

2026 EDITION

# The Managing Broker's AI Governance Checklist

A practical roadmap for North Carolina managing brokers (Brokers-in-Charge)

*Revised September 30, 2026. Informational only; not legal advice. Have your attorney and your E&O carrier review your policy before you adopt it.*

## 1. Strategic Context: The Broker's Duty of Supervision

As a managing broker (a Broker-in-Charge, or BIC, in North Carolina), you remain responsible for supervising your brokers' professional activities, and that includes work done with AI. The North Carolina Real Estate Commission's June 2025 bulletin, *Artificial Intelligence Legal and Ethical Considerations*, says AI should enhance workplace duties and tasks, not replace them, and that brokers are ultimately responsible for ensuring their marketing and outreach follow Fair Housing law regardless of the tools used. For REALTOR® members, the Code of Ethics (Articles 2 and 12) also requires truthful representation and a "true picture" in advertising.

That duty is not transferable. It covers every listing description drafted, every client communication sent and every market analysis prepared with AI. A written, enforced AI policy is the clearest evidence that you are supervising this activity. The NCREC has not said that lacking one is a violation in itself, so treat the policy as strong protection, not as a guarantee.

### Defining the Scope of Supervision

Treat AI use as a professional activity that needs active oversight. That includes making sure AI-assisted advertising gives a true picture of the property and that AI-assisted communications do not breach confidentiality or fiduciary duties. Federal Fair Housing law, FTC advertising rules, your MLS rules and, for REALTOR® members, the Code of Ethics apply whether or not a state has passed an AI-specific law.

### Regulatory and Rule Watch List

Check each item's current status before you rely on it. Several of these have changed recently.

| Source           | Status (as of September 2026) | What it means for a brokerage                                                                                                             |
|------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Fair Housing Act | In force                      | Applies to AI-generated copy, ad targeting and tenant screening. Courts recognize claims based on discriminatory effect, not only intent. |

| Source                                                                          | Status (as of September 2026)                                                                                   | What it means for a brokerage                                                                                                                                                                                           |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HUD April 2024 guidance on advertising through digital platforms (including AI) | Withdrawn effective September 17, 2025                                                                          | HUD's guidance is gone, but the statute still applies and private lawsuits continue. HUD also proposed rescinding its disparate-impact regulations in January 2026; they remain in effect until a final rule is issued. |
| NCREC bulletins                                                                 | June 2025 (AI legal and ethical considerations); November 2025 (Tech Corner: what to avoid when using AI tools) | Verify AI outputs, watch for bias, and do not enter confidential client information into AI tools.                                                                                                                      |
| Canopy MLS image rules                                                          | Article updated February 2026                                                                                   | Label AI-enhanced and virtually staged images directly on the image and include the original photo immediately before or after (or easily accessible with a virtual tour).                                              |
| California AB 723                                                               | Effective January 1, 2026                                                                                       | California only. Requires disclosure and a link or QR code to the original for digitally altered listing images. It matters only if you market California property.                                                     |
| NC Identity Theft Protection Act (G.S. 75-65)                                   | In force                                                                                                        | Requires notice to affected people after a security breach, without unreasonable delay. Involve counsel right away.                                                                                                     |

Some other states are passing AI laws (Colorado replaced its AI Act with SB 26-189, effective January 1, 2027). They matter only if you serve clients in those states.

### The "Shadow AI" Layer

"Shadow AI" is AI that staff use without your knowledge or approval. Microsoft and LinkedIn's 2024 Work Trend Index found that 78% of AI users at work bring their own AI tools. Whatever the exact number in your office, assume it is happening. Depending on the tool and plan, what staff enter may be stored, reviewed by the vendor or used to train models. Your normal IT security does not see it.

**Next step:** move from awareness to a formal inventory of every tool in use.

## 2. Phase 1: Operational Inventory and Tool Evaluation

You cannot supervise what you have not inventoried. A documented register of approved tools is the foundation of your supervision record. "Vendor blind spots" are a primary risk: CRM, AVM, photo and transaction platforms may add AI features without telling you.

