REALTORS® Member Education Program

THE NATIONAL ASSOCIATION OF
REALTORS®

Participant Workbook

Objectives

Upon completion of “The Code of Ethics: Our Promise of Professionalism” course, participants will be able to:

- Identify key aspirational concepts found in the Preamble to the NATIONAL ASSOCIATION OF REALTORS® Code of Ethics
- Describe “general business” ethics, and compare and contrast the REALTORS®’ Code of Ethics with business ethics, generally
- Describe the concepts established in Articles 1, 2, 3, 11, and 16 of the Code of Ethics and identify possible violations of the Code of Ethics specifically related to those Articles
- Describe the professional standards process for enforcing the Code of Ethics, including the duty to arbitrate
- Identify critical elements of due process as they relate to Code enforcement
- Identify how the Code of Ethics should be used in daily business practices.
- Explain how the Pathways to Professionalism tool provides guidelines for respecting property, the public, and peers.

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Exercise: Ice-Breaker

Instructions: Read each statement and select the Article of the Code of Ethics from the list below that the statement most closely describes. Write the correct Article number in the space next to each statement. No Articles are to be selected twice.

NOTE: The statements in this exercise do not fully represent the comprehensive ethical principles of each Article of the Code of Ethics. To gain a full understanding of the principles of the REALTORS® Code of Ethics, each Article must be read and understood in its entirety.

Choose from Articles: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17	
1. Make only truthful and objective statements.	_____
2. Avoid the unauthorized practice of law.	_____
3. Participate in professional standards enforcement.	_____
4. Keep client funds in separate escrow accounts.	_____
5. Receive compensation from one party only with informed consent.	_____
6. Respect exclusive relationships.	_____
7. Cooperate with other brokers.	_____
8. Disclose present or contemplated interests in property.	_____
9. Treat all parties honestly.	_____
10. Arbitrate contractual disputes.	_____
11. Equal professional services for all.	_____
12. Make your “true position” known when presenting offers.	_____
13. Be competent in your field of practice.	_____
14. Get transactional details in writing.	_____
15. Disclose pertinent facts.	_____
16. Disclose financial benefits from recommending products/services.	_____
17. Paint a true picture in advertising.	_____

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Part 1: History of the Code of Ethics

Pre-1900

- There was no licensing of real estate practitioners.
- Speculation, exploitation, and disorder was the rule.
- *Caveat emptor* (buyer beware) governed transactions.

1908

- NATIONAL ASSOCIATION OF REALTORS® formed

1913

- Code of Ethics adopted
  - Established professional standards of conduct.
  - The first business ethical code, after those of medicine, engineering, and law.
  - Standards to protect the buying and selling public.

1989 - the Present

- Since 1989 the Code has changed almost each year
  - Are you familiar with the most recent changes?
  - How the Code is enforced?
  - How to use the Code to your benefit?

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Part 1: History of the Code of Ethics (Continued)

The Code is:

- Our commitment to professionalism.
- Recognized as the measure of high standards in real estate.
- The “Golden Thread” that binds the REALTOR® family together.
- A living document that evolves with the real estate business.

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Part 1: History of the Code of Ethics

3. Business Ethics and the Code

- What are "business ethics?"
  - Industry codes and standards
  - Company policies and practices
  - Individual values
- Legal standards generally set minimum standards of conduct required by law, while ethical standards encompass principles higher than legal standards.
- Business ethics and the REALTORS® Code of Ethics

Note: REALTORS® engage in many specialty areas and may be subject to the various codes and canons of those fields (such as legal ethics, the Uniform Standards of Professional Appraisal Practice [USPAP], the National Auctioneers Association [NAA] Code of Ethics, and the codes of the NATIONAL ASSOCIATION OF REALTORS®' Institutes, Societies, and Councils, etc.).

Regardless of their real estate specialties or fields of practice, all REALTORS® are bound by the Code of Ethics of the NATIONAL ASSOCIATION OF REALTORS®.

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Part 2: Structure and Major Categories of the Code

1. Aspirational Concepts of the Preamble to the Code

- Under all is the land . . .
- The Golden Rule
- “Widely allocated ownership” and “widest distribution of land ownership”
- Maintain and improve the standards of our calling.
- Share our common responsibility for the integrity and honor of the real estate profession.
- Become and remain informed about issues affecting real estate.
- Share your experience and expertise with others.
- Identify and eliminate practices that damage the public or might discredit or bring dishonor to the real estate profession.
- Urge exclusive representation of clients.
- Refrain from taking unfair advantage of your competitors.
- Don’t make unsolicited comments about other practitioners.
- If your opinion is sought about a competitor (or if you believe a comment is necessary), offer it in an objective, professional manner.
- Remember, the term “REALTOR®” stands for competency, fairness, high integrity, moral conduct in business relations.
- Keep in mind that no inducement of profit or instruction from clients can justify departure from the Code’s duties.

Important Note: The Preamble may **not** be the basis for disciplining a REALTOR®.

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Part 2: Structure and Major Categories of the Code

2. Sections of the Code

- Three major sections
  - Duties to Clients and Customers
  - Duties to the Public
  - Duties to REALTORS®
- The Code's 17 Articles are broad statements of ethical principles

  Important Note: Only violations of the Articles can result in disciplinary action.
- The Standards of Practice support, interpret, and amplify the Articles under which they are stated
  - REALTORS® may not be found in violation of a Standard of Practice, only its foundational Article.
  - Standards of Practice may be cited in support of an alleged violation of an Article (such as a violation of Article 1, as interpreted by Standard of Practice 1-3).
- "Interpretations to the Code of Ethics" (or Case Interpretations) found on nar.realtor include specific applications of the Articles and/or Standards of Practice.

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Part 3: Code of Ethics: Arbitration Process

1. Background

- Ethics complaints deal with the perceived unethical “action” or “conduct” of a REALTOR®.
- Arbitration requests deal with contractual disputes or specific non-contractual disputes identified in Standard of Practice 17-4 of the Code of Ethics, involving money arising out of a real estate transaction.
- Mediation is the National Association’s preferred dispute resolution system for otherwise arbitrable disputes.
- As of 2000, all REALTOR® associations must offer mediation as an optional service to its REALTORS®.
- In mediation, the disputing parties work with a neutral third-party, a mediation officer, to identify and discuss the issues relative to the dispute and to craft an enforceable resolution voluntarily entered into between the parties.
- Many difficulties between real estate professionals (whether REALTORS® or not) result from misunderstandings, miscommunication, or lack of adequate communication.
- Prior to pursuing an ethics complaint, arbitration request or mediation request, REALTORS® are encouraged to work with each other to resolve their differences.

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Part 3: Code of Ethics: Arbitration Process

2. Background

Arbitration is defined by -- and the arbitration of disputes is limited to -- circumstances that fall within the parameters of Article 17.

- They must be "contractual disputes or specific non-contractual disputes as defined in Standard of Practice 17-4 between REALTORS® (principals) associated with different firms, **arising out of their relationship as REALTORS®**."
    - For example, the desire to collect damages for an automobile accident is not an arbitrable matter under the Code just because two REALTORS® were involved in the accident. Such a claim is not one "arising out of their relationship as REALTORS®" as provided in Article 17.

- Arbitration requests must be filed within one hundred eighty (180) days after:
    - the closing, if any

  or
    - the realization that a dispute existed, whichever is later.

Arbitration can be mandatory or voluntary. Participants in arbitration are:

Mandatory	Voluntary
REALTOR® principals associated with different firms	REALTORS® within the same firm
REALTOR® principals associated with different firms when requested by their REALTOR® licensees	REALTORS® and real estate professionals that do not hold REALTOR® membership
Clients and the REALTOR® principals who represent them as agents. In this situation, the client must agree to arbitrate the dispute through the association of REALTORS®.	REALTORS® and customers (no agency relationship)

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Part 3: Code of Ethics, Arbitration Process

3. Grievance Committee

Role of the Grievance Committee
A Grievance Committee makes a preliminary review of ethics complaints and arbitration requests to determine if a full due process hearing is warranted.

The Grievance Committee handles:

- **Ethics** complaints to determine if the complaint supports a violation of the Article(s) cited.
- **Arbitration** requests to determine if the request relates to a monetary dispute arising out of a real estate transaction that is properly subject to arbitration.

The Grievance Committee ensures that:
- ethics complaints and arbitration requests are in proper form
- the appropriate parties are named
- filing deadlines are followed
- litigation or governmental investigations aren't pending related to the same transaction or event that might delay consideration of the matter by a hearing panel
- the board can impanel an impartial hearing panel
- **for ethics complaints**: the right Articles are named, and if appropriate, Standards of Practice are cited to support the charge of a violation
- **for arbitration requests**: the amount involved is not too small or too large; and the complaint is categorized as mandatory or voluntary

An appeal to the local association's Board of Directors can be made:
- If the Grievance Committee dismisses an ethics complaint or arbitration request
- Over the classification of the dispute as "voluntary" or "mandatory"

Once the Grievance Committee forwards an ethics complaint or arbitration request for hearing, the parties will have the opportunity to present their case to a hearing panel for a determination on the merits, unless the hearing panel chair or one of the parties believes there was a mistake in forwarding the matter to a hearing in the first place, in which case the hearing panel can consider that objection in what is called a "pre-hearing meeting."

