island or another state

#### **Application Must Be Under Oath**

The application is sworn to as truthful.

#### **Important:**

Providing false information may result in:

- License denial
- Discipline
- Possible legal consequences

#### **Applicants for a broker or sales person license must provide:**

Three Rhode Island References

The references must:

- Be Rhode Island residents
- Have known the applicant for at least 3 years
- Not be related to the applicant
- Confirm the applicant is honest and trustworthy

## **Citizenship and Age Requirements**

### **Broker Applicant Must:**

- Be a U.S. citizen or legal resident
- Be at least the legal age of majority 18

### **Salesperson Applicant Must:**

- Be at least 18 years old

## **Additional Requirement for Salesperson Applicants**

A salesperson applicant must submit a sworn statement from the employing broker.

The broker must confirm the applicant is:

- Competent
- Trustworthy
- Suitable to receive a license

## **Most Important Exam Takeaways**

- Applications must be truthful and submitted under oath
- Applicants must disclose prior license denials, suspensions, or revocations
- Broker applicants and sales persons need 3 Rhode Island character references
- Salesperson applicants must have a sponsoring broker
- Salespersons must be at least 18 years old
- Broker applicants must be legal adults and legal U.S. residents or citizens

# **R.I. Gen. Laws § 5-20.5-4 —**

## **Examination and Licensing Requirements**

### **Key Concept**

To become a licensed real estate broker or salesperson in Rhode Island, applicants must meet education requirements, pass an exam, and in some cases, may qualify for exemptions.

### **Exam Requirement**

Standard Rule:

All applicants for a broker or salesperson license must:

- Take a written examination
- Pass the exam to qualify for licensure

### **What the Exam Covers:**

Applicants must demonstrate knowledge of:

- Rhode Island real estate laws
- Rules and regulations governing real estate
- Deeds, mortgages, leases, and contracts
- Real estate agency relationships
- Federal and state fair housing laws
- Protection of federally and state protected classes

### **Exam Fee**

- Applicants must pay an examination fee before testing

**Important:**

- The fee is set by the testing service contract with the Department of Business Regulation
- The amount may vary based on the contract

### **Education Requirements**

Salesperson License:

Must complete:

- 45 classroom hours in an approved real estate course

## **Broker License:**

Must complete BOTH:

- At least 2 years of full-time experience as a licensed salesperson
- 90 hours of approved real estate education

## **Additional Broker Requirement:**

The Director may require additional proof of:

- Honesty
- Trustworthiness
- Integrity
- Competency
- Good reputation

## **Reciprocity / Exam Waiver**

Possible Waiver:

An applicant may NOT need to take the uniform portion of the exam if:

- They hold a valid license in another state, AND
- That state has similar licensing laws AND
- Reciprocal agreements exist

## **License Timing Rule**

Important Deadline:

If a successful applicant:

- Passes the exam, BUT
- Does NOT pay the license fee within 1 year

Then:

- They may be required to retake the exam

## **Attorney Exemption**

Licensed Attorneys:

An attorney licensed by the Rhode Island Supreme Court:

- Can receive a real estate broker or salesperson license **WITHOUT** taking the exam
- Must still pay the required license fee

## **Most Important Exam Takeaways**

- A written exam is required for brokers and salespersons
- The exam covers laws, contracts, agency, and fair housing
- Salespersons need 45 hours of education
- Brokers need 90 hours plus 2 years of experience
- Exam fee must be paid before testing
- License must be finalized within 1 year or retesting may be required
- Attorneys are exempt from the exam requirement
- Reciprocity may allow exam waivers in certain cases

# **R.I. Gen. Laws § 5-20.5-5 — Real Estate Recovery Account**

## **Key Concept**

The Real Estate Recovery Account is a state fund that protects the public by reimbursing individuals who suffer financial loss due to fraud, misrepresentation, or deceit by a licensed real estate broker or salesperson.

## **Purpose of the Recovery Account**

What It Covers:

- Fraud
- Misrepresentation
- Deceit

What It DOES NOT Cover:

- Disputes over commissions
- Fee disagreements between licensees

## **Maximum Payment Limits**

Key Limits:

- Up to **\$50,000 per claim**
- Up to **\$50,000 per licensee total exposure**

## **Funding the Account**

At Initial Licensing:

- Applicants pay an additional fee (set by the department)

## At Renewal:

If account balance falls below \$200,000:

- Brokers pay \$25 at renewal
- Salespersons pay \$25 at renewal

## How a Claim Works

### Step 1 — Lawsuit Required

- The victim must sue the licensee
- Must obtain a court judgment for fraud, misrepresentation, or deceit

### Step 2 — Exhaust All Options

The claimant must show:

- They tried to collect from the licensee
- The licensee has no assets available to satisfy the judgment

### Step 3 — File Claim in Court

- After judgment is final (all appeals complete)
- File a verified claim for payment from the account

### Step 4 — Court Review

The court must confirm:

- Proper legal steps were followed
- No other recovery is available
- Claim meets statutory requirements

## Important Claim Requirements

The claimant must prove:

- They are NOT the spouse or representative of the debtor
- A valid court judgment exists
- Judgment amount and unpaid balance
- Reasonable efforts were made to locate debtor assets
- No assets (or insufficient assets) were found or collected

## Effect on the Licensee

If the State Pays a Claim:

- The license of the broker or salesperson is automatically REVOKED

- The licensee cannot be re-licensed until:
  - Full repayment is made
  - Plus 12% annual interest

#### Bankruptcy Rule:

- Bankruptcy does NOT remove repayment obligation

#### Most Important Exam Takeaways

- The Recovery Account protects the public from fraud and deceit
- Maximum payout is \$50,000 per licensee
- Commissions disputes are NOT covered
- A court judgment is required before payment
- License is automatically revoked if the fund pays a claim
- Licensee must repay the state in full + 12% interest to regain licensure
- Bankruptcy does NOT erase repayment obligation
- False filings are criminal offenses
- Payment from the fund does NOT prevent disciplinary action

## R.I. Gen. Laws § 5-20.5-6 —

### License Duration, Renewal, Education, and Discipline

#### Key Concept

Real estate licenses in Rhode Island are time-limited, must be renewed with continuing education, and can be suspended or revoked for violations.

#### License Duration

Key Rule:

- Licenses are valid for **no more than 3 years**

Important:

- The Director sets the exact license term by regulation

#### License Fees

- Initial and renewal fees are based on:
  - Annual fee × number of years in license term

#### Payment Rule:

- Full fee must be paid before license is issued or renewed

#### License Renewal Requirements

To renew a license, an applicant must:

- Pay the renewal fee
- Complete required continuing education (CE)
- Meet all regulatory requirements

## **Continuing Education (CE)**

Standard Requirement:

Over a 2-year period, licensees must complete:

- **24 classroom hours total (9 of the 24 must be CORE classes)**

## **Mandatory Fair Housing Requirement:**

- At least **3 hours must cover fair housing**
- Includes federal, state, and local fair housing laws
- Covers protected classes

## **Grounds for Suspension or Revocation**

The Director may suspend, revoke, or refuse renewal if the licensee:

- Obtained the license through fraud or misrepresentation
- Committed fraud or misrepresentation in practice
- Engaged in criminal conduct related to real estate activities
- Violated real estate laws or regulations

## **Additional Required Knowledge Areas**

Licensees must demonstrate familiarity with:

- Lead Poisoning Prevention Act
- Lead Hazard Mitigation Act

## **Key Enforcement Principles**

Important:

- Licenses can be revoked before expiration
- Discipline is separate from license renewal
- Violations can affect current and future licensure

## **Most Important Exam Takeaways**

- Licenses last up to 3 years maximum

- Renewal requires CE and fee payment
- 24 CE hours required every 2 years
- 3 hours must be fair housing training
- Fraud or criminal activity can result in revocation
- Director has broad authority to discipline licensees
- Attorneys are exempt from CE requirements
- Lead law knowledge is required for licensing compliance

## **R.I. Gen. Laws § 5-20.5-7 —**

# **Office Requirements, License Display, and Reporting Changes**

### **Key Concept**

This section governs where brokers must operate, how licenses must be displayed, and when changes in office or employment must be reported.

### **Fixed Office Requirement**

- Every **resident real estate broker must maintain a physical office in Rhode Island**

Important:

You cannot operate as a Rhode Island broker without a physical office in the state.

### **Business Records Requirement**

Where Records Must Be Kept:

- All real estate transaction records
- All office management records

Must be stored:

- At the broker's fixed office location

### **License Display Requirement**

What Must Be Displayed in the Office:

- The **broker's original license**
- The **original licenses of all salespersons** working under that broker

Display Rule:

- Must be **prominently displayed**
- Must be clearly visible in the office

### **Change of Address / Employment**

Broker Responsibility:

- Must notify the Director **immediately** when changing:
  - Office location

#### Salesperson Responsibility:

- Must notify the Director **immediately** when:
  - Changing broker
  - Changing employment

#### Most Important Exam Takeaways

- Brokers must maintain a **physical office in Rhode Island**
- All transaction records must stay at the main office
- Broker and salesperson licenses must be **displayed in the office**
- Brokers must report **office address changes immediately**
- Salespersons must report **broker or job changes immediately**
- Failure to report changes can create compliance violations

## **R.I. Gen. Laws § 5-20.5-8 — Business Entities Engaging in Real Estate**

### **Key Concept**

When a corporation, partnership, or association is licensed as a real estate broker, individuals working within that entity must also be properly licensed.

### **Entity Broker License Requirements**

Key Rule:

If a corporation, partnership, or association holds a broker license:

- The license must name **one principal active officer**

### **Role of the Principal Officer**

Purpose:

- The named individual is the primary responsible broker for the entity

Key Point:

- This person is the official license holder for the organization

### **Individual Licensing Requirement**

Important Rule:

All other active individuals working in the business must be individually licensed.