## Tool Inventory

Keep this register as a living document:

| AI Tool Name                     | Approved Use Case                           | Data Restriction Level | Executive Sponsor / Owner |
|----------------------------------|---------------------------------------------|------------------------|---------------------------|
| e.g., an enterprise chatbot plan | Drafting and summarizing non-sensitive text | Class 2 (Internal)     | Managing Broker           |
| e.g., an AVM engine              | Property valuation support                  | Class 3 (Confidential) | Broker-in-Charge          |
| e.g., a tenant-screening service | Applicant review, with human decision       | Class 4 (Restricted)   | Compliance Officer        |

## Vendor Vetting: A 5-Step Process

Before any tool is approved for agent use, complete this evaluation:

- 1. Inventory:** list the system and its embedded AI capabilities.
- 2. Ownership:** assign an executive sponsor to manage the tool's lifecycle.
- 3. Documentation:** record what the tool does and what data it ingests.
- 4. Gap review:** identify weaknesses in data ownership, retention and security.
- 5. Disclosure review:** check that the vendor's marketing claims match its contract and actual behavior.

## Data Ownership and Training

Find out whether a vendor keeps rights to use your data for model training and how long it retains prompts. Terms vary by vendor, plan and settings. Seek written commitments (for example, no training on your data and defined retention or deletion) in the contract, and record what you find in the register.

**Next step:** define exactly what information may be entered into each tool.

## 3. Phase 2: Data Classification and Privacy Guardrails

A policy that sits in a drawer does not stop data leakage. Map each type of data to the tools allowed to handle it, so client personally identifiable information (PII) stays out of consumer AI tools.

### Four-Tier Data Classification

- Class 1 (Public):** information meant for public release, such as published blogs and public MLS listings.
- Class 2 (Internal):** non-public business information, such as sales strategies and meeting notes.
- Class 3 (Confidential):** sensitive business information, such as unreleased plans and financial projections.
- Class 4 (Restricted):** highly sensitive PII, such as client Social Security numbers, credit details and bank statements.

## Prohibited Inputs: The Hard Stops

Brokerage policy should forbid entering the following into any public or consumer-tier AI tool. The NCREC's November 2025 Tech Corner warns against entering client names, property addresses and transaction details. The rest of this list is recommended brokerage policy.

- Client names combined with property or financial data.
- Social Security numbers, birth dates, government IDs, signatures, and bank or trust account details.
- Transaction-specific identifiers that could link a client to a deal.
- Unexecuted contracts and confidential deal terms.

## If Restricted Data Is Exposed

If Class 4 data may have been exposed, involve your attorney immediately. North Carolina's Identity Theft Protection Act (G.S. 75-65) requires notice to affected people after a security breach, without unreasonable delay, and also requires notice to the Attorney General's Consumer Protection Division. Other laws and your contracts may add requirements. Entering client PII into a tool with no data processing agreement (DPA) increases your exposure.

**Next step:** address the risks in what AI produces, not only what goes in.

## 4. Phase 3: Fair Housing and Ethical Output Verification

Fair Housing is the highest-risk area for AI-assisted marketing. The Fair Housing Act applies to AI-generated content just as it applies to any other advertising. You can be responsible for biased or discriminatory "coded language" even if the AI suggested it and no one intended it.

### HUD Civil Penalty Caps for Fair Housing Act Violations

These are the maximums adopted in June 2025 and effective July 14, 2025. HUD adjusts them for inflation. Its September 2026 notice made no adjustment for 2026, so these amounts still apply, but confirm the current amounts before you rely on them.

| Violation                                   | Maximum civil penalty |
|---------------------------------------------|-----------------------|
| First violation                             | \$26,262              |
| One prior violation within 5 years          | \$65,653              |
| Two or more prior violations within 7 years | \$131,308             |

### Content Review: Human-in-the-Loop Hard Stops

Require the following verification steps for all agents:

- **Listing descriptions:** a person reviews every description for accuracy and removes exaggeration.
- **Neighborhood descriptions:** look for steering language or terms that suggest a preferred demographic.
- **Property facts:** check AI-generated features against MLS data and other authoritative records.
- **Contract language:** do not use AI to draft or change contract language or to give legal advice. Use your approved standard forms and have an attorney handle anything custom. Drafting legal documents can raise unauthorized-practice-of-law issues.

## Ad Targeting

Geographic exclusions or demographic filters in AI-driven ad tools can create Fair Housing problems. A person must review every targeting setting before a campaign launches.

**Next step:** back these rules with training and enforcement.

## 5. Phase 4: Policy Enforcement, Training and Supervision

A policy nobody follows gives little protection. Documented training records and technical guardrails are evidence that you actually supervise.

### Recommended Training Before Agents Use AI

Require agents to complete training that covers at least:

1. **Fair Housing ethics:** spotting hidden bias in AI output.
2. **Safe prompting:** what may and may not be entered, and how to verify results.
3. **Data privacy:** the four-tier classification.
4. **Disclosure standards:** when and how to disclose AI use and altered images.