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Part 3: Code of Ethics, Arbitration Process

4. Professional Standards Hearings

What is a Professional Standards Hearing?

Professional Standards hearings for ethics and arbitration are full “due process” hearings, including sworn testimony, and if desired by a party, representation by counsel.

Hearings are to be fair, unbiased, and impartial, to determine, based on the evidence and testimony presented, whether a violation of the Code occurred or an award should be rendered.

Who hears complaints?

Hearing panelists:

- are unpaid volunteers giving their time as an act of association service.
- can be disqualified from serving if it is determined that they are incapable of rendering an impartial decision.

At the hearing

1. Each party may make an opening statement to present their case.
2. Witnesses may be called to provide testimony.
3. Witnesses can be cross-examined by the other party.
4. Supporting documents/information may be presented.
5. Parties may make closing arguments.

The decisions of hearing panels

- Decisions are based on the evidence and testimony presented during the hearing.
- Hearing panels cannot conclude that an Article of the Code has been violated unless that Article(s) is specifically cited in the complaint.

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Part 3: Code of Ethics, Arbitration Process

5. Professional Standards Hearings: Ethics Hearing Results

Who can serve as counsel in an ethics hearing?
In Ethics Hearings, “counsel” can include legal representation and representation by another REALTOR® knowledgeable in the Code.

The Burden of Proof
Respondents in Ethics Hearings are considered innocent unless proven to have violated the Code of Ethics.

The burden of proof in an ethics complaint is "clear, strong and convincing," defined as the "measure or degree of proof which will produce a firm belief or conviction as to the allegations sought to be established."

Ethics Hearing Panel Decisions
The hearing panel’s decision includes:

1. Findings of fact
2. Conclusion
3. Recommended discipline (if any).

Findings of Fact
The findings of fact are the story behind the hearing panel’s conclusion. The findings of fact are a written account of what took place based on the panel’s assessment of all of the evidence and testimony presented. Findings of fact are not appealable and must support the hearing panel’s conclusion.

Discipline
Discipline should correspond to the offense and the severity of the REALTORS®’ actions.

- Unintentional or inadvertent violations should result in penalties designed to educate
- Intentional violations or repeated violations should result in more severe sanctions

Authorized forms of discipline include:

- Letters of warning or reprimand
- Fines up to $15,000
- Attendance at educational courses/seminars
- Suspension or termination of membership
- Suspension or termination of services including MLS.
- Cease or refrain from continued conduct deemed unethical or take affirmative steps to ensure compliance with the Code

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Part 3: Code of Ethics, Arbitration Process

6. Professional Standards Hearings: Arbitration Hearing Results

The Standard of Proof
The standard of proof in which an arbitration hearing decision is based shall be a "preponderance of the evidence," defined as, "evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it, that is, evidence which as a whole shows that the facts sought to be proved are more probable than not." *There are no findings of fact in arbitration.*

Arbitration Awards
The panel will award an amount to the prevailing party. The amount cannot be more than what was requested in the arbitration request, though it can be less.

Making an Appeal
The fact that a hearing panel found no violation of the Code of Ethics is not appealable.

If a party believes that the hearing process was seriously flawed to the extent of denying a full and fair hearing, there are procedures for both ethics and arbitration to appeal that decision on what is called a "procedural deficiency."

Grounds for Appeal
In addition to procedural deficiencies, appeals brought by ethics respondents can also be based on:

- A perceived misapplication or misinterpretation of one or more Articles of the Code of Ethics
- The nature or gravity of the discipline proposed by the hearing panel

The appeal panel's decision is final.

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Part 3: Code of Ethics, Arbitration Process

7. Mediation

What is Mediation?
Mediation a powerful tool to help disputing REALTORS®, and sometimes REALTORS® and their clients, resolve disputes that might otherwise be arbitrated.

- Mediation must be offered by an association of REALTORS® as an alternative to arbitration. If the mediation is unsuccessful, the parties are free to arbitrate.
- Mediation is typically a voluntary process, though REALTOR associations can mandate mediation of otherwise arbitrable disputes pursuant to Article 17.
- Mediation can resolve disputes, promote amicable resolutions, and reduce the number of cases requiring the more formal and complex arbitration procedures of the association of REALTORS®.

Mediation Officer

The mediation officer is a neutral third party. If any party objects to the mediation officer (i.e., potential conflict of interest) another mediation officer can be assigned.

Difference Between Mediation and Arbitration

Mediation	Arbitration
Low cost	Moderate cost
Little delay	Moderate delay
Maximum range of solutions	Win/lose/split
Parties control the outcome	Arbitrators control the outcome
Uncertain closure	Definite closure
Maintains/improves relationships	May harm relationships

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Part 3: Code of Ethics, Arbitration Process

8. Benefits of Mediation

Benefits of Mediation

- Mediation process is private
- The parties have complete control over the outcome
- The mediator officer is an experienced facilitator familiar with real estate practice and custom
- Low cost
- Improves relationships (parties respond to each other and explain/explore information, needs, ideas and feelings)
- Maximum range of solutions beyond money.

Mediation Process

1. **Explain process**
   Mediation officer explains the process and rules/goals, including the mediator's and parties' roles, voluntary outcome, neutrality and confidentiality.
2. **Make statements**
   Parties make statements to explain their perspective of the dispute and ask questions.
3. **Identify issues**
   All parties and the mediation officer identify the issues to be addressed.
4. **Cross-talk**
   The parties may respond to each other and explain/explore information, needs, feelings and ideas.
5. **Caucus**
   The mediation officer may meet privately with parties to discuss feelings, information and options.
6. **Find solutions**
   The parties, with the mediation officer's assistance, explore and refine workable solutions.
7. **Reach agreement**
   Agreement is reached/signed before leaving mediation or all parties agree that no further progress can be made, in which case parties are free to pursue arbitration.

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Part 4: Ombudsman Services

1. Introduction

What is an Ombudsman?
An ombudsman is an individual appointed to receive and resolve disputes through constructive communication and advocating for consensus and understanding.

What is the purpose of an Ombudsman?
Ombudsman procedures are intended to provide enhanced communications and initial problem-solving capacity at the local level.

Many “complaints” received by boards and associations do not expressly allege violations of specific Articles of the Code of Ethics, and many do not detail conduct related to the Code. Some “complaints” are actually transactional, technical, or procedural questions readily responded to.

Who must provide Ombudsman services?
All associations must provide ombudsman services to their members and members’ clients and customers, according to Professional Standards Policy Statement #59: Associations to Provide Ombudsmen Services, *Code of Ethics and Arbitration Manual.*

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Part 4: Ombudsman Services

2. Role of the Ombudsman

The ombudsman's role is primarily one of communication and conciliation, not adjudication.

Ombudsmen DO
Ombudsmen anticipate, identify, and resolve misunderstandings and disagreements before matters ripen into disputes and possible charges of unethical conduct.

Ombudmen DON'T
Ombudsmen do not determine whether ethics violations have occurred or who is entitled to what amount of money.

The following are examples of some situations in which an ombudsman would be covered by the NAR errors and omissions insurance program and other situations when the ombudsman would not be covered:

Ombudsman Covered	Ombudsman NOT Covered
A seller contacts the association because they feel their listing broker, who is a REALTOR®, is not responding to phone calls, and may have received offers that they haven't presented to the seller yet.	A buyer contacts the association for help with a short sale transaction.
REALTOR® A contacts the association because she has reason to believe REALTOR® B has been criticizing her business on Facebook after a difficult transaction.	

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Part 4: Ombudsman Services

3. Involving the Ombudsman

Boards and associations have considerable latitude in determining how and when ombudsmen will be utilized.

What types of issues do ombudsmen deal with?

Ombudsmen can respond to:

- general questions about real estate practice
- transaction details
- ethical practice
- enforcement issues
- questions and complaints about members

Ombudsmen can also:

- contact members to inform them that a client or customer has raised a question or issue
- contact members to obtain information necessary to provide an informed response.

In cases where an ombudsman believes that a failure of communication is the basis for a question or complaint, the ombudsman can arrange a meeting of the parties and to facilitate a mutually acceptable resolution.

What issues can ombudsmen NOT deal with?

Complaints alleging violations of the public trust (as defined in Article IV, Section 2 of the NAR Bylaws) may not be referred to an ombudsman. “Public trust” refers to misappropriation of client or customer funds or property, willful discrimination, or fraud resulting in substantial economic harm.

If the ombudsman determines there has been a violation of the public trust, the process shall be immediately terminated. Parties may then:

- pursue a formal ethics complaint
- pursue a complaint with any appropriate governmental or regulatory body
- pursue litigation
- pursue any other available remedy.

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Part 4: Ombudsman Services

4. Right to Decline Ombudsman Services

Persons filing complaints, or inquiring about the process for filing ethics complaints, will be advised that ombudsman services are available to attempt to informally resolve their complaint.

