

By Concerned PAAR Brokers/Members

PMLS vs. ARMLS: Should PAAR Switch?

Let your vote be counted. Vote Against!

Exercise your voice as a PAAR member by voting on the Board of Directors' recommendation to eliminate our own Multiple Listing Service (PMLS) and replace it with the Arizona Regional Multiple Listing Service (ARMLS).

That vote is your **ONLY chance** to decide the future of real estate sales and service in the Quad Cities. Responsibly vote your preference or you may be saddled with someone else's idea of how our market should operate.

The PAAR MLS Committee has stated many reasons for wanting to incorporate into ARMLS, including nationwide competition in the lucrative online MLS industry, better monitoring of agents' listing data, and PAAR's ability to supply its own membership with a good MLS system. The latter was countered during a July Member Forum where Board members stated multiple times that our association "is of sufficient size and strength to provide a more than adequate MLS to our members."

We — the concerned brokers and agents emphasized that we will support the final decision of membership of a properly conducted voting process. However, we feel compelled to share our unease regarding:

1. failure to conduct adequate due diligence;
2. lack of analysis by an impartial third party;
3. spread of false information impeding informed voting; and
4. pressure to rush decision-making.

As of today, you have received a sample voting ballads with voting instructions which are inconsistent with 'Article XVI – Amendments.' These proposed amendment changes will make it impossible to change back without another complete Bylaw vote by membership.

By dropping PMLS and moving to ARMLS, PAAR would:

1. forfeit our own MLS offering and merge into another;
2. trade area listing customization for a one-size-fits-all metropolitan flavor;
3. play second fiddle to the interests of Phoenix and reduce our sphere of influence on rule-making;
4. lose governance and management of our MLS;
5. subject ourselves to harsh fines and penalties (\$50 to \$15,000 after a first-offense warning);
6. expand compensation, data availability, and lockbox access to 34,000 Phoenix area agents;
7. absorb increased MLS fees (by \$48 a year per agent) amid reduced association revenues;
8. multiply liabilities from out-of-area expertise and increased listing and selling by non-local agents;
9. prompt secondary members to leave our ranks;
10. create a slow, difficult and/or impossible process for customization to our area;
11. cause changing back to a PAAR-managed system tough and undoubtedly costly;
12. decrease the value proposition of PAAR, sparking loss of broker members to other associations offering more benefits; and
13. expose our association to a potential closure in the future, as PAAR's significance is compromised without an MLS offering.

With these consequences in mind, here's what you need to know about the key issues surrounding a change to ARMLS:

Out-of-Area Expertise — Roughly 28% to 32% of all real estate sales in our area now originate in Phoenix. PAAR has 235 secondary members and the majority comprises Phoenix area agents with local area knowledge or a business reason to be a PAAR MLS member. Out-of-area transactions would more than double with even less than 1% of the additional 34,000 ARMLS members working in our area. **An agent with no expertise here will obtain lockbox and MLS access without joining PAAR.** Brokers might not be aware of a potential out-of-area-expertise issue until an agent brought a contract and the liability clock already had been ticking. Every PAAR member needs to decide whether opening to 34,000 agents would magnify these impacts.

Myth of More Tools — A hyped benefit of moving to ARMLS is that the regional system delivers more in standard service and agent tools. The baseline FlexMLS subscription is the same for PAAR and ARMLS. The only difference is that PAAR chooses not to use all of the possible data fields, which could be activated by association request. If PAAR joins ARMLS, we would be using the ARMLS forms library. Local input to forms modification and customized fields could be restricted, though we are advised that ARMLS decision-makers will listen. **Additional software tools — including Homesnap, Showing Time, and Monsoon — already are accessible at no cost to REALTORS® or agents.** PAAR currently pays \$1,000 a month for Monsoon and could purchase Showing Time for as little as \$1.40 per member per month. Homesnap has offered to provide its

upgraded Pro software “free for the first year” and subsequently 50 cents to \$1 per agent per month. Viable tool options are available to PAAR without merging into ARMLS.

Data Integrity — Data Integrity means maintaining and assuring the accuracy and consistency of information. It involves ensuring that MLS data is recorded exactly as intended and enforcing PAAR’s monitoring rules and penalty policies when it is not. Clients rely on correct data from us to make decisions about their next real estate transactions. **Decisions based on inaccurate information can lead to serious consequences and agent/broker liability.** Member reporting accounts for 95 percent of the data monitoring managed by ARMLS. Ensuring data integrity is everyone’s responsibility and only you can ensure accurate presentation of your data.