This includes:

- Brokers
- Salespersons

### **Most Important Exam Takeaways**

- Entities (corporations, partnerships, associations) can hold a broker license
- One principal active officer must be named on the license
- All other active brokers and salespersons must be individually licensed
- There are no “unlicensed agents” allowed under a corporate license
- Each practicing individual must meet licensing requirements independently

## **R.I. Gen. Laws § 5-20.5-9 — Temporary License After Death of a Broker**

### **Key Concept**

When a sole proprietor real estate broker dies, the state allows a temporary license so the business can continue operating during transition.

### **When This Applies**

- Death of a licensed real estate broker
- Broker must be a **sole proprietor**

### **Who May Apply**

Eligible Applicant:

- The deceased broker’s **legal representative**, OR
- A person designated by the legal representative (with approval)

### **Temporary License Issuance**

Key Rule:

The Director may issue a **temporary license**:

- **Without examination**
- After application is submitted
- With required approval

### **Authority of Temporary License Holder**

What They Can Do:

- Continue operating the real estate business
- Maintain ongoing transactions
- Manage the brokerage temporarily

### **Most Important Exam Takeaways**

- Applies only when a sole proprietor broker dies
- Temporary license can be issued without examination
- Must be requested by legal representative
- Requires bond and fee
- Must be approved by the Director
- Valid for up to 1 year only
- Allows continuation of business operations during transition

## **R.I. Gen. Laws § 5-20.5-10 —**

# Nonresident Brokers, Salespersons, and Legal Service Requirements

## Key Concept

This section governs how out-of-state (nonresident) real estate brokers and salespersons can be licensed and operate in Rhode Island, along with strict rules on employment and legal service of process.

## Nonresident Brokers

Who Qualifies:

A nonresident can become a Rhode Island broker if they:

- Meet all Rhode Island licensing requirements (§ 5-20.5-4)
- Hold a valid license in another state

## Key Reciprocity Rule:

Rhode Island may recognize an out-of-state broker's license if:

- The other state offers similar reciprocal licensing
- The applicant meets Rhode Island's licensing standards

## Office Requirement Exception:

A nonresident broker:

- Does NOT need to maintain a Rhode Island office, if they already maintain a business office in their home state

## Important Broker Restriction

Employment Rule (Very Important):

A Rhode Island broker CANNOT:

- Pay or compensate any unlicensed person for real estate activities

## Only Exceptions:

- Payments to licensed brokers in other states are allowed
- BUT those out-of-state brokers cannot conduct negotiations in Rhode Island

## Nonresident Salespersons

## Who Qualifies:

A nonresident salesperson must:

- Meet all Rhode Island licensing requirements
- Be employed by a Rhode Island-licensed broker

## Reciprocity Rule:

Rhode Island may accept an out-of-state salesperson license if:

- The other state offers reciprocal licensing without examination

## Key Employment Rule for Salespersons

- A nonresident salesperson **MUST** work under a Rhode Island licensed broker
- They cannot operate independently in Rhode Island

## Service of Process Requirement

Mandatory Condition for Licensing:

Before receiving a license, a nonresident must:

- File a **power of attorney** with the Director of Business Regulation

## Purpose of Power of Attorney:

This appoints the Director as the legal agent to receive court documents on behalf of the nonresident.

## What This Means:

- The Director can accept lawsuits or legal notices on behalf of the nonresident licensee
- Service on the Director is legally the same as service on the licensee

## Most Important Exam Takeaways

- Nonresident brokers can be licensed if reciprocity requirements are met

- Nonresident brokers may not need a Rhode Island office if properly licensed elsewhere
- Brokers cannot pay unlicensed individuals for real estate activities
- Nonresident salespersons must work under a Rhode Island broker
- Reciprocity may waive examination requirements in some cases
- All nonresident licensees must file a power of attorney with the Director
- The Director acts as the legal service agent for nonresidents
- Service on the Director is legally binding service on the licensee

## **R.I. Gen. Laws § 5-20.5-11 — Fees and License Renewals**

### **Key Concept**

This section establishes all licensing, examination, renewal, and late fees for Rhode Island real estate brokers and salespersons, along with rules for renewing expired licenses.

### **Exam Fees**

#### **Examination Fee:**

- Set by the testing service contract with the Department of Business Regulation
- Amount varies (not fixed in statute)

### **License Fees**

#### **Broker License Fees:**

- \$85 per year for initial license
- \$85 per year for each renewal period

#### **Salesperson License Fees:**

- \$65 per year for initial license (\$140 for a 2 year license)

- \$65 per year for each renewal period

Salesperson & Broker Licensees valid for 2 years.

### **Late Renewal Fees (Reinstatement)**

If License Expires:

#### **Broker:**

- \$100 late fee
- PLUS renewal fee

#### **Salesperson:**

- \$100 late fee, plus renewal fee

#### **Key Rule:**

Renewal is subject to the same rules as initial licensing, including:

- Qualification standards
- Suspension rules
- Revocation rules

### **Expired License Rule (Very Important)**

If a license expires for MORE than 1 year:

- The license CANNOT be renewed
- The applicant must go through the full licensing process again
- This includes re-examination

### **Most Important Exam Takeaways**

- Exam fee is set by testing service contract
- Sales person license \$65 per year -Broker license fee is \$85 per year
- Fees must be paid in full at time of application or renewal
- Late renewal requires an additional \$100 fee
- Expired licenses over 1 year require retesting and reapplicationRenewal is not automatic and must meet all regulatory requirements

## **R.I. Gen. Laws § 5-20.5-12 — Rhode Island Real Estate Commission**

### **Key Concept**

This section establishes the Rhode Island Real Estate Commission, its membership structure, authority, and advisory role in regulating the real estate industry.

### **Commission Creation and Purpose**

Established Within:

- Department of Business Regulation (DBR)

### **Purpose:**

- Oversee and support real estate licensing and regulation in Rhode Island
- Protect the public interest in real estate practices

### **Commission Composition (9 Members Total)**

#### **Membership Breakdown:**

#### **1. Licensed Brokers (3 Members)**

- Must be active Rhode Island licensed brokers
- Must have at least **5 years of experience**

#### **2. Public Members (4 Members)**

- General public representatives

- At least:
  - 1 with academic real estate experience
  - 1 involved in consumer/citizen real estate advocacy

### **3. Geographic Representation**

- At least **one member from each county**

#### **Eligibility Requirement:**

- Must be a Rhode Island citizen for at least **10 years**

#### **Terms of Appointment**

Initial Staggered Terms:

- 1 to 5 years (varied to establish rotation)

#### **After Initial Terms:**

- All successors serve **5-year terms**

#### **Term Limits:**

- Cannot serve more than **one full consecutive term**

#### **Vacancies:**

- Appointed for the remainder of the unexpired term

#### **Ex-Officio Members (Non-appointed Voting Members)**

Include:

- Attorney General (or designee)
- Director of DBR (or designee)

#### **Key Rule:**

- These members:
  - Have full voting rights
  - Receive no compensation

#### **Commission Organization**

- Members elect a **Chairperson**
- Commission organizes itself after appointments are confirmed

## **Compensation Rules**

Commission Members:

- No salary or compensation
- Only reimbursement for actual expenses

## **Public Records:**

- Commission records are open to public inspection
- Subject to reasonable rules

## **Regulatory and Policy Role**

Commission Responsibilities:

- Helps develop real estate licensing exam content
- Reviews exam effectiveness after administration
- Advises on real estate regulations and policies

## **Important Limitation:**

- Final authority remains with the **Director of DBR**
- Commission acts in an **advisory role**

## **Most Important Exam Takeaways**

- Rhode Island Real Estate Commission has 9 members
- Includes brokers, public members, and ex-officio government officials
- Members serve staggered and later 5-year terms
- Members are unpaid except for expense reimbursement
- Commission helps shape exam and regulatory policy
- Final authority belongs to the Director of DBR
- Commission is advisory, not final decision-making authority
- Commission records are public and certified documents are legally valid

# **R.I. Gen. Laws § 5-20.5-14 —**

# License Discipline, Suspension, Revocation, and Penalties

## Key Concept

The Director of Business Regulation has broad authority to investigate complaints and discipline real estate licensees for fraud, misconduct, violations of law, or unethical business practices.

## Enforcement Authority

When Action Can Be Taken:

The Director may act:

- On their own initiative, OR
- Based on a written, verified complaint

## Possible Actions:

- Investigate facts
- Hold a hearing
- Refuse a license
- Suspend a license
- Revoke a license
- Place licensee on probation (up to 1 year)

## Major Grounds for Discipline

### 1. Fraud and Misrepresentation

- False statements
- False promises
- Deceptive conduct
- Misleading advertising

### 2. Escrow Violations

- Failure to deposit client funds properly

- Improper handling or misuse of escrow funds

### **3. Record Keeping Violations**

- Failing to keep transaction records for 3 years

### **4. Agency Violations**

- Acting for multiple parties without written consent
- Failing to disclose conflicts of interest

### **5. Advertising Violations**

- False or misleading advertising
- Improper “for sale” signage
- Misrepresenting ownership or status

### **6. Contract Violations**

- Not providing copies of contracts to all parties
- No clear expiration date in listing agreements
- Improper listing agreements (e.g., missing terms or signatures)

### **7. Ethical and Fiduciary Violations**

- Bad faith, dishonesty, incompetence
- Failing to act in client’s best interest
- Steering clients unfairly or dishonestly

### **8. Commission and Compensation Violations**

- Accepting undisclosed payments or rebates
- Paying unlicensed persons for real estate activities
- Improper commission sharing

### **9. Criminal Conduct**

- Felony convictions involving dishonesty or fraud, including:

- Embezzlement
- Fraud
- Bribery
- Larceny
- Forgery
- Extortion
- 

### **10. Broker Supervision Failure**

- Broker failing to properly supervise salespersons

### **11. Exclusive Listing Violations**

- Interfering with another broker's exclusive listing
- Failing to make reasonable effort under exclusive agreements

### **12. Consumer Protection Violations**

- Steering or discrimination in housing transactions
- Violations of fair housing laws (Chapter 37 of Title 34)