Such persons will also be advised that they may decline ombudsman services and can have their complaint referred to ethics mediation (if available), or considered at a formal ethics hearing.

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Part 4: Ombudsman Services

5. Resolution of Complaints & Failure to Comply with Agreed Upon Resolution

Resolution of Complaints

If a matter complained of is resolved to the mutual satisfaction of all parties through the efforts of an ombudsman, the formal ethics complaint brought initially (if any) will continue to be processed until withdrawn by the complainant.

Failure to Comply with Agreed Upon Resolution

Failure or refusal of a member to comply with the terms of a mutually agreed on resolution shall entitle the complaining party to resubmit the original complaint or, where a formal complaint in the appropriate form had not been filed, to file an ethics complaint.

The time the matter originally brought to the board or association's attention will be considered the filing date for purposes of determining whether an ethics complaint is timely filed.

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Part 4: Ombudsman Services

6. Referrals to the Grievance Committee or to State Regulatory Bodies

Ombudsmen cannot refer concerns they have regarding the conduct of any party utilizing their services to the Grievance Committee, to the state real estate licensing authority, or to any other regulatory body. The prohibition is intended to ensure impartiality and avoid the possible appearance of bias. Ombudsman are, however, authorized to refer concerns that the public trust may have been violated to the Grievance Committee.

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Part 5: Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 1, Case Study 1

Shortly after the death of his Uncle Dan, Grant received word that he inherited a vacant warehouse that previously housed his uncle's business. This was quite a surprise to Grant, who had only met his uncle twice. As a dentist, Grant had no use for the warehouse. He decided it would be best to sell the building and put the money toward opening his own practice. Grant contacted Bob, a REALTOR®, and asked him to look at the property and suggest a listing price. Bob checked out the property and suggested $100,000. This price seemed low to Grant given the commercial growth occurring around the warehouse, but he agreed to it.

Within two weeks Bob called Grant with an offer. Bob stated he would be the buyer at the listed price, less his commission. Grant became increasingly uneasy about the price. He told Bob he intended to have the warehouse appraised before accepting the offer. Bob got upset and said, "Listen, you can take my offer or not – that's up to you. But it's a legitimate offer based on the price you agreed to. So as far as I'm concerned, I've done my job and you owe me a commission."

Questions:

1. **Do you think Bob is in violation of the Code?**
   a. No, he's right. It's a legitimate offer and Grant should sell to Bob or pay him the commission.
   b. Yes. The Code prohibits REALTORS® from buying property listed with them.
   c. Yes. Bob placed his interests above those of his client's.
   d. No. Bob is not obligated to pay the appraised price even if it is higher than the original listing price.

2. **What was Bob's obligation to Grant?**
   a. Bob's obligation was to protect and promote the interests of Grant, his client, and not put his own interests ahead of Grant's.
   b. Bob's obligation was to serve his client, Grant, but Bob is allowed to make a reasonable profit in buying a client’s property.
   c. Bob had no obligation to Grant other than to get his property sold, which he tried to do.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 1, Case Study 2

The small commercial building is reasonably priced, in good condition, and located on a high-traffic street in a quaint neighborhood of Chicago, so it is no surprise that two offers are made only after a few days on market. John, the listing broker, presents both offers to the seller, Kathy. One of the offers is from a client of John's and the other is an offer from Buyer Broker Bob's client.

"These offers are both full price, with no contingencies, and there seems to be no difference between them," says Kathy to John. "Can we make a counter-offer for more money?" she asks. John explains that countering a full-price offer could result in one or both buyers walking away from the table.

"Okay, I'll tell you what," says Kathy, "If you reduce your commission, I'll accept the offer you procured. Although you will earn a little less than we agreed in the listing contract, you'll still get more than you would if you had to pay the other buyer's broker." John agrees.

Buyer Broker Bob learns from his client, who contacted seller Kathy directly to find out why her full-price offer wasn't accepted, that listing broker John had reduced his commission to make the offer that he procured more desirable. Bob is very upset.

Questions:

1. **Can John renegotiate his listing commission at the time he presents the two offers?**
   a. No. John is bound to the commission he agreed to in the listing contract.
   b. Yes, John may renegotiate the listing commission, but only before he presents the offers.
   c. Yes, John is permitted to renegotiate the listing commission at any time.
   d. John may only raise the listing commission, not lower it.

2. **By reducing the listing commission, can John present both offers in an objective manner, as required by Standard of Practice 1-6?**
   a. No. John could not possibly be objective when presenting an offer from his own client.
   b. Yes. Standard of Practice 1-6 requires only that offers be presented "quickly".
   c. No. By agreeing to reduce the commission, John indicates that Bob's client's offer is no good.
   d. Yes. John's reduction of the listing commission alone does not mean he cannot be objective in his presentation. Agreeing to reduce the listing commission is simply part of the negotiation process.

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3. **Under Article 3, as established in Standard of Practice 3-4, is John obligated to inform Bob that he modified the listing commission prior to the offer being accepted?**

a. Yes. By reducing the listing commission for the offer he procured, John created a “dual commission arrangement”, one that must be disclosed.

b. No. Even though John might have created a “dual commission arrangement”, disclosure of such to Bob is not “practical” given the situation.

c. No. Standard of Practice 3-4 does not require a listing broker to disclose a dual commission arrangement.

d. No. Reduction of the listing commission during negotiations does not create a dual or variable rate commission arrangement as defined in Standard of Practice 3-4.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 2, Case Study 1

Ron, a REALTOR®, listed a motel for sale and prepared a sales prospectus setting out figures reporting the operating experience of the owner in the preceding year. The prospectus contained small type at the bottom of the page stating that the facts contained therein, while not guaranteed as to accuracy, were "accurate to the best of our knowledge and belief," and carried the name of Ron as the broker.

Buyer Jeff received the prospectus, inspected the property, discussed the operating figures in the prospectus and other features with Ron, and signed the contract.
Six months after taking possession, Jeff ran across some old records that showed discrepancies when compared with the figures in Ron's prospectus. Jeff had not had as profitable an operating experience as had been indicated for the previous owner in the prospectus, and the difference could be substantially accounted for by these figures. He filed a charge of misrepresentation against Ron.

At the hearing, Ron took responsibility for the prospectus, acknowledging that he had worked with the former owner in its preparation. The former owner had built the motel and operated it for five years. Ron explained that he had advised him that $10,000 in annual advertising expenses during these years could reasonably be considered promotional expenses in establishing the business, and need not be shown as annually recurring items.

Maid service, he also advised, need not be an expense item for a subsequent owner if the owner and his family did the work themselves. Ron cited his disclaimer of a guarantee of accuracy. Jeff testified that he had found maid service a necessity to maintain the motel, and it was apparent that the advertising was essential to successful operation. He protested that the margin of net income alleged in the prospectus could not be attained as he had been led to believe by Ron.

Questions:

1. **Do you think Ron is in violation of the Code?**
    a. No. Ron disclosed all pertinent information about the financial operation of the motel in the prospectus.
    b. Yes. Ron withheld pertinent information about the financial operation of the motel in the prospectus.
    c. No. The disclaimer stating the prospectus was "accurate to the best of our knowledge and belief" protects Ron from any omissions.
    d. Yes. Ron had an obligation to arrange a meeting between Jeff and the previous owner to review the motel's financial records.

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2. **What was Ron's obligation to Jeff?**

   a. To fully disclose financial information that he reasonably should have known to be relevant and significant.

   b. To formulate an optimistic prospectus to encourage Jeff to purchase the property.

   c. To accurately convey information given to him by the seller.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 2, Case Study 2

Dr. Luis, who recently completed his medical residency, decides to return home to the neighborhood where he grew up to open a small medical practice. He enlists the services of REALTOR® Sara to find him a suitable space for his clinic. Sara emails Dr. Luis several properties that fit his requirements. One property is a two-story building listed by REALTOR® Tom that shows in the remarks section, “Rental apartment upstairs.”

Dr. Luis calls Sara to tell her that something about Tom’s listing seems odd. "That building is in the neighborhood I grew up in," says Dr. Luis, "and I remember there being a problem with the Building Department when the owners added a kitchen to the second floor so they could live above their business."

Sara assures Dr. Luis that she will make the necessary inquiries, then promptly get back to him. A call to the Building Department confirms Dr. Luis' suspicion – that the building is zoned “commercial” and does not provide for a residential apartment.”

Feeling embarrassed and misled by an apparent misrepresentation of the property in the MLS, Sara contacts Listing Broker Tom who acknowledges the seller told him the rehab was “up to code,” but was completed without the necessary permits. According to Tom, the apartment had never been rented. "I assumed the new owners could get a zoning change or variance from the Building Department," he said.

Sara contemplates filing an ethics complaint against Tom, charging a violation of Article 2 for publishing inaccurate information in the MLS.

