



LAWS OF ALASKA

2004

Source

SCS CSSSHB 29(JUD)

Chapter No.

AN ACT

Relating to real estate licensees and real estate transactions; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1

AN ACT

1 Relating to real estate licensees and real estate transactions; and providing for an effective
2 date.

3
4 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that

7 (1) the application of the common law of agency to the relationships between
8 real estate licensees and persons who are sellers, lessors, buyers, or lessees of real property
9 has resulted in misunderstandings and consequences that are contrary to the best interests of
10 the public;

11 (2) the real estate industry has a significant effect on the economy of the state;
12 and

13 (3) it is in the best interest of the public to codify in statute the relationships
14 between real estate licensees and persons who are sellers, lessors, buyers, or lessees of real

1 property.

2 (b) It is the intent of the legislature for this Act to govern the relationships between
3 real estate licensees and sellers, lessors, buyers, and lessees in real property transactions.

4 * **Sec. 2.** AS 08.88.071 is amended by adding a new subsection to read:

5 (d) The commission may investigate a violation of a provision of
6 AS 08.88.600 - 08.88.695 by a real estate licensee and take administrative action
7 under (a)(3) of this section if the commission has reason to believe that a violation has
8 occurred.

9 * **Sec. 3.** AS 08.88.391(a) is amended to read:

10 (a) A real estate licensee who has a conflict of interest relating to a real estate
11 transaction shall disclose that conflict of interest **to** [AT THE TIME OF INITIAL
12 SUBSTANTIVE CONTACT WITH] the **persons adversely affected by the conflict**
13 [PRINCIPALS] or **their real estate licensees** [AGENTS OF THE PRINCIPALS] and
14 confirm the conflict of interest in writing to the **persons adversely affected by the**
15 **conflict** [PRINCIPALS] or **their real estate licensees** [AGENTS OF THE
16 PRINCIPALS] involved in the transaction as soon as possible after the **conflict is**
17 **identified** [INITIAL SUBSTANTIVE CONTACT]. **The licensee must also verbally**
18 **advise the person of the conflict, and begin any written statement of the conflict**
19 **of interest with these words, underlined and written in bold: "Disclosure of**
20 **Conflict of Interest."**

21 * **Sec. 4.** AS 08.88.396 is amended by adding a new subsection to read:

22 (f) This section applies only to acts that occur before the effective date of this
23 subsection.

24 * **Sec. 5.** AS 08.88.401(g) is amended to read:

25 (g) A person who violates this section **or** [,] AS 08.88.161 [, OR 08.88.396] is
26 guilty of a class A misdemeanor.

27 * **Sec. 6.** AS 08.88 is amended by adding new sections to read:

28 **Article 4A. Licensee Relationships and Duties.**

29 **Sec. 08.88.600. Licensee relationships.** (a) A real estate licensee who
30 provides real estate services to one party in a real estate transaction represents only
31 that party unless the parties to the transaction agree otherwise in writing.

1 (b) A real estate licensee may not provide real estate services to more than one
2 party in the same real estate transaction, except that

3 (1) a licensee may represent one party to the transaction while
4 providing specific assistance to an unrepresented party to the transaction;

5 (2) a licensee may act as a neutral licensee under (c) of this section;

6 (3) a licensee may also, with the written consent of the parties, be a
7 party to the transaction; or

8 (4) the parties to the transaction may agree otherwise in writing, except
9 as provided by AS 08.88.625.

10 (c) A real estate licensee may provide specific assistance to both the seller and
11 buyer, or both the lessor and lessee, in the same real estate transaction as a neutral
12 licensee if the licensee complies with AS 08.88.610.

13 (d) A real estate licensee who works for a real estate broker may represent or
14 provide specific assistance to a person in a real estate transaction even if the broker or
15 another licensee who is working for the broker represents or provides specific
16 assistance to another person in the same transaction. The broker shall designate which
17 licensee, including the broker, is the designated licensee for the seller or lessor and
18 which licensee, including the broker, is the designated licensee for the buyer or lessee.

