



NORTH CAROLINA REAL ESTATE COMMISSION

IMPACT ANALYSIS REPORT

Agency	North Carolina Real Estate Commission
Agency Contact	Janet B. Thoren Legal Counsel Janet@ncrec.gov Melissa Vuotto Rulemaking Coordinator Melissa@ncrec.gov 919-875-3700
Rule Citation(s)	21 NCAC 58A .0503 – LICENSE RENEWAL
Description of the Proposed Rule(s)	The Real Estate Commission is proposing to revise 21 NCAC 58A .0503 to increase the real estate license renewal fee by \$5.00, from \$45 to \$50, and reinstatement fee by \$10.00, from \$90 to \$100.
Authority	G.S. 93A-4(c)
Statement of Necessity	The increases are necessary to continue to fund the Commission's operational mission and technological upgrades as more fully described below.
Impact Summary	State government: No Local government: No Federal government: No Private citizens: No Substantial Impact: Yes

INTRODUCTION

The North Carolina Real Estate Commission (“Commission”) is an occupational licensing board, an independent agency of the State of North Carolina, receiving no funds from the State through its budgeting process or otherwise. The Commission's primary function is to license and regulate real estate brokers who do business in North Carolina. In addition, the Commission registers timeshares and certifies or approves and regulates real estate education providers, educational courses, and instructors. North Carolina currently has approximately 120,000 licensed real estate brokers and firms.

The Commission is responsible for policymaking with regard to licensing and regulatory matters governing North Carolina real estate brokers. The Commission also conducts hearings and takes disciplinary action against licensees for violations of the Real Estate License Law and Commission Rules and seeks injunctions when necessary to prevent non-licensees from conducting real estate brokerage without a license.

As a self-funded agency, the Commission receives no General Fund appropriations, G.S. § 93A-3(b). All operational expenses are paid from collected fees, including those for license applications, renewals, reinstatements, courses, and official Commission publications and programs.

The Commission’s foremost responsibility is to protect the public’s interest in real estate brokerage. To carry out this mission effectively, the Commission must be able to investigate allegations made by the public effectively and efficiently while maintaining strong education programs, reliable operations, and producing high-quality resources for licensees and public consumers. While many of these services and resources are provided by the Commission at no cost, they require a significant investment of Staff time and expertise as well as information technology investments to create, update, and deliver.

IMPACT ANALYSIS

The proposed amendment to 21 NCAC 58A .0503 increases the real estate license renewal fee from \$45 to \$50 and the reinstatement fee from \$90 to \$100. This adjustment aligns with G.S. § 93A-4(c), which requires reinstatement fees to be set at twice the renewal fee. The authority to establish a real estate license renewal fee is set forth in G.S. § 93A-4(c), which provides that the Commission may set a higher renewal fee amount by rule that shall not exceed \$60.00 and may not increase the license renewal fee by more than \$5.00 during a 12-month period.

The proposed fee increases are necessary to ensure the Commission can continue fulfilling its statutory mission of protecting the public through effective regulation of real estate brokerage in North Carolina. This change will provide essential funding for increased operation costs, rising personnel expenses, and necessary technological upgrades including replacing its existing, outdated licensee platform.