Questions:

1. **Did Tom violate Article 2?**
   a. No. Once he was contacted by Sara, Tom explains to her exactly why he thinks the future owners might be able to obtain a zoning change or variance from the Building Department.
   b. Yes. Tom misrepresents the property information in the MLS.
   c. No. It is outside Tom’s expertise to know whether the property’s zoning provides for an apartment.
   d. Maybe, depending on whether the seller told Tom to list the property in the MLS that way.

2. **Should Tom have identified the building as having a revenue generating apartment?**
   a. Yes. As indicated by the seller, the apartment was built “to code”.
   b. No. Tom knew that the building would need to have a zoning change or variance from the Building Department before it could legally be rentable.
   c. Yes. The former owners did write-off the apartment on their taxes.

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d. Yes. Tom made no representation that the apartment was legally built.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 3, Case Study 1

Lucy is a listing broker who published an offer of cooperation and compensation in MLS for one of her listings, prices of $100,000). The offer of compensation to MLS participants was for X percent. Sam saw the MLS listing, showed the property and wrote an offer on the property for Barney Buyer. When Sam delivered the offer to Lucy, she said “Oh, by the way, I had to reduce my commission the other day to keep the seller happy. I can only pay Y percent co-op fee now.” (Y is 1 percent less than X.)

Questions:

1. **What Standard of Practice under Article 3 applies to this case?**

    a. Standard of Practice 3-4 (dual or variable rate commissions).

    b. Standard of Practice 3-2 (changes in compensation offers).

    c. Standard of Practice 3-1 (terms of compensation offers).

    d. Standard of Practice 3-3 (mutually agreed changes in compensation).

    e. Standard of Practice 3-8 (availability of listed property).

2. **Is Lucy in violation of the Code?**

    a. Yes. She failed to timely communicate the change in cooperative compensation before Sam produced an offer to purchase.

    b. No. Listing brokers establish the terms and conditions of offers to cooperate and Sam had the obligation to ascertain those terms.

    c. Yes. It is unethical for Lucy to change the cooperative compensation once it is established.

    d. No. Whatever the seller dictates to Lucy is what the cooperating broker must accept.

3. **If Sam files an arbitration claim against Lucy for the compensation offered through the MLS, should Sam prevail?**

    a. No. A possible violation of the Code of Ethics is not a determining factor in an arbitration claim.

    b. No. Lucy is the "master of her offer" and can change it at any time before the closing.

    c. Yes. An arbitration panel would likely rule in Sam's favor if Sam can prove that he produced an offer that resulted in the sale before Lucy attempted to change her compensation offer.

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d. No. Lucy is only obligated to split based on what the seller pays, regardless of what was originally published in the MLS.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 3, Case Study 2

The offer, contingent on the sale of the buyer's current office building, is accepted by Seller Sam. But, Sam instructs Bill, the listing broker, to continue to market the property with the hope that a better offer or one without a contingency would be made.

One week later, Buyer Broker Steve contacts Bill to arrange a showing of the property to an out-of-town client. "I think it's the perfect building and location for my client's business. He'll be here this weekend," says Steve. Bill sets up the showing for the weekend, but says nothing about the previously-accepted purchase offer.

After seeing the property with his client, Steve drafts a purchase offer and sends it to Bill's office. At Seller Sam's instruction, Bill informs the original buyer of the second offer, and the buyer waives the contingency.

Bill informs Steve that Sam intends to close on a previously-accepted contract now that the "sales contingency" has been removed. Steve is very upset that Bill did not tell him about the previously-accepted offer. Bill says he continued to market the property and did not make other brokers aware it was under contract to promote his client's best interest by continuing to attract buyers.

Questions:

1. **Is Bill obligated to disclose the accepted offer to other cooperating brokers?**

    a. Yes. Standard of Practice 3-6 clearly establishes that Bill must disclose accepted offers.

    b. No. It could have affected Bill's ability to obtain future offers.

    c. No, not if the seller instructed Bill to keep it confidential.

    d. No, not if the offer included unresolved contingencies.

2. **Does Bill's obligation under Article 1 to protect and promote his seller client's interests mean that he should not reveal the accepted offer?**

    a. Yes. Bill's obligation to protect and promote the client's interests controls and Bill should not be found in violation of the Code.

    b. Yes. Because Article 1 is a higher priority than Article 3, Article 1 controls.

    c. No. Article 1 also requires that Bill be honest with all parties. This obligation of honesty, along with the requirement of Standard of Practice 3-6, requires Bill to make the disclosure of the accepted offer.

    d. Yes. Article 1 emphasizes fiduciary obligations and overrides any other obligation that potentially conflicts with it.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 11, Case Study 1

It was a listing that Leo, a REALTOR®, now wished he had never taken. Keith, Leo's close friend, was selling his home and was adamant about having Leo list the property. Leo appreciated the gesture, but repeatedly told Keith that his experience was in commercial properties and not residential. In addition, Keith's home was in an area of the city that Leo didn't know much about. Leo strongly urged Keith to have the house appraised. Keith insisted he knew the area and that $166,000 was the home's fair market value. This amount seemed low to Leo, but he listed the house at this price. It quickly sold to a young couple, Linda and Brian.

Five months later Leo received a call from Keith, who was upset. Keith told Leo that he met the buyers, Linda and Brian, at a party and found out the two were moving because Linda had been reassigned to another city by her company. The couple had received an offer on the house for $190,000, which they declined, feeling they could do better. Keith was upset at Leo for not giving him better advice concerning the $166,000 sale price.

Questions:

1. **In addition to Article 11, which other Article might apply to this case?**

    a. Article 5
    b. Article 10
    c. Article 1
    d. Article 2

2. **Is Leo in violation of the Code?**

    a. Yes. He failed to do a market analysis when listing the home. In addition, he should have provided Keith an appraisal at his cost.
    b. No. He had no obligation to Keith once Keith insisted on Leo listing the property.
    c. Yes. Even though he told Keith about residential sales being outside his field of expertise, he was also required to "engage the assistance" of a residential real estate broker.
    d. No. He fully disclosed to Keith that he was a commercial broker and that Keith's property was outside his area of expertise. He also recommended that Keith have the property appraised.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 11, Case Study 2

Sean considers refinancing a twenty-three unit apartment building he has owned for several years to unlock some of the equity. The lending firm, ABC Mortgage, orders an appraisal for the property from REALTOR® Paul, who happens to be a licensed appraiser and a commercial real estate broker. The appraisal report is complete with the property address, date prepared, value, purpose, and market data. After receiving the appraisal, Sean is surprised to learn how much the building has appreciated and decides to sell the property instead of refinancing it.

Because Sean likes how thorough REALTOR® Paul was with the appraisal process and knowing that he is a commercial broker, Sean hires Paul to represent him as his listing broker. Within one week, an offer is made on the property and accepted.

During the loan application, the prospective purchaser informs the new lender that the property was recently appraised for ABC Mortgage. The lender is surprised to learn that Paul is both the listing broker and the appraiser, and that no disclosure was made about his "contemplated interest" as established in Standard of Practice 11-1.

Questions:

1. **As used in Standard of Practice 11-1, does Paul have a "present or contemplated interest" in the property when he does the appraisal?**

    a. Yes, as a licensed commercial broker, there always is the chance that Paul could have listed the property in the future.

    b. No. At the time of the appraisal, Sean had no interest in selling the property.

    c. Yes, Paul was paid to conduct the appraisal.

    d. No, ABC Mortgage ordered the appraisal.

2. **Is Paul in Violation of Article 11?**

    a. Yes. Paul should have disclosed in the appraisal that he is a licensed broker.

    b. No, Paul provided all of the appropriate information in his appraisal, and at that time, he had no intention of listing Sean's property.

    c. Yes, Paul is not qualified to conduct the appraisal.

    d. Yes, Paul is not qualified to list the property.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 16, Case Study 1

Tony operates a small accounting firm and owns the building that houses his offices. Given the recent growth of his firm, Tony purchased a larger office building and is planning to relocate. He enlisted the services of Sue, a REALTOR®, to sell his current office building and entered into a 90-day exclusive agreement.

Three months later and one week before Tony was to close on the new building, Tony's previous building remained unsold. Sue had shown the property only five times in the three months. "I think I should get another agent," Tony said to Fred, his friend. Fred suggested that Tony talk to Laura, a REALTOR® who had helped Fred sell his office building. Fred told Tony, "I'll give Laura a call, tell her about your situation, and see if she can help."

After Laura received Fred's call, she decided to call Sue to ask when her listing agreement with Tony expired. Laura had heard of Sue, but had never spoken to her. When Laura finally reached Sue after leaving a number of messages, Sue was abrupt, refusing to discuss her listing or disclose when it expired. Laura explained that under the circumstances she could go directly to the seller to get the information, thinking this might elicit a response from Sue. Instead, Sue hung up.

Laura then called Tony. He recognized Laura's name from his conversation with Fred and was happy to hear from her. Laura explained her services and indicated she would be happy to list Tony's office building after his exclusive listing agreement with Sue expired.

Two weeks later Sue's listing expired and Laura listed Tony's property. By the end of the month, it was sold.

Remember, if there is a conflict between state law and the Code, state law prevails.

Check your state law to be sure the actions in this case are permissible in your state.