19 **Sec. 08.88.605. Additional licensee relationship provisions.** (a) A real
20 estate licensee may provide real estate services to a party in separate real estate
21 transactions under different licensee relationships if the licensee complies with
22 AS 08.88.600 - 08.88.695 when establishing the relationship for each transaction.

23 (b) The authorization under (a) of this section includes acting as a real estate
24 licensee for a party in one real estate transaction and at the same time not representing
25 that party in a different real estate transaction involving that party.

26 **Sec. 08.88.610. Authorization of neutral licensee relationship.** (a) Before
27 a real estate licensee begins acting as a neutral licensee, the real estate licensee may
28 obtain preauthorization from a person to act as a neutral licensee in the person's real
29 estate transaction by obtaining the written consent of the person.

30 (b) If preauthorization is not obtained under (a) of this section, when a buyer
31 or lessee expresses an interest to the licensee in acquiring or leasing real estate and the

1 licensee is representing the seller or lessor of the property, the licensee shall obtain
2 written consent to act as a neutral licensee before the licensee shows the real estate.

3 (c) A written consent under this section must be provided on a separate form,
4 may not be contained in another writing, and must be entitled "Waiver of Right To Be
5 Represented."

6 **Sec. 08.88.615. Duties owed by licensee in all licensee relationships.** (a)
7 Unless additional duties are agreed to in a written document signed by the person, and
8 regardless of the type of licensee relationship in which the real estate licensee is
9 acting, a real estate licensee owes the following duties to each person to whom the
10 licensee provides specific assistance:

11 (1) the exercise of reasonable skill and care;

12 (2) honest and good faith dealing;

13 (3) the presentation of all written offers, written notices, and other
14 written communications to and from the person in a timely manner regardless of
15 whether the real estate is subject to an existing contract for sale or lease or the person
16 is already a party to an existing contract to buy or lease real estate;

17 (4) except as provided in (b) of this section, the disclosure of all
18 material information known by the licensee regarding the physical condition of real
19 estate if the information substantially adversely affects the real estate or a person's
20 ability to perform the person's obligations in the real estate transaction or if the
21 information would materially impair or defeat the purpose of the real estate
22 transaction;

23 (5) accounting in a timely manner for all money and other property
24 received from or on behalf of the person;

25 (6) before the licensee provides specific assistance to the person, or
26 when entering into a contract with the person to provide specific assistance, providing
27 a copy of the pamphlet established under AS 08.88.685(b)(2) and produced under
28 AS 08.88.685(c) that outlines the duties of the types of licensee relationships
29 identified under AS 08.88.600;

30 (7) before the licensee provides specific assistance to the person,
31 obtaining from the person a document signed by the person that discloses the

1 licensee's relationship with the person;

2 (8) in addition to the document provided under (7) of this subsection,
3 providing to the person when the person signs an offer in a real estate transaction
4 handled by the licensee a written statement that states whether the licensee represents
5 the buyer, represents the seller, represents the lessee, represents the lessor, or provides
6 specific assistance to both the buyer and the seller or both the lessee and the lessor as a
7 neutral licensee; the statement must be contained in a separate paragraph entitled
8 "Licensee Relationships" in the contract between the buyer and seller or the lessee and
9 lessor, or in a separate document entitled "Licensee Relationships."

10 (b) The disclosure requirements of (a)(4) of this section may not be construed
11 to imply a duty to

12 (1) investigate a matter that

13 (A) the licensee has not agreed to investigate; or

14 (B) is not known by the seller, prospective buyer, lessor,
15 prospective lessee, or licensee; or

16 (2) disclose, unless otherwise provided by law, events that have
17 occurred on the real estate that might affect whether a person wants to buy or lease the
18 real estate.

19 (c) Notwithstanding (b)(2) of this section, before a buyer makes or accepts an
20 offer in a real estate transaction, a real estate licensee shall disclose to the buyer that a
21 murder or suicide occurred on the real property that is the subject of the real estate
22 transaction if

23 (1) the murder or suicide occurred within one year before the date that
24 the licensee first showed the real estate to the buyer; and

25 (2) the licensee is aware that the murder or suicide occurred on the real
26 estate.