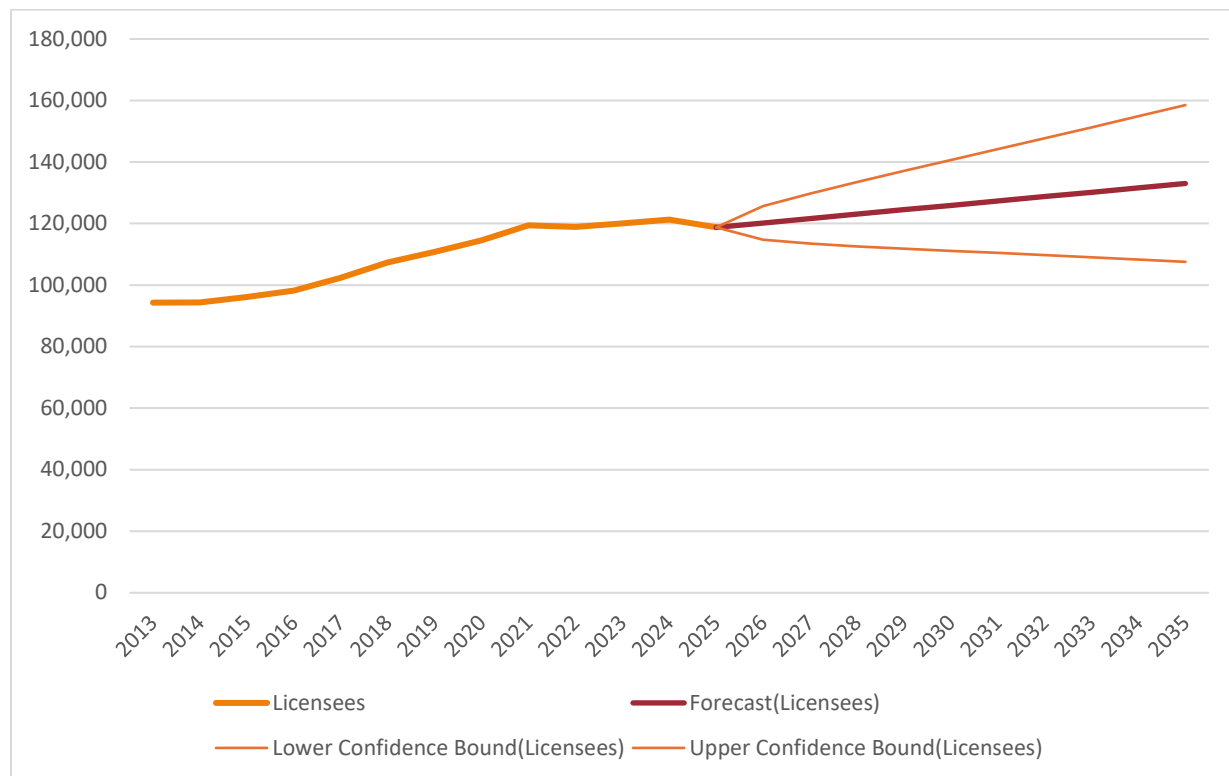
Real Estate Market-Dependent Revenue

The Commission's revenue is closely tied to the performance of the real estate market and is therefore cyclical. Current indicators show a softening housing market characterized by:

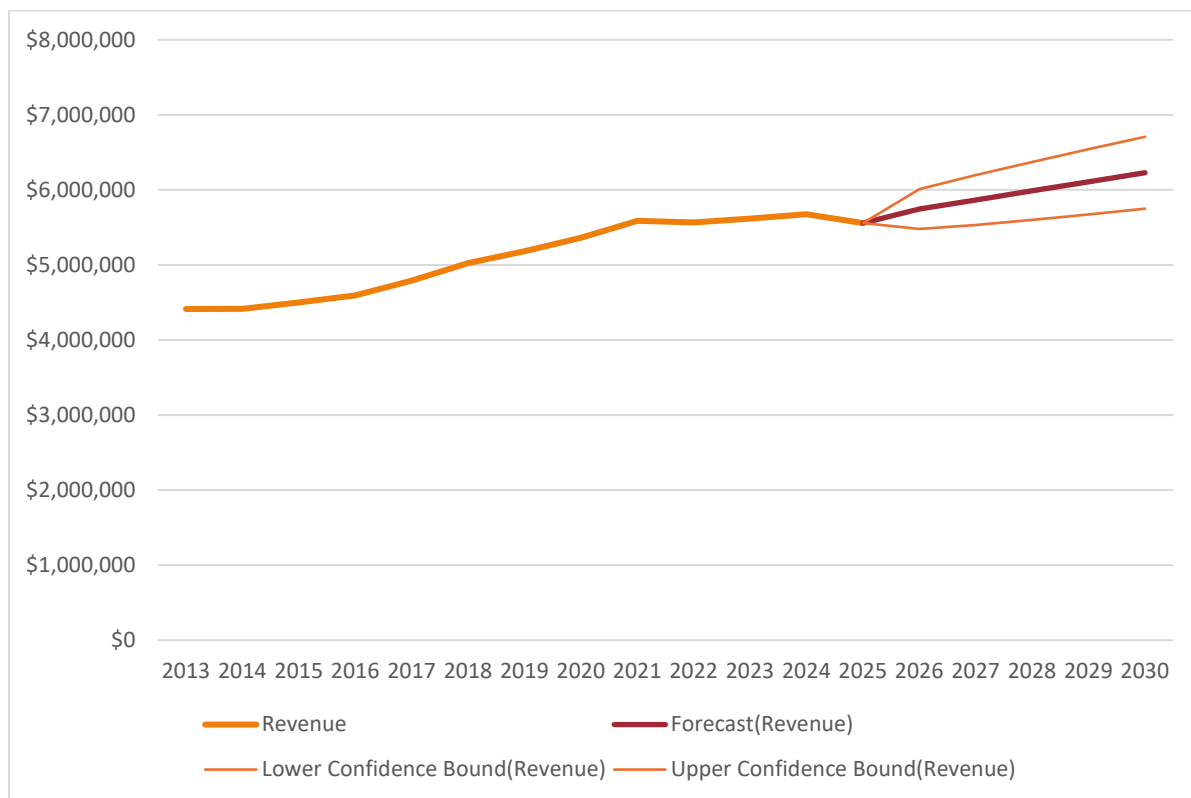
- Declining home values;
- Decreased new construction and housing starts, signaling weaker demand;
- Rising inventory levels and longer days on market, suggesting slower turnover; and
- Elevated mortgage interest rates, constraining affordability and buyer activity.

As the market cools, the number of new licenses issued and licenses renewed is expected to decline, reducing the Commission's revenue stream. This cyclical vulnerability underscores the need for stable funding sources to maintain essential consumer protection and regulatory services. As demonstrated in Figure 1, the number of real estate licensees is forecasted to decline in the upcoming years while operation costs continue to increase. Figure 2 depicts the Commission's forecasted revenue at the current renewal and reinstatement fees for the next 5 years. Due to the softening real estate market and downward trending indicators, the lower confidence bound licensee and revenue streams are the most likely scenario.

Figure 1. Total Real Estate Licensees Forecast



*Figure 2. Total Revenue from Renewal and Reinstatement Fees Forecast
(Current License Fee of \$45 renewal/ \$90 reinstatement)*