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Questions:

1. **What Standard of Practice under Article 16 applies to this situation?**

   a. Standard of Practice 16-6 (discussions with other's clients).
   b. Standard of Practice 16-4 (soliciting other's clients).
   c. Standard of Practice 16-2 (general mailings).
   d. All of the above.

2. **Is Laura in violation of Article 16?**

   a. Yes, Laura's call to Tony was an unethical solicitation.
   b. No, Article 16 doesn't apply.
   c. No, Laura followed the exact procedure specified by Standard of Practice 16-4.
   d. Yes, Laura was required to get Sue's permission to deal with Sue's client Tony.

3. **What was Laura's obligation?**

   a. Not to solicit Sue's listing unless Sue refused to tell Laura the nature and expiration date of the listing.
   b. None. Listings are fair game for solicitation at any time.
   c. Not to solicit Sue's listing under any circumstances.
   d. Not to solicit Sue's listing unless Sue's client, Tony, called Laura directly without Laura directly or indirectly initiating the discussion.

4. **Is Sue in violation of Article 16?**

   a. Yes, Sue is required to give Laura the nature and expiration date of the listing when Laura asks.
   b. No, Sue is not required to give Laura the requested information.
   c. Sue is not in violation of Article 16, but she is in violation of Article 3 by refusing to cooperate with Laura.

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Part 5: Summaries and Case Studies of Selected Articles of the Code of Ethics

Exercise: Article 16, Case Study 2

REALTOR® Barbara has an exclusive listing on Sue's property – a banquet hall that seats 2400 people. An offer for the property is submitted by Buyer Broker Mike. Barbara takes Mike with her to present the offer to Seller Sue later that evening. Sue is interested, but wants time to think it over.

The next day, Mike thinks about what an inept job Barbara did presenting his client's offer -- it was as if she didn't fully understand it. There were several important considerations that Barbara did not explain to Sue. Because he attended the presentation and was involved in the negotiations, Mike decides to contact Sue directly to ask if she has any questions and to explain some of the finer points of the offer. Although the offer is less than the list price, Mike thinks it is fair and recommends that Sue accept it. After a little more discussion, Sue agrees. The contract is signed and a copy is faxed to Mike's office.

When Mike calls Barbara to tell her about the sale, she becomes very upset because Mike worked directly with Sue, rather than her.

Questions:

1. **Identify the Standard of Practice that applies to this situation?**

    a. 16-2
    b. 16-4
    c. 16-13
    d. 16-14

2. **Is there an obligation on Mike's part to work through Barbara?**

    a. No, the fact that Barbara had introduced Mike to Sue opened the door for him to carry on the negotiations with Sue directly.
    b. It depends on whether Barbara had expressly precluded Mike from contacting Sue directly.
    c. No. Mike has always been able to contact Sue directly.
    d. Yes. Mike should have worked only through Barbara, Sue's listing agent.

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Part 6: Pathways to Professionalism & Marketing the Code of Ethics

1. How do you use the Code of Ethics in your business?

- Provides a competitive advantage
- You have agreed to abide by the tenets of the Code
- Point this advantage out to customers
- REALTORS® always put the client first
- A tool for training new agents
- Constant reminder of your professional services

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Part 6: Pathways to Professionalism & Marketing the Code of Ethics

2. When do you look to the Code of Ethics for guidance? Part I

- Situations arise that might make you question how to handle them—the Code provides you with a way to respond professionally.
  - Customers who question whether they should work with more than one agent
  - Customers who ask your opinion of another agent
  - Customers who think it's best to buy through the listing agent to get the best price
  - Customers you know personally who inquire about pocket listings

Some foreign buyers may not understand the Code because of language difficulties. The Code of Ethics is available on Realtor.org in the following languages:

- Chinese - Simplified (DOC: 137 KB)
- Chinese - Traditional (DOC: 127 KB)
- Danish (DOC: 44 KB)
- French (DOC: 54 KB)
- German (DOC: 82 KB)
- Italian (DOC: 47 KB)
- Japanese (DOC: 40 KB)
- Korean (DOC: 227 KB)
- Portuguese (DOC: 70 KB)
- Romanian (DOC: 68 KB)
- Russian (DOC: 43 KB)
- Spanish (DOC: 50 KB)
- Tagalog (DOC: 46 KB)
- Vietnamese (DOC: 223 KB)

Part 6: Pathways to Professionalism & Marketing the Code of Ethics (continued)

- Social media brings a new set of challenges to REALTORS®

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- Article 12 of Code guides REALTORS® to be honest and truthful in all communication forms
- You might question the workings of another agent
- Code provides reassurance among all REALTORS® that all parties will act professionally

Part 6: Pathways to Professionalism & Marketing the Code of Ethics

4. How do you promote your ethical duties as a real estate professional to consumers?

- Use it as a marketing tool
- Let buyers and sellers know you have agreed to this standard of professionalism
- As a REALTOR® you will act in the client's best interest
- Pledge of Performance available in printable form at realtor.org and can be customized
- Use the Pledge in buying and listing presentations
- Wear and display your REALTOR® pin
- Make the Code a key component of all professional correspondence

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Part 6: Pathways to Professionalism & Marketing the Code of Ethics

5. A Pathway to Professional Conduct: Respect Starts Here Part I

Can take years to build a good reputation, but seconds to lose it.

Today's actions affect your business and reputation for years to come.

NAR Professional Standards Committee created Pathways to Professionalism.

- Not all-inclusive
- Should be guided by local custom and practice
- Cannot be the basis of a professional standards complaint

Six Timeless Tips:

1. Follow the "Golden Rule."
2. Show courtesy and respect to everyone.
3. Communicate with all parties in a timely fashion.
4. Always present a professional appearance.
5. Be aware of and meet all deadlines.
6. Be aware of and respectful of all cultural differences.

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Part 6: Pathways to Professionalism & Marketing the Code of Ethics (continued)

Three key areas of respect: property, the public, and peers.

Remember, you are the protector of that home.

RESPECT FOR PROPERTY

- Be responsible.
- Keep all members of the group together.
- Never give anyone unaccompanied access to a listed property.
- Enter property only with permission.
- Leave property as you found it.
- Contact listing broker immediately if something seems amiss with property.
- Be considerate of sellers' property. Don't let clients eat, drink, smoke, dispose of trash, use facilities, or bring pets without permission.
- Use sidewalks to protect landscaping.
- Remove footwear in inclement weather.
- Avoid cell phone distractions when showing property.
- Be alert to surroundings to avoid unexpected issues (such as owner being home during showing).
- If the owner is home during a showing, you should
    - Ring the doorbell and announce yourself before entering the property.
    - Be prepared to deal with the unexpected.
    - Ask before using the telephone or facilities.
    - Never criticize the property in front of the occupant.
    - Inform occupants when leaving.

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Part 6: Pathways to Professionalism & Marketing the Code of Ethics (continued)

RESPECT FOR THE PUBLIC

- Identify your REALTOR® and professional status.
- Leave your business card unless prohibited by local rules.
- Encourage clients of other brokers to direct questions to that broker.
- Don't tell people what you think, tell them what you know.
- Respond promptly to inquiries.
- Call if you're delayed or need to cancel an appointment.
- Promptly explain situation to listing broker if a client decides not to view a listing.
- Communicate clearly—avoid jargon or slang.
- Schedule appointments as far in advance as possible.
- Promise only what you can deliver.

RESPECT FOR PEERS

- Identify your REALTOR® and professional status.
- Promptly and courteously respond to other agents' communications.
- Be cognizant of file sizes you send electronically as it might be a burden to the recipient.
- Notify listing broker if it appears there is inaccurate information on a listing.
- Share important information about a property, such as pets or a security system.
- Show courtesy, trust, and respect to other agents.
- Avoid inappropriate use of endearments or language that may be culturally insensitive.
- Do not prospect at other realtors' open houses or events.
- Return keys promptly after a showing.

The actions of a single REALTOR® affect the public perception of all REALTORS®.

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Part 6: Pathways to Professionalism & Marketing the Code of Ethics

Exercise: Case Study 1

Buyer agent Olivia represents Tom. On March 18, she picks Tom up to view several properties. Tom immediately notices that Olivia's car is a mess. CDs, listing sheets, kids' toys, food wrappers and coffee cups litter the floors and seats. "What can I say, I'm a busy agent with little time to clean my car", she laughs to Tom. After clearing a place for Tom to sit, they drive off to the first showing.

Agent Olivia found the first property in the local MLS. The showing instructions mention a lockbox on the property, and Olivia learns from another agent in her office that the sellers are out of town. Olivia does not contact the listing broker to show the property because she already has a lockbox access code. Just before entering the property, Olivia gets a call from her son's school. She gives Tom the access code to the lockbox and tells him to take a look while she takes the call. After she hangs up, Olivia is surprised to see a dog running around the front yard. Tom left the front door open and the owner's dog got out. She manages to get the dog back inside. Then Olivia realizes she and the dog have tracked mud in the foyer. Frustrated and surprised by the dog being there, Olivia decides it might be best to take Tom to the next showing before she tracks mud throughout the home. She hurries Tom out of the house, without turning off the lights, locking the front door, or replacing the key in the lockbox.