### **13. Escrow Dispute Handling Violations**

- Improper release or **conversion** of escrow funds or **commingling**
- Failure to follow dispute resolution rules

### **14. Disclosure Violations**

- Failing to disclose agency relationships
- Failing to disclose intent to purchase own listed property

### **15. Employment and Reporting Violations**

- Failure to report employment changes within 10 days
- Failure to report termination or broker affiliation changes

## **16. Advertising and Marketing Violations**

- Fake private seller advertising
- Anonymous ads without proper identification
- Salesperson advertising under personal name improperly

## **17. Listing Agreement Violations**

- No written listing agreement
- No expiration date
- Net listing agreements (prohibited)
- Failure to clearly define exclusive listings

## **18. Escrow Release Violations**

- Not releasing escrow funds properly within required timelines
- Failure to follow DBR procedures for disputed funds

## **Probation**

Key Rule:

- Licensee may be placed on probation for up to 1 year instead of suspension/revocation

## **Administrative Penalties**

Fine Authority:

- Up to **\$2,000 per violation**

Applies To:

- Violations of the statute OR
- Violations of DBR regulations

## **Most Important Exam Takeaways**

- Director has broad disciplinary authority (investigate, suspend, revoke, or fine)
- Fraud, misrepresentation, and deceit are primary grounds for discipline

- Escrow violations are a major enforcement focus
- Brokers must supervise salespersons properly
- Written disclosure and contracts are mandatory
- Fair housing violations can result in discipline
- Criminal convictions involving dishonesty lead to revocation
- Administrative fines can reach \$2,000 per violation
- Probation can be used instead of immediate suspension/revocation

## **R.I. Gen. Laws § 5-20.5-15 — Hearings for License Denial, Suspension, or Revocation**

### **Key Concept**

This section establishes the **due process rights** of real estate license applicants and licensees before the state can deny, suspend, or revoke a license. It also outlines how hearings are conducted and enforced.

### **Notice and Right to a Hearing**

Before Any Action:

The Department must provide written notice of:

- Intended action (denial, suspension, or revocation)
- Specific grounds for the action

### **Licensee Response Rights:**

- Applicant or licensee has **20 days** to respond
- Must file a written answer with the Department

### **Hearing Scheduling:**

- Department sets a hearing date
- Must give at least **20 days' notice before the hearing**

## **Hearing Process**

### **Key Features:**

- Hearings are **open to the public**
- Conducted under Rhode Island Administrative Procedures Act
- Licensee may appear:
  - In person, OR
  - Through legal counsel

### **Decision Timeline:**

- Hearing officer must issue a decision within **60 days after final hearing**
- Written decision is sent to all parties

### **Court Interaction Rule:**

- If a related court case exists, the Department may pause its decision until court resolution

## **Broker vs. Salesperson Liability Rule**

### **Important Protection for Brokers:**

A broker is NOT automatically responsible for a salesperson's violations unless:

- The broker had knowledge of the misconduct

## **Subpoena Power**

### **Authority:**

The Department may issue subpoenas for:

- Witness testimony
- Records
- Documents

### **Enforcement:**

- Applies anywhere in Rhode Island
- Can be served by authorized individuals

## **Court Enforcement Power**

If Someone Refuses to Comply:

Courts can enforce:

- Testimony
- Document production
- Subpoena attendance

## **Enforcement Standard:**

Same as civil court procedures

## **Most Important Exam Takeaways**

- License denial, suspension, or revocation requires written notice and due process
- Licensee has 20 days to respond to charges
- Hearings require at least 20 days' notice
- Hearings are public and follow administrative law procedures
- Decision must be issued within 60 days after hearing
- Brokers are NOT liable for salesperson violations unless they had knowledge
- The Department has subpoena power for witnesses and records
- Courts enforce subpoenas if necessary

# **R.I. Gen. Laws § 5-20.5-16 — Appeals of DBR Decisions**

## **Key Concept**

This section explains how a licensee or applicant can appeal a final decision made by the Department of Business Regulation (DBR) and how that appeal process works in Rhode Island courts.

## **Right to Appeal**

Who Can Appeal:

- Any person **aggrieved (negatively affected)** by a DBR decision

## **What Can Be Appealed:**

- Denial of license
- Suspension or revocation
- Any adverse ruling, order, or decision

## **Where to Appeal**

Court Options:

- Superior Court of the county where the person resides, OR
- Court in the county where the hearing was held

## **Time Limit to Appeal**

Strict Deadline:

- Appeal must be filed within **30 days**
- Starts from the date notice of the DBR decision is served

## **Most Important Exam Takeaways**

- Any aggrieved party can appeal DBR decisions
- Appeals must be filed within **30 days**
- Appeals go to Superior Court

- DBR must provide full record within **15 days**
- Court reviews the administrative record (not a new trial)
- DBR decisions are NOT automatically stayed during appeal
- A \$1,000 bond is required to file an appeal

## **R.I. Gen. Laws § 5-20.5-17 — Penalties for Violations**

### **Key Concept**

This section establishes criminal penalties and financial consequences for practicing real estate without a license or violating licensing laws.

### **Unlicensed Activity Penalty**

Individual Offense (First Violation)

A person acting as a broker or salesperson without a license is guilty of a misdemeanor:

#### **Penalties:**

- Fine: **\$100 to \$500**
- Imprisonment: up to **1 year**
- OR both

### **Corporate Offense (First Violation)**

If a corporation commits the violation:

- Fine: **\$1,000 to \$2,000**

### **Repeat Offenses**

Second or Subsequent Offense (Individual):

- Fine: **\$500 to \$1,000**
- Imprisonment: up to **2 years**
- OR both

### **Second or Subsequent Offense (Corporation):**

- Fine: \$2,000 to \$5,000

### **Financial Penalty for Illegal Earnings**

#### **Key Rule:**

If someone earns money through a violation of real estate law, they are subject to additional penalties.

#### **Amount:**

- Minimum: amount actually received
- Maximum: **up to 3 times the amount received**

#### **How It Is Collected:**

- May be recovered in court
- Can be pursued by an aggrieved party

### **Most Important Exam Takeaways**

- Practicing real estate without a license is a **misdemeanor**
- First offense can include fines and up to 1 year in jail
- Repeat offenses carry higher fines and up to 2 years in jail
- Corporations face higher fines than individuals
- Illegal profits can be tripled as a civil penalty
- Courts can order repayment in addition to criminal penalties

## **R.I. Gen. Laws § 5-20.5-18 —**

### **Educational Programs and Department Support**

#### **Key Concept**

This section authorizes the Department of Business Regulation (DBR) to support education and training programs that improve professional standards in Rhode Island real estate.

## **DBR Authority in Education**

What DBR May Do:

The Department is authorized to:

- Conduct real estate training programs
- Hold educational clinics, meetings, courses, or institutes
- Assist in organizing these programs
- Cover reasonable and necessary expenses related to them

## **Who Can Participate:**

- All licensed real estate brokers
- All licensed real estate salespersons

## **Support for Educational Institutions**

DBR May Also:

- Work with Rhode Island educational institutions
- Help sponsor real estate studies and research programs
- Support educational initiatives related to real estate practice

## **Purpose of This Support:**

To improve:

- Professional standards in real estate
- Competency of licensees
- Public protection and service quality

## **Core Purpose of the Law**

This section is focused on:

- Continuing education beyond licensing requirements
- Raising industry professionalism
- Improving knowledge and ethical standards

- Supporting ongoing learning in real estate practice

### **Most Important Exam Takeaways**

- DBR can host or support real estate education programs
- Programs are open to all licensed brokers and salespersons
- DBR may partner with schools and institutions
- Purpose is to improve professional standards and competence
- This is part of Rhode Island's focus on continuing education and public protection

## **R.I. Gen. Laws § 5-20.5-19 —**

### **Real Estate Schools, Courses, and Regulation**

#### **Key Concept**

This section regulates who can offer real estate education in Rhode Island and ensures schools meet state standards to protect licensing integrity and exam quality.

## **Authority Over Real Estate Education**

Who Regulates:

- Division of Professional Regulation (DBR)

### **What They Control:**

DBR sets rules for:

- Establishing real estate schools
- Course content and curriculum
- Instruction standards
- Grading systems
- Overall program structure

## **Curriculum Review Authority:**

- DBR may review course curriculum at any time
- Council on Postsecondary Education may also review programs

## **Permit Requirement for Schools**

Who Must Get a Permit:

Any school, individual, or organization that:

- Offers real estate courses, OR
- Provides exam preparation for licensing exams

## **Important Exception (No Permit Required)**

Institutions Exempt:

- Accredited colleges and universities

### **Condition:**

- Must be accredited by a recognized accrediting body approved by the Council on Postsecondary Education

## **Key Purpose of This Law**

This section ensures:

- Real estate education is properly regulated
- Exam preparation is standardized
- Schools meet minimum quality requirements
- Only approved institutions can train license candidates

## **Most Important Exam Takeaways**

- DBR regulates all real estate schools and courses
- Schools offering licensing education **MUST** obtain a permit
- DBR can review curriculum at any time
- Schools can lose their permit for violations
- Accredited colleges and universities are exempt from permit requirements
- Goal is to ensure consistent, high-quality real estate education

# **R.I. Gen. Laws § 5-20.5-20 —**

## **Real Estate School Permits, Fees, and Violations**

### **Key Concept**

This section regulates real estate schools in Rhode Island, including permit requirements, fees, and penalties for operating without authorization or making improper claims.

### **Permit Requirement (Strict Rule)**

## Key Rule:

It is unlawful for any school to:

- Offer real estate courses, OR
- Conduct real estate instruction

WITHOUT first obtaining a permit from the Department of Business Regulation.