Increased Operation and Technology Costs

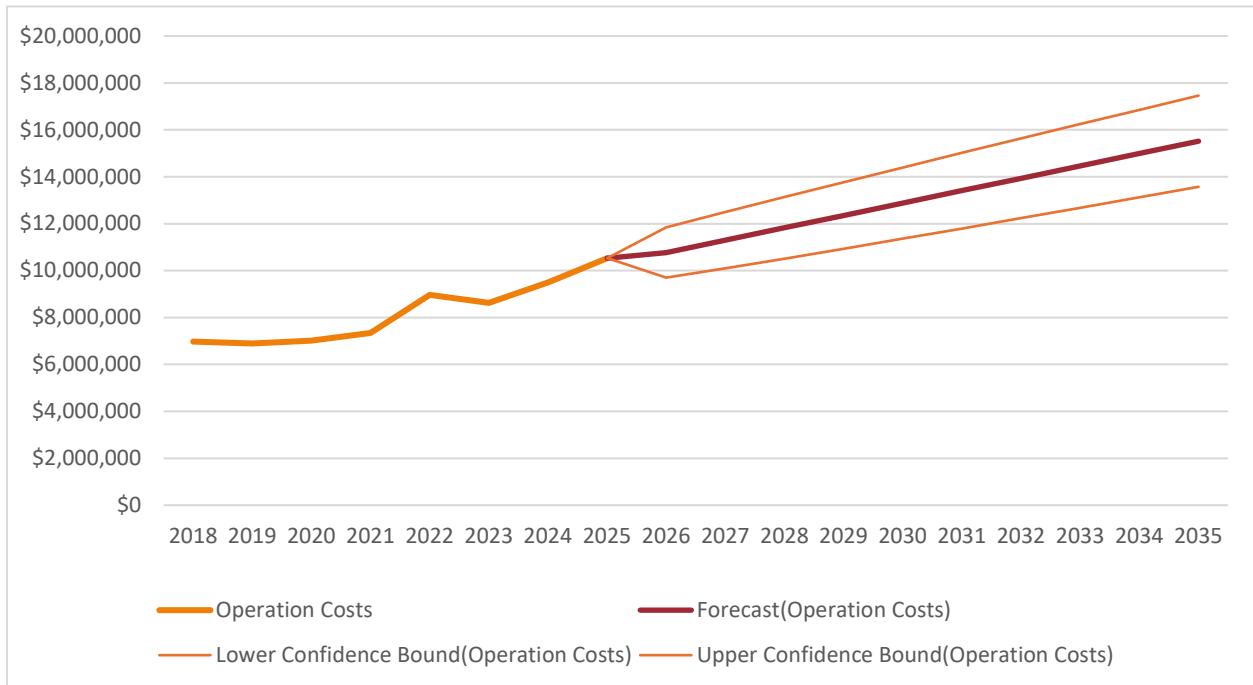
The Commission has experienced a 119% increase, approximately \$500,000, in technology expense since 2021 due to new program initiatives, annual vendor price increases and cybersecurity enhancements, implementation of workflow automation tools, and maintenance and licensing of online systems and digital services. In 2025, the Commission's total operating costs were approximately \$10 million, including approximately \$1.2 million in IT expenditure alone.

The Commission must also migrate its existing, but outdated licensee database, into a more current product that can allow future technological growth and ensure long-term scalability and security. Compliance mandates, such as the recently enacted S.L. 2025-94, now require the Commission to adopt social security verification procedures and processes that will also increase expenditures on IT infrastructure.

Figure 3. Information Technology Costs

	2021	2022	2023	2024	2025
SOFTWARE LIC/SUB/SUPPORT/RENEWALS	432,622	339,955	310,113	437,372	530,876
IT VENDOR SERVICES	(173)	172,719	270,914	331,063	384,310
IT CAPITALIZABLE	153,856	215,441	157,636	311,209	267,979
IT NON-CAPITALIZABLE	-	35,060	54,929	13,440	15,795
TOTAL ACTUAL	586,306	763,175	793,592	1,093,084	1,198,961

Figure 4. Operation Costs Forecast



The Commission's last fee increase became effective April 1, 2013, more than twelve years ago. During this time, the Commission's operation costs have significantly increased by various factors such as the number of investigations under review, as seen in Figure 6, inflation causing increases in office overhead, general operating supplies, and staff health care premiums, and unprecedented technology costs due to cybersecurity protections, workflow automations, and licensing system subscriptions.

