

# New Colorado Real Estate Sunset Bill Rules

## Colorado Broker Podcast

Welcome to our discussion. Today, our mission is to really distill the facts from multiple sources regarding the newly passed Sunset Division of Real Estate Bill in Colorado. That's HB 26-12-87.

Right. The Sunset Bill. It's a massive piece of legislation, honestly.

It really is. And right off the bat, I want to establish some key dates for you listening, because the timeline is pretty tight. The governor signed this bill on June 4th, 2026.

Yep. Early June. Exactly.

And it officially takes effect on August 12th, 2026. So the window to get your operations up to speed is, well, it's narrow. Very narrow.

And I think it's important to mention, as we look at this framework, that we are strictly looking at the facts of how these changes impact Colorado real estate brokers. Right. Totally neutral.

Exactly. We are remaining completely neutral on whether the changes are good or bad. In regulatory overhauls of this size, you always have advocates saying it didn't go far enough, and veterans saying it went too far.

Oh, absolutely. But the true impact on the market is just something we'll observe and evaluate during the next Sunset Review. For now, it's just about the operational reality.

I love that. Okay, let's unpack this. Fundamentally, what does this legislation actually do to the landscape? Well, at the absolute baseline, this bill continues the existence of the Division of Real Estate, the DRE, and the Real Estate Commission for another 11 years.

Wow, 11 years. So, until 2037. Right, to 2037.

Without this, the whole framework would have basically vanished. But they didn't just rubber stamp it. They completely rewrote where the commission's jurisdiction begins and ends.

And reading through the sources, the most heavily debated part of that was the financial penalty stuff, right? Oh, the restitution debate. It was a massive focal point in the hearings. Yeah, let's talk about that.

Because initially, there was this major proposal to allow the commission to directly order restitution. Yes, meaning if a broker violated rules and a consumer lost money, the commission could force the broker to pay back those financial losses directly. But then, and this is the crazy part to me, an amendment completely struck this from the final bill.

Entirely removed, yeah. So, the commission will not have the power to order restitution. I mean, it kind of reminds me of a referee in a sports game.

Okay, how so? Well, it's like asking the referee to not only call a foul on the field, but then personally extract a penalty fine from the player's wallet and hand it to the other team. That is a really great analogy, actually. Why was keeping those powers separate such a big deal for the industry? Because of the legal mechanics.

A regulatory commission is an administrative body. It's not a court of law. So, while the commission oversees licensing and professional rules... Right, they can take your license away.

Exactly. They can suspend you. They can revoke your license.

They can levy regulatory fines. But actual financial restitution, like forcing someone to pay exact monetary damages, that remains a matter for the civil courts. So, they kept the boundaries strict.

The DRE handles the license. The courts handle the cash. Precisely.

They recognize they couldn't turn the DRE into a civil court. Okay, that makes sense. And speaking of money, the bill also clarifies exactly which daily funds the DRE regulates, which is a huge deal for brokers.

Oh, the trust account rules. Yes. This is probably the biggest day-to-day operational relief in the whole bill.

Here's where it gets really interesting, because I think a lot of brokers are going to be thrilled about this. They absolutely are. Because historically, the rules were so broad that if you had a real estate license, almost any money belonging to others that you handled was treated like a real estate transaction.

Right. So, if I'm a broker, and I'm just handling money for my kids' middle school bake sale or a charity fundraiser, the old interpretation basically said, I had to put that into a formal, state-audited trust account. Which is just administrative paranoia.

It'd discourage brokers from being involved in their own communities. Nobody wants the state auditing their brokerage over 50 bucks from a school raffle. Exactly.

So, the new amendment clears this up beautifully. It specifies that real estate licensees are only required to use trust accounts for funds handled when performing functions that actually require a real estate license. When performing functions that require a license? That is such a clear line.

It really is. It prevents the commingling of professional regulatory oversight with your personal community activities. So, the DRE stays out of the bake sale.

Right. It ensures the division's focus remains strictly on consumer protection in actual real estate transactions. Which is a win for everybody.