### Disclosure Standards

- **Altered images:** follow your MLS rules. In Canopy MLS, put the disclosure directly on the image and include the original photo immediately before or after it (or easily accessible with a virtual tour). As a recommended practice, repeat the disclosure wherever you reuse the image, including social media, print and websites. Canopy's article does not address those uses, so check your MLS and state rules.
- **AI-generated avatars or video:** as a recommended practice, label synthetic presenters clearly. Requirements vary by MLS and state, so check yours.
- **Client honesty:** answer client questions about AI use truthfully. Misleading a client can raise misrepresentation issues under license law and, for REALTOR® members, the Code of Ethics.

### Procedural vs. Technical Enforcement

- **Procedural:** agents sign the Acceptable Use Policy (AUP) and complete training.
- **Technical:** where you can, use tools that block unapproved apps or redact sensitive data before it reaches an AI model. Technical controls turn a policy from a promise into a practice.

### Explainability

If AI helps with a decision such as tenant screening, be able to explain how it was made. If you cannot explain the logic, you cannot supervise it, and you carry the risk of any discriminatory result.

**Next step:** finish with insurance and an incident response plan.

## 6. Phase 5: Insurance, Liability and Incident Response

Policies differ, and many were written before generative AI. Ask your carrier and your broker in writing how AI-related claims are treated.

AI Insurance Questions to Ask

| Policy type        | Typical scope                     | Ask whether AI-related claims are covered                                      |
|--------------------|-----------------------------------|--------------------------------------------------------------------------------|
| Cyber              | Data breaches and cyber incidents | AI-related data exposure, defamation and copyright claims                      |
| General liability  | Bodily injury and property damage | Financial loss, discrimination and advertising-injury claims                   |
| Professional (E&O) | Errors in professional services   | AI exclusions or riders, and any training or documentation the carrier expects |

Carriers may ask for your AI policy and training records. Get their requirements in writing.

Emergency Protocol: 4-Step Workflow

If an agent finds a compliance violation or a data leak:

- 1. **Stop:** immediately stop the activity and take down the offending content.
- 2. **Contact the broker:** notify the managing broker promptly (this checklist recommends within 24 hours).
- 3. **Preserve evidence:** do not delete AI logs or conversation history.
- 4. **Assess:** the broker and legal counsel decide what notice is required, including under G.S. 75-65 if restricted data was exposed.

Brokerage Policy Acknowledgment

By signing below, I affirm the following:

- 1. I have read and understood the Brokerage AI Acceptable Use Policy (AUP).
- 2. I understand which AI tools are approved and the uses permitted.
- 3. I will follow the Four-Tier Data Classification and will not enter Class 4 (Restricted) data into public or consumer AI tools.
- 4. I agree to the Human-in-the-Loop requirement: all AI content will be checked by a person for accuracy and Fair Housing compliance before publication.
- 5. I will not use AI to draft or change contract language or to give legal advice.
- 6. I agree to report any AI-related data incident or inaccuracy to the managing broker promptly, and within 24 hours if possible.

Name

License Number

Date

Sources checked in September 2026: NCREC bulletins (June and November 2025); Canopy MLS image standards (February 2026); Federal Register notices on HUD penalties (June 2025 and September 2026), guidance withdrawals (April 2026) and the proposed disparate-impact rule (January 2026); Microsoft and LinkedIn 2024 Work Trend Index; N.C.G.S. 75-65; California AB 723. Laws and rules change; confirm the current text before you rely on any item.

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## Laws, rules and guidance change

Statutes, regulations, agency guidance, MLS rules and insurance practices concerning artificial intelligence are changing quickly. The information here reflects sources reviewed in September 2026, and some of it may be out of date by the time you read it. Confirm the current text and status of every law, rule, penalty amount and policy mentioned before you rely on it.

## Adapt it to your brokerage

This is a starting framework, not a complete or customized compliance program. Recommendations such as data classes, prohibited inputs, training topics, timelines and reporting windows are suggested practices and not requirements of North Carolina license law unless a cited source says so. Your obligations depend on your brokerage's facts, your MLS and association memberships, your contracts and your insurance policies.

## Get professional review

Before you adopt any policy or make any decision based on this document, consult a licensed North Carolina attorney, the North Carolina Real Estate Commission and your errors and omissions (E&O) carrier or broker, as appropriate. Do not alter standard forms or draft contract or consent language without qualified legal advice.

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