27 **Sec. 08.88.620. Duties owed by licensee representing a person.** Unless
28 additional duties are agreed to in a written document signed by the person represented
29 by the licensee, a real estate licensee who represents the person owes the person the
30 following duties in addition to the other duties imposed by AS 08.88.615:

31 (1) not taking action that the licensee knows is adverse or detrimental

1 to the interest of the represented person in a real estate transaction;

2 (2) disclosure of a conflict of interest to the represented person in a
3 timely manner;

4 (3) advising the represented person to obtain expert advice on a matter
5 that relates to the real estate transaction that is beyond the licensee's expertise;

6 (4) not disclosing confidential information from or about the
7 represented person without written consent, except under a subpoena or another court
8 order, even after termination of the licensee's relationship with the represented person;

9 (5) if the represented person is a seller or a lessor, unless otherwise
10 agreed to in writing, making a good faith and continuous effort to find a buyer or
11 lessee for the real estate of the seller or lessor, except that a licensee is not required to
12 seek additional offers to buy or lease the real estate while the real estate is subject to
13 an existing contract for sale or lease; and

14 (6) if the represented party is a buyer or a lessee, unless otherwise
15 agreed to in writing, making a good faith and continuous effort to find real estate for
16 the buyer or lessee, except that a licensee is not obligated to

17 (A) seek additional real estate to buy or lease for the buyer or
18 lessee while the buyer or lessee is a party to an existing contract to buy or lease
19 real estate; or

20 (B) show to the buyer or lessee real estate for which there is not
21 a written agreement to pay compensation to the licensee.

22 **Sec. 08.88.625. Waiver of duties.** A real estate licensee or a person to whom
23 a licensee provides specific assistance may not waive the duties identified under
24 AS 08.88.615 and 08.88.620, except as otherwise allowed under AS 08.88.620(5) and
25 (6).

26 **Sec. 08.88.630. Duties not owed by licensee.** Unless agreed otherwise, a real
27 estate licensee does not owe a duty to a person with whom the licensee has established
28 a licensee relationship to

29 (1) conduct an independent inspection of the real estate that is the
30 subject of the licensee relationship;

31 (2) conduct an independent investigation of a person's financial

1 condition; or

2 (3) independently verify the accuracy or completeness of a statement
3 made by a party to a real estate transaction or by a person reasonably believed by the
4 licensee to be reliable.

5 **Sec. 08.88.635. Acts not amounting to adverse or detrimental acts or**
6 **conflicts of interest.** (a) If a licensee shows real estate not owned or leased by the
7 seller or lessor to prospective buyers or lessees or lists competing properties for sale or
8 lease, this activity does not by itself constitute action that is adverse or detrimental to
9 the seller or lessor or create a conflict of interest under AS 08.88.391.

10 (b) The representation of more than one seller or lessor by the same licensee
11 or by different licensees working for the same real estate broker in competing
12 transactions involving the same buyer or lessee does not by itself constitute action that
13 is adverse or detrimental to the sellers or lessors or create a conflict of interest under
14 AS 08.88.391.

15 (c) If a licensee shows real estate in which the buyer or lessee is interested to
16 other prospective buyers or lessees, this activity does not by itself constitute action
17 that is adverse or detrimental to the buyer or lessee or create a conflict of interest
18 under AS 08.88.391.

19 (d) The representation of more than one buyer or lessee by the same licensee
20 or by different licensees working for the same real estate broker in competing
21 transactions involving the same seller or lessor does not by itself constitute action that
22 is adverse or detrimental to the sellers or lessors or create a conflict of interest under
23 AS 08.88.391.

24 (e) Acting as a neutral licensee in compliance with AS 08.88.600 - 08.88.695
25 does not by itself constitute action that is adverse or detrimental to a seller, lessor,
26 buyer, or lessee or create a conflict of interest under AS 08.88.391.

27 (f) A real estate licensee who discloses confidential information to the
28 licensee's broker for the purpose of seeking advice or assistance for the benefit of the
29 person to whom the licensee is providing specific assistance does not breach the
30 licensee's duty of confidentiality to the person, but the licensee's broker has a duty to
31 maintain the confidentiality of the information.