## **Prohibited Misrepresentations (Very Important)**

Even with a permit, a school CANNOT:

- Guarantee that students will pass the licensing exam
- Claim the permit is an endorsement or recommendation by the state

## **School License Fees**

Initial Application Fee Structure:

- \$250 first-year fee
- PLUS \$100 multiplied by remaining years of license term

## **Renewal Fee:**

- \$150 per year

## **Payment Rule:**

- All fees for the full term must be paid at the time of application

## **License Term Limit**

Key Rule:

- No school permit may exceed **3 years in duration**

## **Violations and Penalties**

Criminal Penalty:

Operating without a permit or violating regulations is a:

- **Misdemeanor offense**

## **Applies to:**

- Operating without a permit
- Operating during suspension or revocation

- Violating school regulations

### **Most Important Exam Takeaways**

- Real estate schools **MUST** have a DBR permit to operate
- Schools cannot guarantee exam success
- Schools cannot imply state endorsement
- Initial fees include \$250 + \$100 per remaining term year
- Renewal fee is \$150 per year
- School permits cannot exceed 3 years
- Operating without a permit is a misdemeanor
- Applies to operating during suspension or after revocation

## **R.I. Gen. Laws § 5-20.5-21 — Recovery of Commission or Fee**

### **Key Concept**

This section limits who can legally sue for and recover real estate commissions or fees in Rhode Island. It reinforces the requirement that real estate compensation is strictly tied to proper licensing.

### **Core Rule (Very Important)**

General Rule:

No person may file a lawsuit to recover a real estate commission, fee, or compensation if:

- The act performed required a real estate broker license, AND
- The person was **not licensed at the time the work was performed**

### **What This Means in Practice**

To Legally Collect a Commission:

A person must:

- Be properly licensed as a real estate broker at the time the service was performed

### **If Not Licensed:**

- They cannot use the courts to enforce payment
- Even if they performed the work and a deal closed, they have **no legal right to recover compensation**

### **Policy Purpose**

This rule is designed to:

- Prevent unlicensed real estate activity
- Protect consumers from unqualified individuals
- Enforce strict compliance with licensing laws
- Ensure commissions are only paid within a regulated system

### **Most Important Exam Takeaways**

- Only licensed brokers can sue for commissions
- Unlicensed individuals cannot enforce payment in court
- Licensing status must exist **at the time of the transaction**
- Courts will not assist in collecting illegal real estate fees
- This reinforces the “no license, no compensation” principle

## **R.I. Gen. Laws § 5-20.5-22 — Severability**

### **Key Concept**

This section ensures the rest of the real estate law remains valid and enforceable even if one part is found unconstitutional or legally invalid.

### **Core Rule**

If One Part Is Invalid:

- That specific provision is removed (“severed”) from the law
- The rest of the statute **remains fully in effect**

### **If a Provision Is Invalid for Certain Situations:**

- It does NOT invalidate the entire law

## **R.I. Gen. Laws § 5-20.5-25 —**

### **Errors and Omissions (E&O) Insurance Requirement**

### **Key Concept**

This section makes **errors and omissions (E&O) insurance mandatory** for all Rhode Island real estate licensees as a condition of maintaining an active license.

### **Core Rule (Mandatory Coverage)**

Who Must Carry Insurance:

- All licensed **real estate brokers**

- All licensed **real estate salespersons**

### **Requirement:**

- E&O insurance must be maintained **at all times** to keep a license active

### **What the Insurance Covers**

#### Coverage Scope:

- All business activities performed under a real estate license
- Protects against claims such as:
  - Negligence
  - Errors in transactions
  - Omissions in professional duties

### **How Insurance Is Obtained**

#### Key Rule:

- Licensees must obtain E&O insurance **independently**
  - Not automatically provided by the state

### **Minimum Standards:**

- Coverage must meet DBR-established requirements

### **DBR Authority Over Insurance Rules**

The Department of Business Regulation sets:

- Minimum coverage limits
- Permissible deductibles
- Approved exemptions (if any)
- Overall policy requirements

### **Proof of Insurance Requirement**

Filing Requirement:

- A certificate of E&O insurance must be submitted to DBR

**Deadline:**

- Must be filed by the **annual license renewal date**

**Most Important Exam Takeaways**

- E&O insurance is **mandatory for all licensees**
- Must be maintained as a condition of licensure
- Licensees must obtain coverage on their own
- DBR sets minimum standards and requirements
- Proof of insurance is required **every renewal cycle**
- No certificate = cannot maintain or renew license

## **R.I. Gen. Laws § 5-20.5-26 — Escrow Accounts and Handling of Client Funds**

**Key Concept**

This section strictly governs how real estate licensees must handle **client funds (escrow money)** to prevent commingling, fraud, or misuse. It is one of the most heavily enforced areas in real estate regulation.

**Core Rule: Escrow Account Requirement**

Who Must Maintain an Escrow Account:

- Every real estate firm
- Supervised by the licensed broker

- Salespersons and Associate brokers are prohibited from holding escrow funds

### **Where Funds Must Be Held:**

- Federally insured financial institution
- Located in Rhode Island
- Separate from broker's personal/business funds

### **Strict Prohibitions**

Licensees may NOT:

- **Commingle** client funds with personal funds. Broker permitted to maintain nominal amounts as required by a bank to maintain said account
- Use client money as their own **Conversion**
- Fail to properly maintain escrow records

### **Required Record keeping (3-Year Rule)**

Brokers must maintain records for at least **3 years**, including:

- Owner of funds
- Deposit date
- Withdrawal date
- Recipient of funds
- All relevant transaction details

### **Additional Requirement:**

- Monthly escrow account reconciliation/report required

- Broker is responsible for accuracy
- Account must designated/named “escrow”

### **Escrow Account Structure**

Permitted Options:

- One escrow account per office, OR
- One central escrow account for the entire firm

### **Use of Escrow Funds**

Permitted Use:

- Funds may be applied to commissions when earned

### **Disputed Funds Rule (VERY IMPORTANT)**

When Ownership Is Disputed:

- Funds must be sent to the **Rhode Island General Treasurer**
- Deadline: within **180 days of original deposit**

### **Purpose:**

- Funds held in trust until dispute is resolved by:
  - Mediation
  - Arbitration
  - Litigation
  - Mutual agreement

### **Extension:**

- Parties may agree in writing to extend the 180-day deadline (per DBR rules)

### **Approved Escrow Holders**

Escrow funds may be held by:

- Licensed real estate brokers, OR
- Attorneys, OR
- Other legally authorized escrow agents

### **Dual Role Restrictions**

If a Broker Has Multiple Roles (e.g., builder, contractor):

- All deposits must still go into the **real estate escrow account**
- Unless a written contract states otherwise

### **Release of Escrow Funds**

Required Timeline:

- Must release funds within **10 days**

### **Condition:**

- Must have written release signed by **ALL** parties in a failed transaction

### **DBR Authority**

The Department of Business Regulation may:

- Create rules for escrow accounts
- Regulate handling of disputed funds
- Enforce compliance standards

### **Seller Holding Buyer Deposit Permitted if;**

- The listing agreement so provides and the sellers designated client representative informs the buyer in writing that the seller does not have the duty to place the deposit monies in an escrow account
- If the buyer agrees the parties must sign an agreement that includes language that they forfeit the protections of monies placed in an escrow account.
- Security deposits do not require authorization for broker to release to landlord

## **Most Important Exam Takeaways**

- Escrow accounts must be separate from personal funds
- **No commingling of client money is ever allowed**
- Records must be kept for **3 years**
- Monthly escrow reporting is required
- Disputed funds go to the **State Treasurer within 180 days**
- Escrow misuse can result in criminal charges
- Funds must be released within **10 days** after written agreement
- Brokers are fully responsible for escrow compliance

## **R.I. Gen. Laws § 5-20.5-27 — License Required for Ownership**

### **Key Concept**

This section tightly controls who can **own or operate a real estate brokerage in Rhode Island**. It ensures that brokerage control stays in the hands of licensed professionals.

### **Core Rule (Strict Requirement)**

#### **Ownership Restriction:**

No person or entity may:

- Own a real estate brokerage firm, OR
- Participate in operating a brokerage firm

unless they hold a **valid Rhode Island real estate broker's license**

### **Who This Applies To**

This rule applies broadly to:

- Individuals
- Partnerships
- Corporations
- Any business entity with ownership interest in a brokerage

### **Practical Meaning**

What This Prevents:

- Unlicensed investors owning brokerages
- Passive ownership by non-brokers
- Outside control of real estate firms by unlicensed parties

### **What It Requires:**

- Only licensed brokers can have ownership control or operational authority

### **Exam-Level Rule Interpretation**

This is a **control-and-ownership statute**, meaning:

- Licensing is not just for practicing real estate
- It is also required for **owning or managing a brokerage business**

### **Most Important Exam Takeaways**

- Brokerage ownership requires a **valid broker's license**
- Applies to individuals, firms, and corporations
- Unlicensed ownership or control is prohibited

- Participation in brokerage operations requires licensure
- Reinforces professional accountability at the ownership level

## **R.I. Gen. Laws § 5-20.5-28 —**

### **Cease and Desist Orders for Unlicensed Activity**

#### **Key Concept**

This section gives the Department of Business Regulation (DBR) strong enforcement power to stop **unlicensed real estate activity immediately**, including issuing cease and desist orders and seeking court injunctions.

#### **Core Rule**

##### **When DBR Can Act:**

DBR may act if it believes a person or entity is:

- Practicing real estate without a license, OR
- Continuing to practice after a license is:
  - Denied
  - Suspended
  - Revoked

#### **Most Important Exam Takeaways**

- DBR can stop unlicensed activity through cease and desist orders
- Hearing must occur within **10–20 days**
- Certified mail or civil-style service is allowed
- DBR can issue immediate stop orders after hearing
- Courts can enforce compliance with injunctions
- Applies to:
  - Unlicensed practice

- Practice after suspension or revocation

## **Real Estate Sales Disclosures (Chapter 5-20.8)**

### **Key concept**

When selling a seller must complete a property disclosure noting any material deficient conditions with the property. This includes Structural, mechanical, environmental and governmental compliance.