Figure 5. Historical Real Estate License Fee Schedule

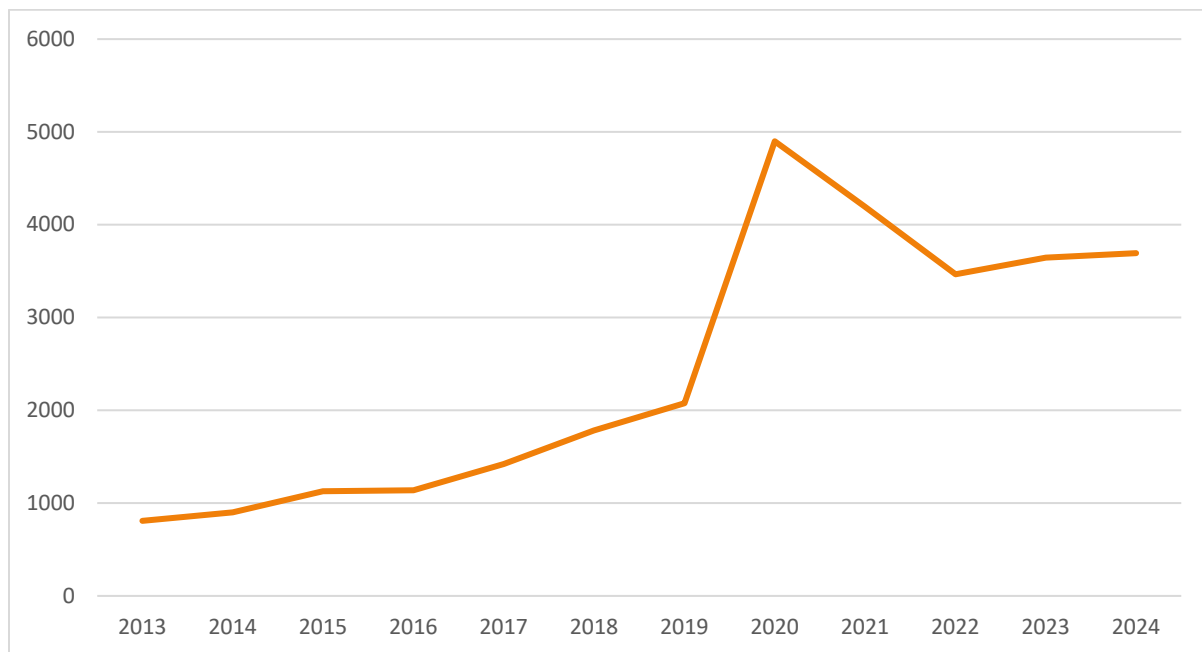
Year	Renew	Reinstate
1999	\$35	\$35
2004	\$40	\$55
2013	\$45	\$55
2017	\$45	\$90
*2026	\$50	\$100

**Proposed fee increase*

The general price inflation (CPI “all items”) from 2013 to 2025 means that many cost categories (utilities, supplies, equipment, etc.) have seen increases of ~37-40% over this time period. Moreover, many of the Commission’s business-specific cost components (services, professional services, labor, etc.) have increased *faster than* the CPI average.

The Commission has continued to expand and improve services without raising costs to licensees, while absorbing a significant increase in operating costs of approximately 46%. Even with this modest increase, North Carolina’s broker license renewal fee will remain among the lowest in neighboring states, underscoring the Commission’s commitment to affordability and fairness.

Figure 6. Cases Under Investigation by the Commission



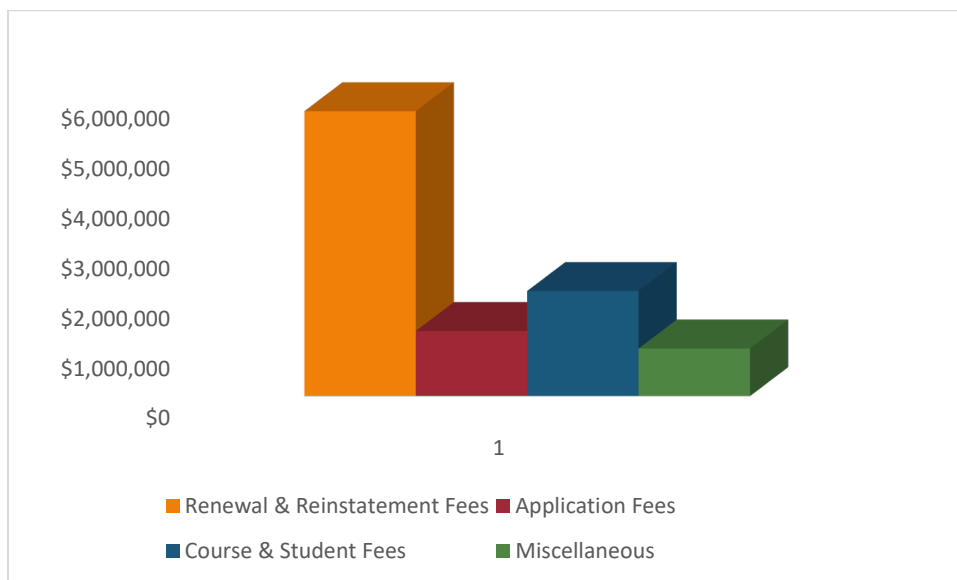
The majority of the Commission’s revenue is derived from annual license renewals, with approximately 90 percent of licensees renewing their licenses on time each year. Although reinstatement fees contribute to overall revenue, the volume of reinstatements varies considerably from year to year, making it an unreliable basis for long-term fiscal planning. Accordingly, the Commission’s budget projections are primarily based on renewal revenue, which provides a more stable and predictable funding source.

