The difference between an agent and a Realtor, explained

Are the terms “real estate agent” and “Realtor” interchangeable? Those inside the industry know that they’re not, but they also know it seems to be a bit of an industry secret — many consumers aren’t sure at all what the difference is between a real estate agent and a Realtor, or whether there even is one.

Here’s a guide you can share with clients to help explain how this real estate agent vs. Realtor thing works.

What is the difference between a real estate agent and a Realtor?

The titles “real estate agent” and “Realtor” are often used interchangeably.

Why do people use the terms interchangeably if they mean different things?

Because using the term “real estate agent” can be a bit clunky and wordy, those who may not be familiar with the differences between the two designations often use the term “Realtor” as a shorthand to refer to anyone who is in the business of helping people buy and sell real estate.

But they are different — right?

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Yes. Although both real estate agents and Realtors are licensed to sell real estate, each title refers to a specific type of real estate professional, and there are notable distinctions between the two.

What is a real estate agent?

A real estate agent is anyone who is licensed to help people buy and sell commercial or residential property. The agent may do so as a sales professional, an associate broker or a broker.

How do you become a real estate agent?

In order to obtain a real estate license, agents must complete a certain minimum number or classes and pass an examination prescribed by the state. State licensing requirements vary.

According to the Bureau of Labor Statistics, real estate licensing applicants must complete anywhere between 30 to 90 hours of classroom instruction from an accredited college, university or technical school, depending on the state.

Applicants must also pass an exam that covers national as well as state and local real estate law, standards and practices.

All real estate agents must pay an annual licensing fee and renew them every one or two years, depending on the state. In some states, agents may have to complete a certain amount of continuing education courses before their licenses can be renewed.

What is a Realtor, and why is that title different from real estate agent?

A Realtor is a trademarked term that refers to a real estate agent who is an active member of the National Association of Realtors (NAR), the largest trade association in the United States.

Where does the term “Realtor” come from?

NAR was founded more than a century ago, but it has only used the term “Realtor” for about 40 years. The association was originally founded in 1908 as the National Association of Real Estate Exchanges and changed its name in 1916 to The National Association of Real Estate Boards.

That same year, Charles N. Chadbourn, a real estate agent in Minneapolis and vice president of the National Association of Real Estate Boards, proposed the use of the term “Realtor” to give members of the association a way to distinguish themselves from non-members.

To protect the title from misuse, the association obtained a copyright and trademark on it in 1950.

The association adopted its current name in 1974.

Have there been legal challenges surrounding the trademarked name?

There have — NAR has faced legal challenges arguing that “Realtor” is a generic term and should not be a trademark. However, to date, the U.S. Patent and Trademark Office (USPTO) has upheld its registration of the title.

What does it take to become a Realtor?

Who can join NAR?

Headquartered in Chicago, NAR has more than 1 million members across the country — and membership is not restricted to only real estate agents and brokers. Members may also be property managers, appraisers, real estate counselors and other professionals involved in the real estate industry.

How do you join NAR?

Anyone interested in joining NAR must first join one of NAR’s 1,400-plus local real estate associations. Applicants pay a one-time application fee and then prorated membership dues after the Board of Directors approves membership.

What are the requirements to join NAR?

NAR requires that members hold a valid real estate license, be actively engaged in the real estate business, have no record of official sanctions involving unprofessional conduct and have no recent or pending bankruptcy.

The principals of a real estate firm — including sole proprietors, partners in a partnership, corporate officers, majority shareholders of a corporation or branch office managers acting on behalf of the principal — must first join a Realtor association before any non-principal can join.

If a principal decides not to join the association, none of the individuals associated with that firm can become members. Each firm appoints one principal to serve as the “designated Realtor” for the firm.

Once a principal joins, then any agents, brokers and appraisers that are licensed or affiliated with that principal may choose to join the association. If those individuals choose not to become Realtors, NAR charges the “designated Realtor” a non-member assessment for each non-member.

What is NAR's Code of Ethics?

According to NAR, the code "is what separates Realtors from non-member real estate agents."

How is the Code of Ethics presented to members?

New members must attend an orientation and agree to abide by NAR's Code of Ethics & Professional Standards, which outlines duties to clients and customers, the public and other Realtors.

Members may be required to complete periodic training on the Code of Ethics as a condition of continued membership.

What is in the code and how was it written?

The code consists of 17 Articles, 71 supporting Standards of Practice and 131 explanatory case interpretations.

It was founded on the principles of the "Golden Rule" and requires that Realtors cooperate with each other to further the best interests of consumers and their clients.

The code demands respect for others' exclusive relationships with clients and keeps disputes between members "in the family" by requiring Realtors to arbitrate or mediate conflicts.

The association publishes an updated version of the code every January in Realtor Magazine.

Has the code ever changed?

NAR considers its code to be a "living" document and it has amended it many times throughout its century-long history to ensure that it remains relevant to modern-day real estate practitioners.

NAR has also amended the code to reflect changes in equal opportunity and fair housing standards and laws.

Why is the code important to NAR?

"Part of the incentive for becoming a Realtor is to capitalize on the good reputation of NAR members. The idea is that consumers will opt to work with a real estate agent who has sworn to treat all parties fairly and honestly," NAR says.

Local and state Realtor associations are primarily responsible for making sure members adhere to the code, and some have developed methods for addressing member infractions.

What does it cost to become a Realtor? What do membership fees pay for?

Annual NAR membership dues are currently $120 per member.

Brokers are also assessed NAR dues times the number of non-member salespersons, if any, in their office.

Where does that money go?

Of that $120 fee, 42 percent of it, or $50, goes to NAR's lobbying efforts. This portion of the membership fee is considered nondeductible for income tax purposes, pursuant to the Tax Reform Act of 1993.

NAR's political action committee (PAC), considered one of the most powerful lobbying efforts in the country and the largest contributor of direct contributions to federal candidates, works on members' behalf to develop, advance and implement the association's federal legislative objectives.

The PAC works with Congress and the executive branch through lobbying, policy development, political field representatives, political communications and grassroots advocacy.

Any other fees?

NAR also charges members an annual "Special Assessment" fee of $35 for its Consumer Advertising Campaign, an initiative NAR began in 1997 to help consumers understand the value that Realtors can bring to the real estate transaction, local communities and markets and public policies related to real property transfer and ownership.

The fee for 2015 and 2016 is $35, but it isn't prorated if you become a Realtor after January 1, 2015 — you still owe the full $35 when you join.

NAR's current campaign, "Get Realtor," aims to build Realtor brand awareness and is particularly aimed at reaching millennial buyers and sellers through the use of social, digital, online and traditional media channels.

What do NAR's fees pay for?

NAR's fees make a variety of resources available to Realtors, including online Code of Ethics training, informational webinars, residential listings on realtor.com, international exposure of U.S. listings with translation services and area/currency conversion, a subscription to Realtor Magazine, a credit union account, market research and technology reports, library and research services,

historical data requests and marketing and advertising services.

Members also receive discounts on items such as certification courses, books and brochures, conference attendance, car rentals, mobile phones, dental and health insurance and prescription coverage.

Email Amy Swinderman

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