### **I. Essential Definitions (§ 5-20.8-1)**

To understand the scope of the law, you must know these key terms:

- **Agent:** Any individual or entity acting for a seller or buyer, including listing/selling agents and their brokers.
- **Agreement to Transfer:** Any contract intended to transfer real estate from seller to buyer.
- **Closing:** The point when real estate is transferred and consideration (payment) is delivered.
- **Deficient Conditions:** Any known land restrictions, defects, malfunctions, or unsound conditions.
- **Real Estate:** Vacant land or buildings containing **one to four (1–4) dwelling units**.

### **II. Disclosure Requirements & Procedures (§ 5-20.8-2)**

#### **Timing and Delivery**

- **Deadline:** The seller must deliver the written disclosure **as soon as practicable**, but no later than **prior to signing** an agreement to transfer.
- **Recipient:** Must be delivered to the buyer and every agent involved in the deal.
- **Agent Responsibility:** An agent cannot communicate a buyer's offer until the buyer has received and signed a receipt for the disclosure.

#### **The Disclosure Form Content**

The form must state all deficient conditions of which the seller has **actual knowledge**. Key categories include:

- **Property History:** Year built and length of occupancy.
- **Structural & Systems:** Roof age/layers, basement seepage, sump pumps, chimneys, heating/cooling, and plumbing.
- **Environmental Hazards:** Radon presence, lead paint (for pre-1978 homes), and hazardous waste (asbestos).
- **Legal/Zoning:** Easements, encroachments, zoning classifications, building permits, and "Right to Farm" laws.

### Important Disclaimers

- **Not a Warranty:** The disclosure is not a guarantee that no other defects exist.
- **No Duty to Inspect:** Sellers are not legally required to hire professionals to find problems just for this form.
- **Buyer's Responsibility:** Buyers are advised to conduct their own inspections and not rely solely on the seller's report.

### III. Buyer's Right to Inspection (§ 5-20.8-4)

- **10-Day Period:** Every contract must allow the buyer **10 days** (excluding weekends and holidays) to conduct inspections before becoming obligated to purchase.
- **Waiver:** A buyer may waive this right, but it must be done in **writing**.
- **Voiding the Contract:** If the 10-day provision is missing from the contract, the buyer can void the agreement by providing written notice before closing.

### IV. Exemptions and Liabilities

#### Exempt Transfers (§ 5-20.8-3)

The disclosure rules do **not** apply to:

- Court-ordered transfers (probate, bankruptcy, eminent domain).
- Foreclosure sales.
- Transfers between co-owners or direct family members (lineal consanguinity).
- Transfers between spouses due to divorce.
- New, unoccupied dwellings sold by a builder/developer.

#### Liability Protections (§ 5-20.8-9)

- **Sellers/Agents:** Not liable for errors or omissions if they had no personal knowledge of the error, relied on expert reports, and exercised ordinary care.
- **Subsequent Acts:** If a disclosure becomes inaccurate later due to time or a new event, it is not a violation.

### **Penalties (§ 5-20.8-5)**

- Failure to provide the disclosure form results in a **\$100 civil penalty** per occurrence.
- **Note:** Failure to provide the form does *not* void the agreement or create a title defect.

## **V. Special Disclosure Categories**

### Psychologically Impacted Property (§ 5-20.8-6)

- **Non-Material Facts:** Sellers are **not** required to disclose if a property was the site of a homicide, suicide, or felony, or if a previous occupant had HIV/AIDS.
- **No Lawsuits:** No cause of action can be brought against a seller/agent for failing to disclose these "psychological" impacts.

## **Lead Paint, Wells, and Cesspools**

Category	Inspection Period	Right to Void Agreement
Lead Paint (Pre-1978)	10 Days	Yes, if hazard found or provision missing.
Private Wells	10 Days	Yes, if contaminants exceed limits or provision missing.
Cesspools	10 Days	Yes, if provision is missing or previous results withheld.

**VI. Expert Reports (§ 5-20.8-8)**

- **Compliance:** Providing a report from a licensed professional (engineer, home inspector, etc.) counts as fulfilling disclosure requirements for those specific items.
- **Conflict of Interest:** A home inspector or contractor providing a report for a sale cannot solicit to do the actual repair work until **after the closing**.

**Rhode Island Residential Landlord and Tenant Act  
(Chapter 34-18)**

**I. General Provisions and Definitions**

- **Scope of the Act:** Applies to, regulates, and determines rights, obligations, and remedies under a rental agreement for a dwelling unit located within Rhode Island.
- **Good Faith:** Every duty and act within this chapter imposes an obligation of good faith in its performance or enforcement.
- **Key Definitions:**

- **Dwelling Unit:** A structure or part of a structure used as a home, residence, or sleeping place.
- **Landlord:** The owner, lessor, or sublessor of the dwelling unit or the building it is part of.
- **Tenant:** A person entitled under a rental agreement to occupy a dwelling unit to the exclusion of others.
- **Ordinary Wear and Tear:** Deterioration of the premises which occurs without negligence, carelessness, or abuse of the premises by the tenant or guests.

## II. Rental Agreements and Disclosures

- **Terms and Conditions:** In the absence of an agreement, the tenant shall pay the fair rental value for the use and occupancy of the dwelling unit.
- **Prohibited Provisions:** Rental agreements may **not** require a tenant to waive rights/remedies under this act or authorize any person to confess judgment on a claim arising out of the agreement.
- **Security Deposits:**
  - A landlord may not demand a security deposit in an amount exceeding **one (1) month's rent**.
  - Upon termination, the deposit must be returned (less any accrued rent and damages) within **twenty (20) days** after the tenant delivers possession and a forwarding address.
- **Rent Increases**
  - For tenants 62 or under must be given a 60 notice of rent increase
  - Tenants over 62 must be given a 120 notice of rent increase
- **Termination of rental agreements**
  - A tenant who is 65 or older or will turn 65 during the term of the agreement may terminate the rental agreement in order to enter a residential care and assisted living facility and provide landlord documentation of admission.
  - A service member and dependents may terminate a rental agreement.
- **Evictions of Tenants:** If there is a material noncompliance by the tenant with the rental agreement the landlord must;
  - Notify the tenant of such breach
  - The acts, repairs or payment of damages to remedy the breach and;

- If the breach is not remedied within 20 days of notice the rental agreement will terminate
- Evictions must be filed with the courts, tenant has 20 days to answer
- **Just Cause for Eviction of Foreclosed Residential Properties:**
  - A foreclosing owner shall not evict a tenant except for just cause unless a binding purchase and sale agreement was signed with a third party.
  - Within 30 days of foreclosure tenants must post a notice on said property and notify each tenant by first class mail informing them of the names, address and telephone number of foreclosing owner and where where to send rent.
  - In order to remain on premises tenants shall submit an authorization for a credit and reference check of persons or persons submitting form.
- **Remedies for Abandonment:**
  - Landlord shall send by certified mail giving notice that unless a reply in received within 7 days landlord shall re-rent premises.
- **Payment of moving costs:**
  - Personal property removed by landlord by mandate of a court order the tenant shall pay the entire amount of the cost of moving the personal property and storage before the personal property can be released to tenant.
- **Required Disclosures:** Landlords must disclose in writing the name and address of the person authorized to manage the premises and the owner/agent authorized to receive service of process.
- **Application fees**
  - Landlords can NOT charge application fees
- **Self Help for Limited Repairs:** Tenants can make reasonable repairs if less than \$500 in compliance with local codes if;
  - Landlord fails to comply within 20 days
  - A tenant may not repair if the condition was caused by the deliberate or negligent act of the tenant or any other persons on the premisses with his or her consent.
- **Landlord failure to Deliver Possession:** Tenant may;

- Withhold rent until possession is provided
- Terminate the rental agreement
- Sue for possession
- **Wrongful Failure to Supply Heat, Water or Essential Services:**
  - Tenant may secure these services and deduct the cost from the rent
- **Tenants Remedies for Landlords Unlawful Ouster, Exclusion or Diminution of Service:**
  - Tenant can seek reasonable attorneys fees and recover up to 3 months of rent or threefold the actual damages sustained.
- **Landlord and Tenant Remedies for Abuse of Access**
  - If the tenant refuses to allow lawful access, the landlord may seek injunctive relief and compel access or termination the rental agreement.
  - If the landlord makes an unlawful entry in an unreasonable manner or makes unreasonable repeated demands the tenant may obtain injunctive relief or terminate the rental agreement.

- **Waiver of Landlords Right to terminate:**

Essentially, this law means that if a landlord accepts rent or ignores a rule violation while knowing about it, they **waive** (lose) their right to evict the tenant for that specific issue.

However, there are two important exceptions:

- The landlord can still evict if they provide a **written warning** within 10 days of the violation.
- Accepting **partial rent** does not mean the landlord has forgiven the remaining balance or lost their right to legal action.

### III. Landlord Obligations

- **Maintain Premises:** The landlord must comply with applicable building and housing codes affecting health and safety.
- **Repairs:** Must make all repairs and do whatever is necessary to put and keep the premises in a fit and habitable condition.
- **Essential Services:** Must keep all electrical, plumbing, sanitary, heating, and ventilating facilities in good and safe working order.
- **Water and Heat:** Must supply running water and reasonable amounts of hot water and heat (between October 1 and May 1), except where the dwelling unit is not required by law to be equipped for it.
- **Housing Code Violations:** Landlord must notify tenants of violations within 30 days unless within said 30 day period landlord corrects all violations. Landlords must also notify prospective tenants of said violations prior to entering into a rental agreement.
- **Compliance with Zoning and Minimum Housing Laws:** Rental units must be legal and all work performed was in compliance with all required permits. If not landlord will be responsible for paying tenant moving charges.

### IV. Tenant Obligations

- **Code Compliance:** Comply with all obligations imposed upon tenants by applicable provisions of building and housing codes.
- **Cleanliness:** Keep the occupied part of the premises as clean and safe as conditions permit.
- **Proper Use:** Use all electrical, plumbing, sanitary, and heating facilities in a reasonable manner.
- **Conduct:** Must not deliberately or negligently destroy or damage any part of the premises, and must ensure guests conduct themselves in a manner that does not disturb neighbors' peaceful enjoyment.