1 **Sec. 08.88.640. Designated licensee relationship.** (a) Unless the broker is
2 the designated licensee, the relationship, including the duties, obligations, and
3 responsibilities of the relationship, established between a person and a designated real
4 estate licensee does not extend to the real estate broker for whom the designated
5 licensee is working, to another real estate licensee who works for the same real estate
6 broker, or to an owner of the business that employs the real estate broker. The extent
7 or limitations of the relationship between the broker with the designated licensee shall
8 be disclosed to the parties to a real estate transaction.

9 (b) A real estate broker may have a different designated licensee working for a
10 seller or lessor and for the buyer or lessee in the same real estate transaction. Having a
11 different designated licensee working for a seller or lessor and for the buyer or lessee
12 in the same real estate transaction does not create dual agency or a conflict of interest
13 for the real estate broker or for a licensee employed by the same real estate broker.

14 (c) A designated real estate licensee may represent or provide specific
15 assistance to a person who is a seller or lessor in one real estate transaction while
16 representing or providing specific assistance to the person as a buyer or lessee in
17 another real estate transaction.

18 (d) Unless the broker is the designated licensee, when a designated licensee
19 represents or provides specific assistance as a designated licensee to a person in a real
20 estate transaction, the knowledge received by the designated licensee while
21 representing or providing specific assistance to the person is not imputed to the real
22 estate broker for whom the designated licensee works, to another real estate licensee
23 employed by or under contract to the broker, or to an owner of the business that
24 employs the real estate broker.

25 (e) This section may not be construed to limit the responsibility of a real estate
26 broker, or of an owner of a business that employs the real estate broker, to supervise
27 designated licensees who work for the broker or who work for the business that
28 employs the broker, or to shield the broker or business from vicarious liability for the
29 acts of the designated licensees.

30 **Sec. 08.88.645. Duties of neutral licensee.** (a) Unless additional duties are
31 agreed to in a written document signed by the neutral licensee and the seller, buyer,

1 lessor, or lessee, the duties of a neutral licensee are limited to the duties established for
2 real estate licensees under AS 08.88.615 and the following duties:

3 (1) not to take action that the neutral licensee knows is adverse or
4 detrimental to the interest of the persons to whom the neutral licensee provides
5 services in the real estate transaction;

6 (2) to disclose a conflict of interest in a timely manner to all parties to
7 whom the licensee provides specific assistance;

8 (3) to advise all parties to whom the licensee provides specific
9 assistance for the transaction to obtain expert advice on a matter relating to the
10 transaction that is beyond the expertise of the neutral licensee;

11 (4) not to disclose without written consent confidential information
12 from or about any of the parties to whom the licensee is providing specific assistance
13 to another party to whom the licensee is providing specific assistance in the
14 transaction, except under a subpoena or another court order, even after the relationship
15 with the party terminates;

16 (5) not to disclose without the consent of the person to whom the
17 information relates

18 (A) that the buyer or lessee is willing to pay more than the
19 price offered for the real estate;

20 (B) that the seller or lessor is willing to accept less than the
21 asking price for the real estate; or

22 (C) that the seller, buyer, lessor, or lessee will agree to
23 financing terms other than those terms offered.

24 (b) A neutral licensee does not violate the duties of a neutral licensee if, with
25 written consent, the neutral licensee engages in the following conduct in a good faith
26 effort to assist in reaching final agreement in a real estate transaction:

27 (1) analyzing, providing information on, or reporting on the merits of
28 the transaction to each party;

29 (2) discussing the price, terms, or conditions that each party would or
30 should offer or accept; or

31 (3) suggesting compromises in the parties' respective bargaining

1 positions.

2 **Sec. 08.88.650. No imputation of knowledge resulting from neutral**
3 **licensee relationship.** In a neutral licensee relationship, the knowledge or information
4 of the licensee about one client is not imputed to other clients or to other licensees
5 who work for the same real estate broker.

6 **Sec. 08.88.655. Compensation.** (a) A real estate broker may be compensated
7 by any party to a real estate transaction, by a third party, or by one or more of the
8 parties to the transaction splitting or sharing the compensation.