Figure 7. Percentages of Real Estate Licenses Renewed & Reinstated

Year	Broker Licenses		Firm Licenses	
	Renew	Reinstate	Renew	Reinstate
2021	94%	4%	93%	4%
2022	92%	2%	91%	4%
2023	90%	3%	89%	5%
2024	89%	4%	86%	9%
2025	88%	4%	91%	7%

The Commission’s FY2025 revenue stream depicted in Figure 8 includes approximately \$5.7 million in renewal and reinstatement fees, \$1.3 million in licensee and timeshare application fees, \$2.1 million in course and student fees, and \$950,000 in miscellaneous revenue from license manual sales, various publications, license certifications, and published roster lists. The forecasted decline in license applications and renewals will adversely affect all of these income streams.

Figure 8. Commission’s FY2025 Revenue Stream Breakdown



Over the past five fiscal years, the number of individual license renewals has demonstrated a gradual downward trend, declining from a high of 101,627 renewals during the height of the COVID-19 pandemic to 96,754 renewals in Fiscal Year 2025. This decrease reflects broader softening in the real estate market and underscores the Commission’s need to ensure stable revenue to support ongoing operations and public protection functions.

The only groups impacted financially are those licensed brokers and firms who intend to renew their license on an annual basis. The probability that this fee increase will cause licensees to abandon the real estate brokerage industry is minimal based on its modest financial impact to them.

The fee increase is both fiscally prudent and necessary and will cost the Commission an estimated \$20,000 in a one-time cost for staff time to reprogram software and update licensee resource materials with the fee change. The total anticipated additional revenue from increasing the licensees’ renewal and reinstatement fees for years 2026-30 is \$2,931,984 allowing for a net present value of \$2,386,882.54 with a 7% discount rate.

Figure 9. Net Present Value with a 7% Discount Rate

Year	Cash Flow
0	-\$20,000
1	\$596,565
2	\$590,184
3	\$585,582
4	\$581,656
5	\$577,996
NPV =	\$2,386,882.54

In short, this modest fee adjustment ensures the Commission can continue fulfilling its statutory mandate, remain financially sustainable, and provide services that are both comprehensive and accessible—all while keeping North Carolina’s renewal fees among the lowest in the region.

BENEFITS TO LICENSEES AND PUBLIC

Revenue from renewal and reinstatement fee increases will enable the Commission to improve and increase services for consumers, broker candidates, and licensed brokers. The Commission creates Prelicensing, Postlicensing, Annual Update, and disciplinary courses for broker candidates and licensed brokers to ensure that brokers are competent to facilitate real estate transactions on behalf of their consumer clients and customers. The Commission also reviews continuing education courses created by education providers, conducts training for

instructors and approves instructors to teach real estate education courses. The Commission is also charged with investigating allegations of broker misconduct and conducting hearings regarding possible disciplinary sanctions for broker misconduct.

The Commission maintains a website and online portals for consumers and brokers enabling all to find forms, publications, Commission and other state resources, and to search for brokers, education providers, and courses. The Commission has increased outreach to consumers including the expansion of its website and conducting in person visits to colleges and high schools. The increased revenue will enable the Commission to increase IT functionality, hearing capabilities, and internet resources. Additionally, the Commission will replace its existing, outdated licensee data platform to allow information and greater responsiveness to broker and consumer questions.