- **Access:** A tenant shall not unreasonably withhold consent to the landlord to enter the unit to inspect, make necessary repairs, or show the unit to prospective purchasers or tenants.
  - **Notice:** Except in emergencies, the landlord must give at least **two (2) days' notice** and enter only at reasonable times.

## **V. Remedies and Termination**

- **Noncompliance by Landlord:** If there is a material noncompliance with the rental agreement or health and safety codes, the tenant may deliver a written notice specifying the breach.
  - If the breach is not remedied within **twenty (20) days** of notice, the rental agreement terminates on a date not less than thirty (30) days after receipt of notice.
- **Nonpayment of Rent:** If rent is unpaid for **fifteen (15) days** after it is due, the landlord may send a written notice. If payment isn't received within five (5) days of the notice mailing, the landlord may commence an eviction action.
- **Periodic Tenancy Termination:**
  - **Week-to-week:** Written notice at least **ten (10) days** before the termination date.
  - **Month-to-month:** Written notice at least **thirty (30) days** before the termination date.
  - **Year-to-year:** Written notice at least **three (3) months** before the expiration of the year.

## **VI. Prohibited Retaliation**

- **Protected Tenant Actions:** A landlord may not retaliate by increasing rent, decreasing services, or bringing an eviction action because a tenant complained to a government agency or joined a tenant's union.
- **Presumption of Retaliation:** If the landlord acts within **six (6) months** after the tenant's complaint or protected action, there is a rebuttable presumption that the landlord's conduct was retaliatory.

# Rhode Island Fair Housing Practices Act

## Protected Classes

It is unlawful to discriminate in housing based on an individual's membership in any of the following categories:

- **Race or Color.**
- **Religion.**
- **Sex, Sexual Orientation, and Gender Identity or Expression.**
- **Age** (defined as anyone over 18).
- **Marital Status.**
- **Disability** (including the right to reasonable modifications and accommodations).
- **Familial Status** (the presence of children under 18 or pregnancy).
- **Military/Veteran Status** (including honorable or general administrative discharges).
- **Country of Ancestral Origin.**
- **Source of Income.** (Section 8, Social Security ect.)
- **Housing Status** (having or not having a fixed residence, including homelessness).
- **Victim of Domestic Abuse** (including those seeking or having obtained restraining orders).

## Federally Protected Classes

The 7 Federal Fair Housing Laws fully apply to Rhode Island law.

- Race
- Color
- Religion
- National Origin
- Sex
- Familial Status

- Disability

## **Prohibited Activities**

The Act forbids owners, real estate agents, and financial institutions from engaging in discriminatory practices, such as:

- **Inquiry and Refusal:** Making oral or written inquiries about protected characteristics or refusing to sell, rent, or lease based on those characteristics.
- **Advertising:** Issuing advertisements that indicate a preference or limitation based on protected status.
- **Financial Discrimination:** Discriminating in the terms, conditions, or granting of loans or financial assistance for housing.
- **Brokerage Services:** Denying access to or membership in real estate listing services or organizations.
- **Steering and Blockbusting:** Inducing someone to sell or rent by making representations about the entry of certain groups into a neighborhood.
- **Interference:** Coercing, intimidating, or threatening individuals for exercising their fair housing rights.

## **Exemptions**

Some specific exceptions to the Act include:

- **Owner-Occupied Small Dwellings:** Owners living in a building with two units are exempt from familial status rules. Those in buildings with three units or less may be exempt from certain sexual orientation or gender identity rules.
- **Senior Housing:** Housing intended for and occupied solely by persons 62+ or where 80% of units have at least one person 55+.
- **Religious Organizations:** Non-commercial housing operated by religious groups for their members, provided membership is not restricted by race, color, or national origin.

- **Private Clubs:** Non-commercial lodgings limited to club members.

## **Enforcement**

The **Rhode Island Commission for Human Rights** is empowered to investigate and eliminate unlawful housing practices.

- **Complaints:** Must be filed within **one year** of the alleged discriminatory act.
- **Process:** The commission uses informal methods like conciliation first but can issue formal complaints and hold hearings.
- **Penalties:** Can include cease-and-desist orders, damages, attorney's fees, and civil penalties ranging from **\$10,000 to \$50,000**.
- **Right to Sue:** Complainants may request a "right to sue" in superior court if the commission has not commenced a hearing within 120 days to 2 years of filing.

\*Rhode Island law requires all licensees to complete an approved 3 hour Fair Housing Class for each license renewal period

# **Rhode Island Lead Hazard Mitigation Act**

## **(Chapter 42-128.1)**

### **I. Legislative Intent and Findings**

- **Purpose:** The Act was created to address the widespread presence of lead hazards in Rhode Island's older rental housing stock.
- **Impact on Children:** Children in older urban communities have been disproportionately affected by lead poisoning.

- **Goal:** To establish a system of lead hazard mitigation that is effective, affordable, and sustainable for property owners and tenants.

## II. Key Definitions

At risk occupant means a person under 6 years of age, a pregnant woman

- **Lead Hazard Mitigation:** Proactive activities to prevent lead poisoning, including specialized cleaning, lead-safe work practices, and tenant education.
- **Lead Hazard Abatement:** A more comprehensive process intended to permanently eliminate lead hazards.
- **Certificate of Conformance:** An official document issued by a lead inspector certifying that a property has met lead hazard mitigation standards.
- **Lead-Safe Housing:** A dwelling unit that has been certified to be free of lead hazards.
- **Presumptive Compliance:** Owners of 10 units or more required to inspect 5% of units to determine if lead exists in the overall property
- **Lead Hazard Inspector:** A person approved by the Department of Health. Can not inspect properties they have a financial interest in and disclose an interest in the lab performing analyses

## III. Property Owner Responsibilities

- **Maintenance:** Owners of rental properties built before 1978 must maintain their properties in a "lead-safe" condition.
- **Proactive Mitigation:** Owners are required to perform "standard of care" activities, including:
  - Ensuring interior and exterior surfaces are free of peeling or chipping paint.
  - Correcting conditions that cause paint deterioration, such as water leaks.

- Using lead-safe work practices during all repair or renovation work.
- Required Inspections: Owners must have their units inspected by a licensed lead inspector to obtain a Certificate of Conformance.
- Tenant Education: Owners must provide tenants with information about lead hazards and the owner's lead-safe maintenance plan.

#### **IV. Exemptions from the Act**

Certain properties and situations are exempt from the Lead Hazard Mitigation Act:

- **Newer Housing:** Properties built after 1978.
- **Certified Lead-Free:** Units that have been certified as "lead-free" or "lead-safe" by a permanent abatement method.
- **Temporary Housing:** Short-term rentals (typically less than 100 days) where the same tenant does not stay for an extended period.
- **Elderly Housing:** Housing specifically designated for seniors where no children under age six reside.

#### **V. Enforcement and Liability**

- **Non-Compliance Penalties:** Failure to comply with the Act can result in civil penalties, including fines and the inability to evict tenants for non-payment of rent if the unit is not lead-safe.
- **Liability Protection:** Owners who stay in compliance with the "standard of care" and maintain a valid Certificate of Conformance receive certain legal protections against lead-poisoning lawsuits.
- **Historic Properties:** The Housing Resources Commission provides technical and financial assistance specifically for owners of historic properties to help them comply affordably.

#### **VI. Administrative Oversight**

- **Housing Resources Commission (HRC):** The primary state agency responsible for implementing and overseeing lead hazard mitigation programs.
- **Department of Health:** Coordinates with the HRC to set safety standards and manage the licensing of lead inspectors.
- **RI Housing and Mortgage Finance Corporation:** Authorized to cooperate with the HRC to provide financial resources and assistance to property owners for lead mitigation work.

# Rhode Island Fire Safety Code

## (Chapter 23-28.1).

### 1. Core Framework & Legal Authority

- **The Foundation:** Rhode Island fire law is governed by **R.I.G.L. Chapters 23-28**, known collectively as the State Fire Safety Code.
- **The Regulatory Bodies:**
  - **Fire Safety Code Board of Appeal and Review (FSCBAR):** Promulgates rules, amends codes, and hears variances.
  - **Office of the State Fire Marshal (OSFM):** Enforces the codes across the state.
  - **Authority Having Jurisdiction (AHJ):** The local fire chief or fire prevention bureau. In Rhode Island real estate transactions, **the local AHJ must perform the inspection.**
- **National Standards Adopted:** RI incorporates and amends the National Fire Protection Association codes, specifically **NFPA 1** (Fire Code) and **NFPA 101** (Life Safety Code).

### 2. Real Estate Transfer Requirements (The Transaction Rules)

The state exam heavily tests the direct responsibilities of the buyer, seller, and licensee during a property transfer.


- **The Seller's Responsibility:** The seller is legally and financially responsible for obtaining a **Certificate of Compliance** for smoke and carbon monoxide (CO) alarms from the local fire department before the title is transferred.
- **Inspection Cost:** The standard inspection fee is **\$30.00** (borne by the seller).
- **Validity Window:** A residential Certificate of Compliance is valid for exactly **120 days** from the date of the inspection. If a closing is delayed past 120 days, the property must be re-inspected.

- **Exemptions:** Dwellings without fuel-burning appliances or attached/integrated garages are completely exempt from *carbon monoxide* alarm requirements (but still require smoke alarms).

### 3. Residential Property Classifications

The code regulates buildings based on occupancy classification. Real estate agents must know these precise cutoffs:

Classification	Definition / Threshold
<b>One- &amp; Two-Family Dwellings</b>	Single-family homes or duplexes. Governed by NFPA 101, Chapter 24.
<b>Three-Family Apartment Buildings</b>	Exactly 3 units. Under Chapter 25, these have specific common-area rules.
<b>Apartment Buildings (4 to 7 Units)</b>	Requires a <b>local (non-municipal) fire alarm system</b> with pull stations and horn/strobes.
<b>Apartment Buildings (8+ Units)</b>	Requires a <b>municipally connected fire alarm system</b> tied directly to the town/city dispatch.