9 (b) The payment of compensation to a real estate broker may not be construed
10 to establish a relationship between the broker and the party who pays the
11 compensation.

12 (c) If a real estate licensee provides specific assistance or enters into a
13 personal services contract to act as a real estate licensee for a person, or if a seller and
14 buyer, or a lessor and lessee, enter into a contract to sell, buy, or lease real estate, the
15 real estate licensee shall disclose which party the licensee anticipates will be paying
16 compensation to the real estate brokers in the real estate transaction.

17 (d) A real estate licensee shall include in a contract to sell, buy, or lease real
18 estate a statement indicating which party is paying compensation to the real estate
19 brokers in the real estate transaction.

20 **Sec. 08.88.660. Duration of relationship.** (a) A licensee relationship with a
21 buyer, lessee, seller, or lessor begins when the licensee represents or provides specific
22 assistance to the buyer, lessee, seller, or lessor and continues until the earliest of the
23 following events occurs:

- 24 (1) the licensee completes the representation or specific assistance;
25 (2) the relationship term agreed on by the buyer, lessee, seller, or
26 lessor terminates;
27 (3) the licensee and the parties to the relationship terminate the
28 relationship by mutual agreement; or
29 (4) a party to the relationship terminates the relationship by giving
30 notice to the other party.

31 (b) The termination of a relationship under (a)(3) or (4) of this section only

1 terminates the licensee relationship and does not affect other contractual rights of the
2 parties to the licensee relationship.

3 (c) Except as otherwise agreed to in writing, a licensee does not owe a further
4 duty to a buyer, lessee, seller, or lessor after termination of the licensee relationship,
5 except for the duties of accounting for all money and other property received during
6 the relationship and not disclosing confidential information.

7 **Sec. 08.88.665. Vicarious liability.** A seller, buyer, lessor, or lessee is not
8 liable for an act, error, or omission of a real estate licensee that arises out of the
9 licensee relationship,

10 (1) unless the seller, buyer, lessor, or lessee participated in or
11 authorized the act, error, or omission and then only to the extent of the participation or
12 authorization; or

13 (2) except to the extent that the seller, buyer, lessor, or lessee benefited
14 from the act, error, or omission, and a court determines that it is highly probable that
15 the person claiming damages for the act, error, or omission would be unable to enforce
16 a judgment against the licensee.

17 **Sec. 08.88.670. Imputed knowledge and notice.** (a) Unless otherwise
18 agreed to in writing, a seller, buyer, lessor, or lessee is not considered to have
19 knowledge or notice of a fact known by a real estate licensee of the seller, buyer,
20 lessor, or lessee unless the fact is actually known by the seller, buyer, lessor, or lessee.

21 (b) Unless otherwise agreed to in writing, a real estate licensee does not have
22 knowledge or notice of a fact that is not actually known by the licensee.

23 **Sec. 08.88.675. Common law abrogated.** The common law of agency
24 related to real estate licensee relationships in real estate transactions is expressly
25 abrogated to the extent inconsistent with AS 08.88.600 - 08.88.695.

26 **Sec. 08.88.680. Causes of action.** (a) A person may not bring an action
27 against a neutral licensee for making a disclosure that is required or permitted under
28 this chapter.

29 (b) In a civil action for the failure of a licensee to comply with the provisions
30 of AS 08.88.600 - 08.88.695, the plaintiff's remedy is limited to the recovery of actual
31 damages. This subsection does not limit a person's ability to take any other action or

1 pursue any other remedy to which the person may be entitled under other law.

2 **Sec. 08.88.685. Policies, guidelines, and requirements.** (a) A broker shall
3 adopt a written policy that identifies and describes the relationships in which the
4 broker and the real estate licensees who work for the broker may engage with a seller,
5 buyer, lessor, or lessee. The broker shall make the written policy available to the
6 commission and to members of the public on request.

7 (b) The commission shall adopt regulations that establish

8 (1) guidelines to assist a broker to adopt the written policy required by
9 (a) of this section;

10 (2) the contents and format of the pamphlet to be provided by a
11 licensee under AS 08.88.615(a)(6); and

12 (3) requirements for a broker's supervision of the real estate licensees
13 who work for the broker.