COSTS TO LICENSEES AND PUBLIC

This rule amendment will increase the annual real estate license renewal fee by \$5.00 and, if a licensee fails to renew on-time, reinstatement fee by \$10.00. This equates to less than \$.01 per day for each renewal year, a minimal cost given the added benefits to licensees and public consumers. There is no cost to the public.

ANALYSIS OF ALTERNATIVES

One alternative considered was to maintain the current renewal fee structure without any increase. While this option would avoid placing additional financial burden on licensees in the short term, it is not sustainable in the long term. The Commission's operating costs have increased due to regulatory demands, inflation, and rising costs associated with technology and staffing. Maintaining the status quo would mean the Commission would be unable to maintain current service levels, adequately support regulatory functions, or respond to increased workload. This could lead to delays in licensing, reduced regulatory oversight, and diminished service quality, ultimately impacting our core mission to protect the public in real estate transactions. For these reasons, the no-renewal-fee-increase alternative was not selected.

Another alternative considered was implementing a renewal fee increase of less than \$5.00. The board considered this alternative as a way to ease the financial impact on licensees while still providing the necessary funds to cover operational costs. However, the board ultimately decided against it, as a smaller increase may contribute to a budget shortfall and would likely require more frequent adjustments to keep pace with the rising costs of inflation and operation. Additionally, this alternative would not provide stability and predictability as the \$5.00 increase, making it less viable in the long run and therefore this alternative was not selected.

SUMMARY

The Commission proposes a modest fee increase, raising the broker license renewal fee from \$45 to \$50 and the reinstatement fee from \$90 to \$100, the first adjustment to the renewal fee in over twelve years. Rising technology and operational costs, including a 119% increase in IT expenses since 2021, make this change necessary to sustain services and replace the outdated licensee database. The increase will generate approximately \$600,000 annually at a cost of less than one cent per day per licensee, keeping North Carolina's fees among the lowest in the region. Alternatives such as maintaining current fees or reducing services were rejected due to their negative impact on consumer protection and service quality. This adjustment ensures fiscal sustainability while supporting the Commission's mission to protect the public and serve licensees effectively.

21 NCAC 58A .0503 is proposed for amendment as follows:

21 NCAC 58A .0503 LICENSE RENEWAL

(a) All real estate licenses issued by the Commission under G.S. 93A, Article 1 shall expire on June 30 following issuance. Any broker desiring renewal of his or her license shall renew on the Commission's website within 45 days prior to license expiration and shall submit a renewal fee of ~~forty-five dollars (\$45.00)~~, fifty dollars (\$50.00).

(b) During the renewal process, every individual broker shall provide an email address to be used by the Commission. The email address may be designated by the broker as private in order to be exempt from public records disclosures pursuant to G.S. 93A-4(b2).

(c) During the renewal process, every designated broker-in-charge shall disclose:

- (1) each federally insured depository institution lawfully doing business in this State where the trust account(s) for the broker-in-charge or the entity for which the broker-in-charge is designated is held, if applicable; and
- (2) any criminal conviction or occupational license disciplinary action that occurred within the previous year.

History Note: Authority G.S. 93A-3(c); 93A-4; 93A-6; 93A-38.5;
Eff. February 1, 1976;
Readopted Eff. September 30, 1977;
Amended Eff. July 1, 1994; February 1, 1991; February 1, 1989;
Temporary Amendment Eff. April 24, 1995 for a period of 180 days or until the permanent rule becomes effective, whichever is sooner;
Amended Eff. July 1, 2017; July 1, 2014; April 1, 2013; April 1, 2006; January 1, 2006; July 1, 2004; December 4, 2002; April 1, 1997; July 1, 1996; August 1, 1995;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1, 2018;
Amended Eff. March 1, 2026; July 1, 2021; July 1, 2018.