At the next property, the listing broker told Olivia to expect the seller to be home. Olivia knocks loudly – but no one answers. She uses the lockbox key to unlock the door. Before entering she announces that she and Tom have an appointment to look at the home. Hearing nothing, Olivia and Tom walk through the home, room to room. Once in the master bedroom, Olivia and Tom discuss the room's features, and their own likes and dislikes about the owner's decorating. They hear noise from the master bath and realize the seller is in the shower. Embarrassed, Olivia and Tom hurry out of the property without speaking to the seller.

While they were in the second home, it started to rain. Tom and Olivia are soaked by the time they get to Olivia's car. In order to dry off and get comfortable, Olivia pulls into a nearby gas station and uses the bathroom to change into the gym clothes she'd worn two days earlier. She and Tom then head to the third and last showing for the day. On the way there, Tom tells Olivia that he'd rather skip the showing and just go home. She takes him home and continues on her day without cancelling the third appointment or changing her clothes.

Questions

1. Olivia obviously makes several errors that violate the Code of Ethics. Based on Pathways to Professionalism, in which incident is Olivia displaying a lack of respect for her peers?

    a. She allows Tom to look around the house without accompanying him.

    b. She tracks mud into the foyer and leaves before cleaning it up.

    c. She does not clean up her car before taking Tom to view properties.

    d. She does not contact the listing broker because she has a lockbox access code.

2. Using the guidelines in Pathways to Professionalism, list five guidelines Olivia violates in terms of respect for property. (Note: there may be more than five guidelines that have been violated).

_____

Part 6: Pathways to Professionalism & Marketing the Code of Ethics

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Exercise: Case Study 2

Buyer agent Courtney has been working with Max for several months. Max has high expectations, and Courtney hasn't been able to find the right property for him. When 1101 Wellington hits the market, it looks like it could be the one. Courtney promises Max that she will schedule a showing right away – before anyone else. Unfortunately, she's unable to reach the listing broker. The first opportunity for Courtney and Max to see the property is the open house on the following weekend. Courtney and Max attend the open house. While there, Courtney tells several other people touring the home that she is an agent, and she would be willing to work with them. On their way out, Max runs into an old friend and they begin to talk. While waiting for Max, Courtney is approached by a woman she talked to in the house. The woman indicates that her agent couldn't attend the open house, and that she had a few questions. Courtney answers her questions to the best of her ability.

The following day, Max wants to see the property again. He's very interested. Courtney contacts the listing broker to set up another showing. The listing broker agrees to meet them at the property and indicates that the seller will be there, too. Due to terrible traffic, Courtney and Max are 45 minutes late. Courtney does not call the listing agent to let her know they are running late. At the property, Courtney, Max, and Max's new puppy tour the home. Courtney is delighted at the prospect of Max submitting an offer. While in the large great room, Max comments that he would paint the room a better color. Courtney responds, with the homeowner in a different room - but close enough to hear, "Yes, the colors in some of the rooms are dreadful." After they finish touring the home, Courtney thanks the seller and the listing agent for their time.

The next day, Courtney receives an e-mail from the listing agent following up on last night's showing. Courtney reads the e-mail but figures she'll respond only if Max decides to make an offer. A week later Max decides to make an offer. Courtney faxes the offer along with numerous comparable properties to justify the purchase price (52 pages total) to the listing agent.

Questions

1. Taking into consideration the Pathways to Professionalism guidelines, what is Courtney demonstrating a lack of respect for when she and Max comment that the paint color in some rooms is dreadful?

    a. the public
    b. her peers
    c. the property

2. Of the many errors Courtney makes in this scenario, which incident demonstrates her lack of respect for the public?

    a. Courtney does not account for traffic and she and Max are late for the showing.
    b. During the open house, Courtney tells other people touring the home that she would be willing to work with them.
    c. Courtney does not contact the listing agent when she knows she will be late for the showing.
    d. Courtney faxes the offer and comparable properties in a 52-page packet to listing agent.

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Code of Ethics and Standards of Practice

of the NATIONAL ASSOCIATION OF REALTORS®

Effective January 1, 2018

Where the word REALTORS® is used in this Code and Preamble, it shall be deemed to include REALTOR-ASSOCIATES®s.

While the Code of Ethics establishes obligations that may be higher than those mandated by law, in any instance where the Code of Ethics and the law conflict, the obligations of the law must take precedence.

Preamble

Under all is the land. Upon its wise utilization and widely allocated ownership depend the survival and growth of free institutions and of our civilization REALTORS® should recognize that the interests of the nation and its citizens require the highest and best use of the land and the widest distribution of land ownership. They require the creation of adequate housing, the building of functioning cities, the development of productive industries and farms, and the preservation of a healthful environment.

Such interests impose obligations beyond those of ordinary commerce. They impose grave social responsibility and a patriotic duty to which REALTORS® should dedicate themselves, and for which they should be diligent in preparing themselves REALTORS®, therefore, are zealous to maintain and improve the standards of their calling and share with their fellow REALTORS® a common responsibility for its integrity and honor.

In recognition and appreciation of their obligations to clients, customers, the public, and each other, REALTORS® continuously strive to become and remain informed on issues affecting real estate and, as knowledgeable professionals, they willingly share the fruit of their experience and study with others. They identify and take steps, through enforcement of this Code of Ethics and by assisting appropriate regulatory bodies, to eliminate practices which may damage the public or which might discredit or bring dishonor to the real estate profession REALTORS® having direct personal knowledge of conduct that may violate the Code of Ethics involving misappropriation of client or customer funds or property, willful discrimination, or fraud resulting in substantial economic harm, bring such matters to the attention of the appropriate Board or Association of REALTORS®. *(Amended 1/00)*

Realizing that cooperation with other real estate professionals promotes the best interests of those who utilize their services, REALTORS® urge exclusive representation of clients; do not attempt to gain any unfair advantage over their competitors; and they refrain from making unsolicited comments about other practitioners. In instances where their opinion is sought, or where REALTORS® believe that comment is necessary, their opinion is offered in an objective, professional manner, uninfluenced by any personal motivation or potential advantage or gain.

The term REALTOR® has come to connote competency, fairness, and high integrity resulting from adherence to a lofty ideal of moral conduct in business relations. No inducement of profit and no instruction from clients ever can justify departure from this ideal.

In the interpretation of this obligation, REALTORS® can take no safer guide than that which has been handed down through the centuries, embodied in the Golden Rule, "Whatsoever ye would that others should do to you, do ye even so to them."

Accepting this standard as their own, REALTORS® pledge to observe its spirit in all of their activities whether conducted personally, through associates or others, or via technological means, and to conduct their business in accordance with the tenets set forth below. *(Amended 1/07)*

Duties to Clients and Customers

Article 1

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. *(Amended 1/01)*

- **Standard of Practice 1-1**

REALTORS®, when acting as principals in a real estate transaction, remain obligated by the duties imposed by the Code of Ethics. *(Amended 1/93)*

- **Standard of Practice 1-2**

The duties imposed by the Code of Ethics encompass all real estate-related activities and transactions whether conducted in person, electronically, or through any other means.

The duties the Code of Ethics imposes are applicable whether REALTORS® are acting as agents or in legally recognized non-agency capacities except that any duty imposed exclusively on agents by law or regulation shall not be imposed by this Code of Ethics on REALTORS® acting in non-agency capacities.

As used in this Code of Ethics, "client" means the person(s) or entity(ies) with whom a REALTOR® or a REALTOR®'s firm has an agency or legally recognized non-agency relationship; "customer" means a party to a real estate transaction who receives information, services, or benefits but has no contractual relationship with the REALTOR® or the REALTOR®'s firm; "prospect" means a purchaser, seller, tenant, or landlord who is not subject to a representation relationship with the REALTOR® or REALTOR®'s firm; "agent" means a real estate licensee

(including brokers and sales associates) acting in an agency relationship as defined by state law or regulation; and "broker" means a real estate licensee (including brokers and sales associates) acting as an agent or in a legally recognized non-agency capacity. *(Adopted 1/95, Amended 1/07)*

- **Standard of Practice 1-3**

REALTORS®, in attempting to secure a listing, shall not deliberately mislead the owner as to market value.