Hazard of No Local Board — The suggested move of PMLS to ARMLS threatens our association’s survival. **We risk losing many more members and affiliates than PAAR anticipates and invite the possibility of leaving our 1,400 members with no local board.** The end result could make it difficult — if not impossible — to reverse that decision in the future. PAAR and our membership are growing. We are not the “small board” that we’ve been made out to be. Even PAAR Board members have admitted this fact. Sufficient monetary and volunteer resources exist to secure our association’s solid track record going forward.

For-Profit Business Model — The objective of the for-profit ARMLS is to grow and take over the MLS functions in the state. PAAR is the logical first step, representing a gateway to Northern Arizona in the ARMLS mission. **ARMLS needs PAAR more than PAAR needs ARMLS.** Losing our ability to self-govern and farming out our FREE MLS Committee and management control in favor of a for-profit corporation is an expensive and doubtful proposition. We would forfeit command of our data, systems, customizations, policies/procedures and penalties/fines. Operationally, we would be joining a one-size-fits-all culture targeted to real estate norms in large urban and metropolitan areas.

Loss of Broker Control over Data — Consumer confidence in our data is eroding, due to the multiplicity of conflicting sources. **Data aggregation and syndication has resulted in collection from sources that are not always up-to-date, and therefore, compromise data integrity.** Today, we have control of who gets and uses our data. With a move to ARMLS, that advantage would be lost. ARMLS would decide who gets and uses our data, based on its revenue stream and not ours.

Competitive Advantage — **Can Prescott area brokerages compete with Phoenix counterparts in terms of fee structure and providing value?** This should be a concern to the association, as well as brokers. How many sales agents will leave a PAAR brokerage to join a Phoenix company? How many agents can PAAR afford to lose and still remain viable as an association?

Utilizing Existing Funds — PAAR currently has \$1,257,563.48 in assets as of June 30, 2016. Could some of these funds be utilized to resolve the challenges — oversight of data integrity, data compliance, and contract negotiations with large syndicators — which the Board predicts for our future? What is the point of having capital and not putting it to work while you fall behind in sales and service to clients? **If we vote to join ARMLS and PAAR dissolves, what happens to these**

reserve funds? How and to whom will they be distributed? (Answer: the Arizona Association of REALTORS®.) In addition, what happens to all of our affiliate partners and their lines of business in the Prescott area if PAAR dissolves? Will large title, lending and other real estate service companies from the Valley compete to serve the Prescott area and thus reduce local affiliate revenues?

MLS Dues Increase — Upon joining ARMLS, agents' annual MLS fees — not to be confused with our PAAR dues— will increase from \$240 annually to \$288. **What provision within the contract states how often and by how much those fees can increase?** We will still pay PAAR dues. Will local dues increase to make up for the lost revenue from by MLS fees no longer accruing to PAAR? What will happen to the support center at the end of five years? Will fees increase then?

Impartial Analysis — Financial projections reportedly were completed by an individual from ARMLS and a staff member from PAAR. What are the qualifications of those individuals in financial analysis? What is the level of tolerance within the projections? Has anyone else reviewed these projections? **If the projections are off, what are the ramifications and who will be held accountable? The membership of PAAR should insist on having an unbiased third party evaluate the financial benefits and ramifications of this potential move to ARMLS.** These independent findings should be reported back to membership.

MLS System Options — There are many MLS providers. The PAAR Board is only considering ARMLS. Why not complete a full evaluation of all the options when making such an important decision?

Hidden Costs — Members have been informed that the financial conditions associated with joining ARMLS are confidential. **Lack of accurately disclosed financial implications affects the ability of members to evaluate the full weight of the PMLS to ARMLS decision.** Most business owners demand full disclosure of financials when deciding to support or deny business opportunities. That practice also applies to associations to which member businesses belong and provide monetary support.

Membership Decision — The reality is that 10 individuals comprising any Board of Directors — regardless of being elected by membership, operating under oath to act in the best interests of the association's members, and donating their time to fully understand all sides of an issue — cannot presume to make a fully informed decision on any issue without accommodating the wishes of members. The PAAR Board's original inclination to disregard members' wishes prompts concern that other relevant information also may have been withheld.

Let your needs, wants and voice be heard and counted. Carefully consider the pros and cons. Then, vote when given the choice. **Our vote is against.**

NOTE: This email is the first in a series by Prescott area REALTORS® working diligently to ensure that every member of PAAR is aware of the magnitude of the decision before us and the importance of everyone taking action so that their voices are heard and counted regarding the PAAR Board's recommendation to discontinue PMLS and join ARMLS.

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