14 (c) Based on the content and format for the pamphlets established under (b)(2)
15 of this section, a real estate broker shall produce and pay the costs to produce the
16 actual pamphlets to be provided by licensees in the broker's business under
17 AS 08.88.615(a)(6).

18 **Sec. 08.88.690. Exemptions.** A real estate licensee is exempt from the
19 signature requirements of AS 08.88.600 - 08.88.695 when the licensee provides
20 specific assistance to

21 (1) a corporation that issues publicly traded securities;

22 (2) a business that has a net worth in the previous calendar year of
23 \$2,000,000 or more, if the business requests the exemption from the licensee; or

24 (3) a governmental agency; in this paragraph, "governmental agency"
25 means a department, division, public agency, political subdivision, or other public
26 instrumentality of the state or federal government, including the University of Alaska,
27 the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, the Alaska
28 Industrial Development and Export Authority, and other public corporations.

29 **Sec. 08.88.695. Definitions.** In AS 08.88.600 - 08.88.695,

30 (1) "compensation" includes a commission;

31 (2) "confidential information" means information from or concerning a

1 person that

2 (A) the licensee acquired during the course of the licensee's
3 relationship as a licensee with the person;

4 (B) the person reasonably expects to be kept confidential;

5 (C) the person has not disclosed or authorized to be disclosed
6 to a third party;

7 (D) would, if disclosed, operate to the detriment of the person;

8 and

9 (E) the person is not obligated to disclose to the other party in a
10 real estate transaction;

11 (3) "designated licensee" means

12 (A) a real estate licensee who works for a real estate broker and
13 represents or provides specific assistance to a person in a real estate transaction
14 when another licensee who is working for the same broker represents or
15 provides specific assistance to an unrepresented person in the same transaction;
16 or

17 (B) a real estate broker who represents or provides specific
18 assistance to a person in a real estate transaction when another licensee who is
19 working for the broker represents or provides specific assistance to another
20 person in the same transaction;

21 (4) "neutral licensee" means a real estate licensee who

22 (A) provides specific assistance to both the buyer and the
23 seller, or both the lessor and the lessee, in a real estate transaction; and

24 (B) does not represent either party;

25 (5) "personal services contract" includes a listing, a fee agreement
26 between brokers and sellers, buyers, lessors, or lessees, a management contract with
27 property owners, or any other agreement by which a broker agrees to perform a duty
28 with respect to real estate for an agreed upon fee or commission;

29 (6) "real estate services" means services related to a real estate
30 transaction;

31 (7) "represent" means to provide real estate services to a person if the

1 services are not limited to specific assistance;

2 (8) "specific assistance"

3 (A) means

4 (i) asking questions regarding confidential information
5 for a real estate transaction;

6 (ii) showing pieces of real estate selected for a buyer's
7 or lessee's specific needs or desires;

8 (iii) preparing a written offer for a real estate
9 transaction; or

10 (iv) entering into a personal services contract;

11 (B) does not include

12 (i) hosting an open house;

13 (ii) casual conversation regarding real estate;

14 (iii) receiving calls or electronic inquiries from the
15 licensee's signs, advertisements, or Internet site;

16 (iv) providing information regarding a piece of real
17 estate;

18 (v) setting an initial appointment to show a piece of real
19 estate;

20 (vi) receiving unsolicited information from a buyer or
21 lessee before or after disclosure of a real estate relationship.

22 * **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 TRANSITIONAL PROVISIONS: PAMPHLET; REGULATIONS. The Real Estate
25 Commission shall proceed to adopt the regulations required by AS 08.88.685(b), enacted by
26 sec. 6 of this Act. The Real Estate Commission may proceed to adopt other regulations
27 necessary to implement this Act. A regulation adopted under this section takes effect under
28 AS 44.62 (Administrative Procedure Act) but not before the effective date of the law
29 implemented by the regulation.

30 * **Sec. 8.** Sections 1 - 6 of this Act take effect January 1, 2005.

31 * **Sec. 9.** Section 7 of this Act takes effect immediately under AS 01.10.070(c).