Okay, so we've covered the boundaries for money. Let's shift to how the bill redefines boundaries for sharing information. The paperwork side of things, yeah.

Yeah. Specifically, the affiliated business arrangements, the FBA disclosures, because those are now much simpler. They are.

The old rules were interpreted in a way that required you to disclose an affiliated business arrangement to all parties at the time of contract execution. Which is just bizarre. If I'm referring my buyer to my affiliated mortgage lender, why do I need to officially disclose that to the seller weeks later at the closing table? You don't anymore.

That caused so much confusion. Now, the rule is streamlined. A broker only needs to disclose an FBA to the specific party they represent, and they do it at the time they make the referral.

Oh, that is so much better. It just happens organically when you actually suggest the vendor? Exactly. And it still fully complies with federal laws.

It just removes the meaningless paperwork for the opposing side. Perfect. Now, this next information rule is the one I really want to dig into.

It's about confidential information. Oh, yes. This is a highly anticipated fix.

So the new rule says brokers can now legally share a client's confidential information, whether it's a buyer, seller, landlord, whoever, with their employing broker for the purpose of proper supervision. Right. Wait, so does this mean client secrets are just open season within a brokerage? What's fascinating here is that it's actually the exact opposite of open season.

It's a highly structured mechanism. Okay, explain that, because it sounds risky for the consumer. Well, under the old agency laws, if you are a junior broker representing a seller in a tough negotiation, you legally couldn't share your client's absolute bottom line with your own boss to ask for advice.

Because of strict confidentiality. Right. You were tracked behind that wall.

But the employing broker still carried the legal liability for your actions. So the boss is on the hook, but forbidden from knowing what's going on. That's a terrible system.

It was an impossible paradox. So this new rule fixes it. Information can flow upward for proper mentorship and oversight, but the key caveat is that the employing broker is strictly bound by law not to use this information to the detriment of the client.

Ah, okay. So it's a one-way street. Exactly.

It ultimately serves the consumer by ensuring the junior broker is getting proper, experienced guidance without weaponizing that data against the client. That makes a lot of sense. And speaking of making sure brokers are doing things right, we should briefly touch on the continuing education penalty.

Right. The CE requirements. The commission now has the specific authority to immediately inactivate a broker's license if they fail to comply with their continuing education.

Immediate inactivation. There's no drawn-out gray area anymore. If you don't take your classes, your ability to legally work is just turned off.

It's a very clear message. You have to keep your skills sharp. Absolutely non-negotiable.

Wow. Okay, so if we zoom out and look at all of this, it's been a really interesting discussion. It really represents a massive shifting of regulatory boundaries.

Yeah. Simplifying some areas while tightening others. Right.

They retreated from overreaching areas like the volunteer trust accounts and the clunky FBA disclosures, but they really reinforce the core consumer protections with the CE penalties and supervision rules. Yeah. And like we said at the start, whether these changes are ultimately beneficial is something you and the rest of the industry will simply watch unfold until the next sunset review in 2037.

We'll have to see how the market adapts to it all. Which leaves me with a thought for you to ponder. As employing brokers gain more access to this confidential client information for supervision, how is this going to reshape the internal culture of brokerages? That's a great question.

Right. Will it lead to a new golden age of mentorship where junior agents feel totally supported? Or will it create these complex internal firewalls just to make sure that upward flowing information never accidentally leaks across the office? It's going to require some serious strategic thinking for management for sure. Absolutely.

Now, before we sign off, I have one quick, absolutely mandatory reminder for all brokers listening. Yes. Do not miss this one.

Starting in 2027, the annual commission update course must be completed between January and June. That is a major change from having a full calendar year down to only six months to complete it. Do not get caught off guard by that.

Especially with that new inactivation penalty we just talked about. Exactly. Well, we want to respect your time and keep this brief and factual.

So we're wrapping up right under the 15 minute mark. Thank you so much for joining us for the topic today. We'll catch you next time.

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