 : RI code defines a "single-family" dwelling unit as being occupied by members of a single family with **no more than 3 outsiders**. Renting to 4 or more unrelated individuals legally reclassifies the home as a *Lodging or Rooming House*, triggering strict commercial-grade fire code requirements!

### 4. Smoke & CO Alarm Age Tiers (One- & Two-Family)

For 1- and 2-family homes, required equipment is based strictly on the **year the building was constructed** or underwent major rehabilitation. You must memorize these tiers for the exam:

#### 1976 or Prior

- **Smoke Alarms:** Allowed to be **battery-operated** and **not interconnected**. Must be on every level (including basements) and outside sleeping areas.

- **CO Alarms:** Allowed to be battery-operated and not interconnected. Must be outside sleeping areas.
- **Units:** Combination smoke/CO battery units are permitted.

### **January 1, 1977 – December 31, 2001**

- **Smoke Alarms:** Must be **hard-wired** with a battery backup and **interconnected** (if one goes off, all go off). Located on every level and outside sleeping areas.
- **CO Alarms:** Allowed to be battery-operated and not interconnected.

### **January 1, 2002 – February 19, 2004**

- **Smoke & CO Alarms:** Both must be **hard-wired** with battery backup and **interconnected**.

### **February 20, 2004 – December 31, 2012**

- **Smoke Alarms:** Expanded placement. Must be **inside each bedroom**, outside sleeping areas, and on every level. Hard-wired and interconnected.
- **CO Alarms:** Must be outside sleeping areas and on every level (including basements). Hard-wired and interconnected.
- **Garages:** A **heat detector** is required if the home has an attached garage.

### **January 1, 2013 – Present**

- **Smoke Alarms:** Must be inside all bedrooms, outside sleeping areas, and on every level. Hard-wired and interconnected.
- **CO Alarms:** Outside sleeping areas and on every level. Hard-wired and interconnected.

- **Alternative Option:** Modern code allows the use of 10-year sealed battery units *with wireless interconnection* as an alternative to hard-wiring in specific retrofits, provided they are approved by the AHJ.

## 5. Device Lifespans and Placement Guidelines

- **Useful Life of Alarms:**
  - **Smoke Alarms:** Must be replaced **10 years** from the date of manufacture.
  - **Carbon Monoxide / Combination Alarms:** Typically must be replaced **7 to 10 years** from the date of manufacture (per current State Fire Marshal guidelines, dependently verified by the manufacturer label).
  - *No Date?* If an alarm lacks a manufacturing date stamp on the back, the inspector will fail it automatically.
- **Physical Placement Restrictions:**
  - **Wall Mounts:** Must be at least **4 inches** below the ceiling, but no more than **12 inches** down.
  - **Prohibited in Kitchens:** Smoke alarms cannot be placed inside a kitchen to prevent nuisance alarms from cooking. They must be placed outside the kitchen (e.g., hallway, living room) but **within 21 feet** of bedroom doors.
  - **Dead Air Spaces:** Cannot be within **3 feet** of a bathroom door containing a tub or shower, or within 3 feet of heating/cooling registers and ceiling fans.

## 6. Three-Family Dwelling Specifics

Three-family homes are a massive segment of the RI multi-family market and have their own distinct exam rules:

- **Stairwells & Common Areas:** Smoke alarms must be located on **each floor landing of common stairways**, in common corridors, and common basements.

- **Interconnection Separation:** Common area alarms and individual apartment dwelling unit alarms **must not be interconnected with each other**. If Unit 1 burns a piece of toast, it should not trigger the alarms in Unit 2 or the common stairwell.
- **CO Requirements:** CO alarms are required on every level and outside sleeping areas *only if* the building contains fuel-burning appliances, central heating, a fireplace, or an attached/integral garage.

## 7. Landlord-Tenant Fire Safety Laws

- **Maintenance:** Once a tenant moves in, the landlord is responsible for keeping the systems operable. However, if an alarm fails, the tenant must notify the landlord.
- **Tenant Right to Repair:** Under RI law, if a landlord fails to replace or fix an inoperable required fire alarm after notice, the tenant can repair/replace it at a cost **not to exceed \$50.00** and deduct that exact amount from their rent.

## Quick Exam Checklist for Licensees

1. **Is it a plug-in?** Plug-in carbon monoxide detectors that block an outlet are **not allowed** for real estate transfers. They must be base-mounted/hardwired or surface-mounted battery units.
2. **Vested Variances:** If a property owner applies for and receives a formal variance from the FSCBAR, that variance is "vested" in the property and transfers to the new buyer **as long as the occupancy classification does not change**.
3. **The "Rehab" Code:** Existing buildings undergoing historic rehabilitation or major renovations are governed by **SRC-1** (The Rhode Island Rehabilitation Code), which allows flexibility instead of forcing old historic properties to meet impossible modern structural rules.

## **Agricultural Functions of the Department of Environmental Management (DEM),**

### **I. Freshwater Wetlands Protection (§ 2-1-18 – 2-1-21)**

The Rhode Island General Assembly recognizes that freshwater wetlands (swamps, marshes, bogs, etc.) are vital for flood control, wildlife habitat, and water purity.

- **Definition of Wetlands:** Includes, but is not limited to, marshes, swamps, bogs, ponds, rivers, river and stream floodplains and banks, areas subject to flooding or storm surges, and emergent/forested wetlands.
- **Buffer and Floodplain Protections:** The law protects not just the water itself, but also the surrounding land:
  - **Buffer Zone:** An area of undeveloped vegetated land adjacent to a freshwater wetland that is to be retained in its natural undisturbed condition.
  - **Floodplain:** The land area adjacent to a river or stream which is likely to be covered with flood waters.
- **The "Director's" Authority:** The Director of the DEM is charged with the protection of these areas. No person may excavate, drain, fill, or divert water into or out of a wetland without a permit from the DEM.

## II. Permitting and Enforcement (§ 2-1-22)

- **Approval Required:** Any project that may alter the character of a freshwater wetland requires a permit.
- **Application Process:**
  - Municipalities and the public must have access to information regarding wetland permit applications.
  - Procedures are designed to allow for municipal input without causing undue delay in the decision-making process.
- **Violations:** If the DEM finds an illegal alteration, they may order the landowner to restore the area to its original state. Failure to comply can result in administrative or civil penalties.

## III. The "Right to Farm" Act (§ 2-1-22.1)

This section is crucial for real estate transactions involving or near agricultural land.

- **Purpose:** To protect farming operations from being declared a "nuisance" as urban/suburban sprawl moves into rural areas.

- **Protection:** No agricultural operation (conducted according to acceptable farming practices) shall be found to be a public or private nuisance due to changed conditions in the surrounding locality (e.g., a new housing development being built next to a pre-existing farm).
- **Scope:** Includes the use of noise, odors, dust, or chemicals, provided they are part of "standard" agricultural practice.

#### **IV. Interaction with Local Zoning (§ 2-1-28)**

- **Consistency:** While the DEM sets state standards for wetlands, local municipalities still maintain zoning authority.
- **Strictness:** Generally, state law regarding freshwater wetlands provides the baseline; however, local ordinances cannot conflict with the state's intent to protect these resources while also respecting agricultural rights.

## **The Rhode Island Cesspool Act of 2007 (Chapter 23-19.15).**

This act is a critical environmental initiative aimed at protecting the state's groundwater and surface water from the nitrogen and bacteria found in untreated wastewater.

#### **I. Purpose and Legislative Findings (§ 23-19.15-2)**

- **The Problem:** Cesspools are considered substandard systems because they lack a septic tank and a leaching field; they simply discharge raw sewage directly into the ground.
- **Environmental Threat:** As of 2013, over 25,000 cesspools existed in RI. They are significant contributors to the pollution of coastal ponds and public drinking water reservoirs.
- **Objective:** To phase out the use of cesspools and replace them with Onsite Wastewater Treatment Systems (OWTS) or connect them to public sewers.

#### **II. Key Definitions (§ 23-19.15-5)**

- **Cesspool:** Any buried chamber (including perforated concrete, brick, or stone) that receives sewage and allows it to leach into the surrounding soil.
- **Failed Cesspool:** Any system that:
  1. Overflows onto the surface of the ground.

2. Backs up into the plumbing fixtures.
  3. Has been pumped more than twice in six months.
  4. Interferes with the use of plumbing fixtures. (Slow draining)
- **OWTS:** An Onsite Wastewater Treatment System (commonly known as a "septic system").

### **III. Mandatory Phase-Out Deadlines (§ 23-19.15-6)**

The law identifies three high-priority scenarios where cesspools **must** be replaced:

1. **Failed Cesspools:** Must be replaced within **one (1) year** of failure.
2. **Property Transfer (The "Point of Sale" Rule):** Any property served by a cesspool that is sold or transferred must have the cesspool replaced by the new owner within **one (1) year of the date of sale**.
3. **Proximity to Sensitive Areas:** Cesspools located within **200 feet** of the following must be replaced (regardless of whether they are "failed" or if the property is being sold):
  - The inland edge of a coastal shoreline feature (e.g., salt ponds).
  - A public drinking water supply well.
  - A surface water drinking water supply intake.

### **IV. Inspection Requirements (§ 23-19.15-7)**

- **Qualified Inspectors:** Only licensed RI DEM inspectors or registered professional engineers may perform official cesspool inspections.
- **Disclosure:** As noted in the Sales Disclosure section, sellers must allow buyers a **10-day period** to conduct an inspection to determine if a cesspool exists on the property.

### **V. Exemptions and Extensions (§ 23-19.15-8)**

- **Sewage Connections:** If a public sewer line is scheduled to be installed in the area within **two (2) years**, a property owner may apply for an exemption from installing a new OWTS, provided they agree to hook up to the sewer immediately upon its arrival.