- **Standard of Practice 1-4**

REALTORS®, when seeking to become a buyer/tenant representative, shall not mislead buyers or tenants as to savings or other benefits that might be realized through use of the REALTOR®'s services. *(Amended 1/93)*

- **Standard of Practice 1-5**

REALTORS® may represent the seller/landlord and buyer/tenant in the same transaction only after full disclosure to and with informed consent of both parties. *(Adopted 1/93)*

- **Standard of Practice 1-6**

REALTORS® shall submit offers and counter-offers objectively and as quickly as possible. *(Adopted 1/93, Amended 1/95)*

- **Standard of Practice 1-7**

When acting as listing brokers, REALTORS® shall continue to submit to the seller/landlord all offers and counter-offers until closing or execution of a lease unless the seller/landlord has waived this obligation in writing REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing purchase contract or lease. *(Amended 1/93)*

- **Standard of Practice 1-8**

REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. Upon the written request of the listing broker who submits a counter-offer to the buyer's/tenant's broker, the buyer's/tenant's broker shall provide, as soon as practical, a written affirmation to the listing broker stating that the counter-offer has been submitted to the buyers/tenants, or a written notification that the buyers/tenants have waived the obligation to have the counter-offer presented. REALTORS®, acting as agents or brokers of buyers/tenants, shall recommend that buyers/tenants obtain the advice of legal counsel if there is a question as to whether a pre-existing contract has been terminated. *(Adopted 1/93, Amended 1/22)*

- **Standard of Practice 1-9**

The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:

1) reveal confidential information of clients; or
2) use confidential information of clients to the disadvantage of clients; or
3) use confidential information of clients for the REALTOR®'s advantage or the advantage of third parties unless:
   a) clients consent after full disclosure; or
   b) REALTORS® are required by court order; or
   c) it is the intention of a client to commit a crime and the information is necessary to prevent the crime; or
   d) it is necessary to defend a REALTOR® or the REALTOR®'s employees or associates against an accusation of wrongful conduct.

Information concerning latent material defects is not considered confidential information under this Code of Ethics. *(Adopted 1/93, Amended 1/01)*

- **Standard of Practice 1-10**

REALTORS® shall, consistent with the terms and conditions of their real estate licensure and their property management agreement, competently manage the property of clients with due regard for the rights, safety and health of tenants and others lawfully on the premises. *(Adopted 1/95, Amended 1/00)*

- **Standard of Practice 1-11**

REALTORS® who are employed to maintain or manage a client's property shall exercise due diligence and make reasonable efforts to protect it against reasonably foreseeable contingencies and losses. *(Adopted 1/95)*

- **Standard of Practice 1-12**

When entering into listing contracts, REALTORS® must advise sellers/landlords of:

1) the REALTOR®'s company policies regarding cooperation and the amount(s) of any compensation that will be offered to subagents, buyer/tenant agents, and/or brokers acting in legally recognized non-agency capacities;
2) the fact that buyer/tenant agents or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and
3) any potential for listing brokers to act as disclosed dual agents, e.g., buyer/tenant agents. *(Adopted 1/93, Renumbered 1/98, Amended 1/03)*

- **Standard of Practice 1-13**

When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

1) the REALTOR®'s company policies regarding cooperation;
2) the amount of compensation to be paid by the client;
3) the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties;

4) any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g., listing broker, subagent, landlord's agent, etc.; and

5) the possibility that sellers or sellers' representatives may not treat the existence, terms, or conditions of offers as confidential unless confidentiality is required by law, regulation, or by any confidentiality agreement between the parties. *(Adopted 1/93, Renumbered 1/98, Amended 1/06)*

- **Standard of Practice 1-14**

Fees for preparing appraisals or other valuations shall not be contingent upon the amount of the appraisal or valuation. *(Adopted 1/02)*

- **Standard of Practice 1-15**

REALTORS®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property. Where disclosure is authorized, REALTORS® shall also disclose, if asked, whether offers were obtained by the listing licensee, another licensee in the listing firm, or by a cooperating broker. *(Adopted 1/03, Amended 1/09)*

- **Standard of Practice 1-16**

REALTORS® shall not access or use, or permit or enable others to access or use, listed or managed property on terms or conditions other than those authorized by the owner or seller. *(Adopted 1/12)*

Article 2

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. *(Amended 1/00)*

- **Standard of Practice 2-1**

REALTORS® shall only be obligated to discover and disclose adverse factors reasonably apparent to someone with expertise in those areas required by their real estate licensing authority. Article 2 does not impose upon the REALTOR® the obligation of expertise in other professional or technical disciplines. *(Amended 1/96)*

- **Standard of Practice 2-2**

(Renumbered as Standard of Practice 1-12 1/98)

- **Standard of Practice 2-3**

(Renumbered as Standard of Practice 1-13 1/98)

- **Standard of Practice 2-4**

REALTORS® shall not be parties to the naming of a false consideration in any document, unless it be the naming of an obviously nominal consideration.

- **Standard of Practice 2-5**

Factors defined as "non-material" by law or regulation or which are expressly referenced in law or regulation as not being subject to disclosure are considered not "pertinent" for purposes of Article 2. *(Adopted 1/93)*

Article 3

REALTORS® shall cooperate with other brokers except when cooperation is not in the client's best interest. The obligation to cooperate does not include the obligation to share commissions, fees, or to otherwise compensate another broker. *(Amended 1/95)*

- **Standard of Practice 3-1**

REALTORS®, acting as exclusive agents or brokers of sellers/ landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation. *(Amended 1/99)*

- **Standard of Practice 3-2**

Any change in compensation offered for cooperative services must be communicated to the other REALTOR® prior to the time that REALTOR® submits an offer to purchase/lease the property. After a REALTOR® has submitted an offer to purchase or lease property, the listing broker may not attempt to unilaterally modify the offered compensation with respect to that cooperative transaction. *(Amended 1/14)*

- **Standard of Practice 3-3**

Standard of Practice 3-2 does not preclude the listing broker and cooperating broker from entering into an agreement to change cooperative compensation. *(Adopted 1/94)*

- **Standard of Practice 3-4**

REALTORS®, acting as listing brokers, have an affirmative obligation to disclose the existence of dual or variable rate commission arrangements (i.e., listings where one amount of commission is payable if the listing broker's firm is the procuring cause of sale/lease and a different amount of commission is payable if the sale/lease results through the efforts of the seller/landlord or a cooperating broker). The listing broker shall, as soon as practical, disclose the existence of such arrangements to potential cooperating brokers and shall, in response to inquiries from cooperating brokers, disclose the differential that would result in a cooperative transaction or in a sale/lease that results through the efforts of the seller/ landlord. If the cooperating broker is a buyer/tenant representative, the buyer/tenant representative must disclose such information to their client before the client makes an offer to purchase or lease. *(Amended 1/02)*

- **Standard of Practice 3-5**

It is the obligation of subagents to promptly disclose all pertinent facts to the principal's agent prior to as well as after a purchase or lease agreement is executed. *(Amended 1/93)*

- **Standard of Practice 3-6**

REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation. *(Adopted 5/86, Amended 1/04)*

- **Standard of Practice 3-7**

When seeking information from another REALTOR® concerning property under a management or listing agreement, REALTORS® shall disclose their REALTOR® status and whether their interest is personal or

on behalf of a client and, if on behalf of a client, their relationship with the client. *(Amended 1/11)*

- **Standard of Practice 3-8**

REALTORS® shall not misrepresent the availability of access to show or inspect a listed property. *(Amended 11/87)*

- **Standard of Practice 3-9**

REALTORS® shall not provide access to listed property on terms other than those established by the owner or the listing broker. *(Adopted 1/10)*

- **Standard of Practice 3-10**

The duty to cooperate established in Article 3 relates to the obligation to share information on listed property, and to make property available to other brokers for showing to prospective purchasers/tenants when it is in the best interests of sellers/landlords. *(Adopted 1/11)*

Article 4

REALTORS® shall not acquire an interest in or buy or present offers from themselves, any member of their immediate families, their firms or any member thereof, or any entities in which they have any ownership interest, any real property without making their true position known to the owner or the owner's agent or broker. In selling property they own, or in which they have any interest, REALTORS® shall reveal their ownership or interest in writing to the purchaser or the purchaser's representative. *(Amended 1/00)*

- **Standard of Practice 4-1**

For the protection of all parties, the disclosures required by Article 4 shall be in writing and provided by REALTORS® prior to the signing of any contract. *(Adopted 2/86)*

Article 5

REALTORS® shall not undertake to provide professional services concerning a property or its value where they have a present or contemplated interest unless such interest is specifically disclosed to all affected parties.

Article 6

REALTORS® shall not accept any commission, rebate, or profit on expenditures made for their client, without the client's knowledge and consent.