- **Financial Hardship:** The DEM may grant an extension for replacement if the owner can prove a documented financial hardship.

## **VI. Enforcement and Penalties (§ 23-19.15-12)**

- **Non-compliance:** Homeowners who fail to replace a cesspool within the mandatory timeframe are subject to administrative penalties and fines.
- **Lien on Property:** Unpaid fines or costs associated with state-mandated repairs may result in a lien being placed against the property title.

# **Rules Establishing Minimum Standards for Onsite Wastewater Treatment Systems (OWTS).**

While the Cesspool Act focused on phasing out old systems, this document details the technical and legal requirements for modern septic systems in Rhode Island.

## **I. Purpose and Authority (Sections 6.1 – 6.5)**

- **Primary Goal:** To protect public health and the environment by regulating the location, design, construction, and maintenance of OWTSs.
- **Legal Authority:** Promulgated under multiple RI General Laws, including the **Cesspool Act of 2007** and the **Administrative Procedures Act**.
- **Applicability:** These rules apply to any discharge of wastewater to an OWTS. "Wastewater" includes "blackwater" (toilet waste) and "greywater" (showers, sinks, laundry).

## **II. System Components and Design**

- **Definition of OWTS:** Any system of piping, tanks, or treatment units designed to help settle, treat, and disperse wastewater into the soil.
- **The Septic Tank:** The first stage of treatment. It must be watertight and designed to allow solids to settle as "sludge" while oils and grease float as "scum."
- **Leach Field (Dispersal Area):** The area where clarified effluent from the tank is distributed into the ground for final biological treatment by the soil.

## **III. Site Suitability and Testing**

Before a system can be designed or installed, the land must be proven capable of handling the waste.

- **Percolation (Perc) Test:** Measures how quickly water drains through the soil. This determines the size and type of leach field required.
- **Water Table Elevation:** Systems must maintain a minimum vertical separation distance (typically **2 to 4 feet**) between the bottom of the leach field and the "seasonal high-water table" to prevent groundwater contamination.
- **Site Evaluation:** A licensed designer must evaluate soil profile, slope, and proximity to sensitive features (wells, wetlands).

#### **IV. Separation Distances (Setbacks)**

To protect water quality, OWTS components must be located specific distances away from other features. Common "setbacks" include:

- **Private Wells:** Typically **75 to 100 feet**.
- **Public Wells:** Much larger distances required, often based on the well's pumping capacity.
- **Property Lines:** Usually **5 to 10 feet**.
- **Dwellings (Foundations):** Usually **10 to 15 feet**.
- **Freshwater Wetlands:** Setbacks vary based on the type of wetland and the "critical resource" status of the area.

#### **V. Critical Resource Areas (CRAs)**

Rhode Island identifies specific regions that require higher levels of protection and "Alternative" treatment technologies (systems that remove more nitrogen).

- **Key Areas:**
  - **South Shore Salt Ponds** (Green Hill, Ninigret, etc.).
  - **Narrow River.**
  - **Drinking Water Supply Watersheds** (e.g., Scituate Reservoir).
- **Requirement:** Systems in these areas often must include "Nitrogen Reducing" technology to prevent algae blooms and water degradation.

#### **VI. Maintenance and Inspections**

- **Pumping:** Residents are generally encouraged to pump their septic tanks every **3 to 5 years** to prevent solids from clogging the leach field.

- **Inspections at Transfer:** As noted in previous sections, a buyer has a **10-day right** to have the OWTS inspected.
- **Permit Duration:** Once an OWTS construction permit is issued, it is typically valid for **three (3) years**. If construction hasn't started, the owner may apply for a renewal.

## **VII. Licensing and Responsibility**

- **Designers:** Only DEM-licensed Class I, II, or III designers (or Professional Engineers) can submit plans for a new OWTS.
- **Installers:** Only DEM-licensed installers can physically build the system.
- **Owner Responsibility:** The property owner is ultimately responsible for the proper operation and maintenance of the system. Failure to maintain a system that results in a "surface breakout" of sewage is a violation of state law.

## **Withholding Tax on the Sale of Real Property by Nonresidents (280-RICR-20-10-1).**

Collects income tax from individuals/entities who sell property in the state but do not live there.

### **I. Purpose and Authority**

- **The Goal:** To implement **R.I. Gen. Laws § 44-30-71.3**, which requires a portion of the sale proceeds to be "withheld" at the time of closing to cover potential income taxes owed by nonresidents.
- **Enforcement:** This is managed by the **Rhode Island Division of Taxation**.

### **II. Who is a "Nonresident"?**

- **Individuals:** Anyone who does not meet the RI residency requirements at the time of the sale.
- **Corporations:** A corporation not incorporated in RI and not authorized to do business here.
- **Partnerships/LLCs:** Where the partners or members are nonresidents.
- **Estate/Trusts:** Where the beneficiaries or fiduciaries are nonresidents.
- **Note on Residency Affidavits:** A buyer may rely on a seller's **Residency Affidavit** (signed under penalty of perjury) to determine if withholding is necessary.

### **III. Withholding Rates and Requirements**

When a nonresident sells RI real estate, the buyer (or more specifically, the "withholding agent," usually the closing attorney) must withhold the following percentages of the **Total Purchase Price**:

<b>Seller Type</b>	<b>Withholding Rate</b>
<b>Nonresident Individuals</b>	<b>6%</b>
<b>Nonresident Corporations</b>	<b>7%</b>
<b>Nonresident LLCs/ Partnerships</b>	<b>7% (Unless taxed as individuals)</b>

### **IV. The Withholding Process**

1. **Withholding Agent:** The person responsible for the closing (buyer, title company, or attorney) must withhold the funds.
2. **Payment and Filing:** The withheld funds must be paid to the Division of Taxation within **three (3) business days** of the closing.
3. **Remittance Form:** Use **Form RI-71.3** to report the sale and submit the payment.
4. **Certificate of Receipt:** Once paid, the Division issues a certificate to the seller, which the seller then uses when filing their year-end RI tax return to claim credit for the tax already paid.

## V. Exemptions and Variations

A seller may be exempt from withholding, or have the amount reduced, in the following scenarios:

- **Principal Residence:** If the seller is a nonresident but the property was their principal residence (under federal IRC Section 121), they may be exempt.
- **No Gain on Sale:** If the seller can prove they are selling the property at a loss or with no taxable gain, they can apply for a **Certificate of Net Gain** (Form RI-71.3 Election) *prior* to the closing to reduce or eliminate the withholding.
- **Foreclosure:** Sales resulting from a foreclosure or deed in lieu of foreclosure are generally exempt.
- **Letter of Good Standing:** For nonresident corporations/LLCs, providing a Letter of Good Standing from the Division of Taxation may impact withholding requirements.

## VI. Consequences of Non-Compliance

- **Buyer Liability:** If the buyer fails to withhold the required funds from a nonresident seller, **the buyer becomes personally liable** for the tax.
- **Penalties and Interest:** Late payments are subject to standard RI tax penalties and interest charges.

## Rhode Island Condominium Act (Chapter 34-36.1).

This legislation governs the creation, management, and sale of condominiums in the state, providing significant protections for buyers and defining the authority of unit owners' associations.

## I. Applicability and Creation

- **The Act:** Applies to all condominiums created in RI after **July 1, 1982**. Older condos can voluntarily opt-in.
- **Creation:** A condominium is created by recording a **Declaration** in the land evidence records of the municipality where the property is located.
- **Unit vs. Common Elements:** \* **Unit:** The physical portion of the condo designated for **separate** ownership.
  - **Common Elements:** All portions of the condo other than the units (e.g., hallways, land, pools).
  - **Limited Common Elements:** Common elements reserved for the exclusive use of one or more (but fewer than all) units (e.g., balconies, assigned parking).

## II. The Unit Owners' Association

- **Authority:** The association is responsible for the operation and management of the condominium. It is usually governed by an elected **Executive Board**.
- **Powers:** The association can:
  - Adopt and amend bylaws and rules.
  - Adopt and amend budgets and **collect assessments (condo fees)**.
  - Hire and fire managing agents.
  - Regulate the use, maintenance, and modification of common elements.

## III. Protection of Purchasers

This is a high-yield area for exams, as it involves specific timelines and mandatory documents.

### The Public Offering Statement (POS)

- **Requirement:** A declarant (developer) must provide a POS to a purchaser before a contract is signed.
- **Right to Cancel:** A purchaser has **ten (10) days** after receiving the POS to cancel the contract without penalty.

### **Resale Certificates (§ 34-36.1-4.09)**

When a unit is resold by an owner other than the developer, the seller must provide the buyer with a **Resale Certificate** prepared by the association. It must include:

- A statement of the current **monthly common expense assessment**.
- Any **unpaid assessments** or fees currently due from the unit.
- The amount of any surplus fund or reserves for capital expenditures.
- Any pending lawsuits against the association.
- **Buyer's Right:** The buyer can void the contract until they receive the certificate and for **five (5) days** thereafter.

### **Escrow of Deposits (§ 34-36.1-4.10)**

- Any deposit made toward a purchase must be placed in an **escrow account** (held by an attorney, broker, or title company) until closing or a default. It cannot be used by the developer for construction.

## **IV. Assessments and Liens**

- **Priority Lien:** The association has a lien on a unit for any assessment levied against that unit.
- **"Super-priority":** In Rhode Island, the association's lien is "prior" to all other liens and encumbrances except for government taxes and the first mortgage (to a specific extent).
- **Liability:** A purchaser is not liable for any unpaid assessments greater than the amount set forth in the Resale Certificate.

## **V. Insurance**

The association must maintain (to the extent reasonably available):

- **Property Insurance:** For the common elements (and often the units), typically for at least 80% of the actual cash value.

- **Liability Insurance:** Covering all occurrences commonly insured against for death, bodily injury, and property damage.

## End Law Supplement

Please visit the student resource page located in the footer of the schools website for more information about Rhode Island real estate law.