When recommending real estate products or services (e.g., homeowner's insurance, warranty programs, mortgage financing, title insurance, etc.), REALTORS® shall disclose to the client or customer to whom the recommendation is made any financial benefits or fees, other than real estate referral fees, the REALTOR® or REALTOR®'s firm may receive as a direct result of such recommendation. *(Amended 1/99)*

- **Standard of Practice 6-1**

REALTORS® shall not recommend or suggest to a client or a customer the use of services of another organization or business entity in which they have a direct interest without disclosing such interest at the time of the recommendation or suggestion. *(Amended 5/88)*

Article 7

In a transaction, REALTORS® shall not accept compensation from more than one party, even if permitted by law, without disclosure to all parties and the informed consent of the REALTOR®'s client or clients. *(Amended 1/93)*

Article 8

REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

Article 9

REALTORS®, for the protection of all parties, shall assure whenever possible that all agreements related to real estate transactions including, but not limited to, listing and representation agreements, purchase contracts, and leases are in writing in clear and understandable language expressing the specific terms, conditions, obligations and commitments of the parties. A copy of each agreement shall be furnished to each party to such agreements upon their signing or initialing. *(Amended 1/04)*

- **Standard of Practice 9-1**

For the protection of all parties, REALTORS® shall use reasonable care to ensure that documents pertaining to the purchase, sale, or lease of real estate are kept current through the use of written extensions or amendments. *(Amended 1/93)*

- **Standard of Practice 9-2**

When assisting or enabling a client or customer in establishing a contractual relationship (e.g., listing and representation agreements, purchase agreements, leases, etc.) electronically, REALTORS® shall make reasonable efforts to explain the nature and disclose the specific terms of the contractual relationship being established prior to it being agreed to by a contracting party. *(Adopted 1/07)*

Duties to the Public

Article 10

REALTORS® shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity REALTORS® shall not be parties to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. *(Amended 1/14)*

REALTORS®, in their real estate employment practices, shall not discriminate against any person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. *(Amended 1/14)*

- **Standard of Practice 10-1**

When involved in the sale or lease of a residence, REALTORS® shall not volunteer information regarding the racial, religious or ethnic composition of any neighborhood nor shall they engage in any activity which may result in panic selling, however, REALTORS® may provide other demographic information. *(Adopted 1/94, Amended 1/06)*

- **Standard of Practice 10-2**

When not involved in the sale or lease of a residence, REALTORS® may provide demographic information related to a property, transaction or professional assignment to a party if such demographic information is (a) deemed by the REALTOR® to be needed to assist with or complete, in a manner consistent with Article 10, a real estate transaction or professional assignment and (b) is obtained or derived from a recognized, reliable, independent, and impartial source. The source of such information and any additions, deletions, modifications, interpretations, or other changes shall be disclosed in reasonable detail. *(Adopted 1/05, Renumbered 1/06)*

- **Standard of Practice 10-3**

REALTORS® shall not print, display or circulate any statement or advertisement with respect to selling or renting of a property that indicates any preference, limitations or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. *(Adopted 1/94, Renumbered 1/05 and 1/06, Amended 1/14)*

- **Standard of Practice 10-4**

As used in Article 10 "real estate employment practices" relates to employees and independent contractors providing real estate-related services and the administrative and clerical staff directly supporting those individuals. *(Adopted 1/00, Renumbered 1/05 and 1/06)*

Article 11

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

REALTORS® shall not undertake to provide specialized professional services concerning a type of property or service that is outside their field of competence unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the client. Any persons engaged to provide such assistance shall be so identified to the client and their contribution to the assignment should be set forth. *(Amended 1/10)*

- **Standard of Practice 11-1**

When REALTORS® prepare opinions of real property value or price they must:

1) be knowledgeable about the type of property being valued,
2) have access to the information and resources necessary to formulate an accurate opinion, and
3) be familiar with the area where the subject property is located

Unless lack of any of these is disclosed to the party requesting the opinion in advance.

When an opinion of value or price is prepared other than in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer, the opinion shall include the following unless the party requesting the opinion requires a specific type of report or different data set:

1) identification of the subject property
2) date prepared
3) defined value or price
4) limiting conditions, including statements of purpose(s) and intended user(s)
5) any present or contemplated interest, including the possibility of representing the seller/landlord or buyers/tenants
6) basis for the opinion, including applicable market data
7) if the opinion is not an appraisal, a statement to that effect
8) disclosure of whether and when a physical inspection of the property's exterior was conducted
9) disclosure of whether and when a physical inspection of the property's interior was conducted
10) disclosure of whether the REALTOR® has any conflicts of interest *(Amended 1/14)*

- **Standard of Practice 11-2**

The obligations of the Code of Ethics in respect of real estate disciplines other than appraisal shall be interpreted and applied in accordance with the standards of competence and practice which clients and the public reasonably require to protect their rights and interests considering the complexity of the transaction, the availability of expert assistance, and, where the REALTOR® is an agent or subagent, the obligations of a fiduciary. *(Adopted 1/95)*

- **Standard of Practice 11-3**

When REALTORS® provide consultive services to clients which involve advice or counsel for a fee (not a commission), such advice shall be rendered in an objective manner and the fee shall not be contingent on the substance of the advice or counsel given. If brokerage or transaction services are to be provided in addition to consultive services, a separate compensation may be paid with prior agreement between the client and REALTOR®. *(Adopted 1/96)*

- **Standard of Practice 11-4**

The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly imposed by the Code of Ethics; and the duties imposed by law or regulation. *(Adopted 1/02)*

Article 12

REALTORS® shall be honest and truthful in their real estate communications and shall present a true picture in their advertising, marketing, and other representations REALTORS® shall ensure that their status as real estate professionals is readily apparent in their advertising, marketing, and other representations, and that the recipients of all real estate communications are, or have been, notified that those communications are from a real estate professional. *(Amended 1/08)*

- **Standard of Practice 12-1**

REALTORS® must not represent that their brokerage services to a client or customer are free or available at no cost to their clients, unless the REALTOR® will receive no financial compensation from any source for those services. (*Amended 1/22)*

- **Standard of Practice 12-2**

REALTORS® may represent their services as "free" or without cost even if they expect to receive compensation from a source other than their client provided that the potential for the REALTOR® to obtain a benefit from a third party is clearly disclosed at the same time. *(Amended 1/97)*

- **Standard of Practice 12-3**

The offering of premiums, prizes, merchandise discounts or other inducements to list, sell, purchase, or lease is not, in itself, unethical even if receipt of the benefit is contingent on listing, selling, purchasing, or leasing through the REALTOR® making the offer. However, REALTORS® must exercise care and candor in any such advertising or other public or private representations so that any party interested in receiving or otherwise benefiting from the REALTOR®'s offer will have clear, thorough, advance understanding of all the terms and conditions of the offer. The offering of any inducements to do business is subject to the limitations and restrictions of state law and the ethical obligations established by any applicable Standard of Practice. *(Amended 1/95)*

- **Standard of Practice 12-4**

REALTORS® shall not offer for sale/lease or advertise property without authority. When acting as listing brokers or as subagents, REALTORS® shall not quote a price different from that agreed upon with the seller/landlord. *(Amended 1/93)*

- **Standard of Practice 12-5**

REALTORS® shall not advertise nor permit any person employed by or affiliated with them to advertise real estate services or listed property in any medium (e.g., electronically, print, radio, television, etc.) without disclosing the name of that REALTOR®'s firm in a reasonable and readily apparent manner either in the advertisement or in electronic advertising via a link to a display with all required disclosures. *(Adopted 11/86, Amended 1/16)*

- **Standard of Practice 12-6**

REALTORS®, when advertising unlisted real property for sale/lease in which they have an ownership interest, shall disclose their status as both owners/landlords and as REALTORS® or real estate licensees. *(Amended 1/93)*

- **Standard of Practice 12-7**

Only REALTORS® who participated in the transaction as the listing broker or cooperating broker (selling broker) may claim to have "sold" the property. Prior to closing, a cooperating broker may post a "sold" sign only with the consent of the listing broker. *(Amended 1/96)*

- **Standard of Practice 12-8**

The obligation to present a true picture in representations to the public includes information presented, provided, or displayed on REALTORS®' websites REALTORS® shall use reasonable efforts to ensure that information on their websites is current. When it becomes apparent that information on a REALTOR®'s website is no longer current or accurate, REALTORS® shall promptly take corrective action. *(Adopted 1/07)*

- **Standard of Practice 12-9**

REALTOR® firm websites shall disclose the firm's name and state(s) of licensure in a reasonable and readily apparent manner.

Websites of REALTORS® and non-member licensees affiliated with a REALTOR® firm shall disclose the firm's name and that REALTOR®'s or non-member licensee's state(s) of licensure in a reasonable and readily apparent manner. *(Adopted 1/07)*

- **Standard of Practice 12-10**

REALTORS®' obligation to present a true picture in their advertising and representations to the public includes Internet content, images, and the URLs and domain names they use, and prohibits REALTORS® from:

1) engaging in deceptive or unauthorized framing of real estate brokerage websites;

2) manipulating (e.g., presenting content developed by others) listing and other content in any way that produces a deceptive or misleading result;

3) deceptively using metatags, keywords or other devices/methods to direct, drive, or divert Internet traffic; or

4) presenting content developed by others without either attribution or without permission; or

5) otherwise misleading consumers, including use of misleading images.

(Adopted 1/07, Amended 1/18)

- **Standard of Practice 12-11**

REALTORS® intending to share or sell consumer information gathered via the Internet shall disclose that possibility in a reasonable and readily apparent manner. *(Adopted 1/07)*

- **Standard of Practice 12-12**

REALTORS® shall not:

1) use URLs or domain names that present less than a true picture, or

2) register URLs or domain names which, if used, would present less than a true picture. *(Adopted 1/08)*

- **Standard of Practice 12-13**

The obligation to present a true picture in advertising, marketing, and representations allows REALTORS® to use and display only professional designations, certifications, and other credentials to which they are legitimately entitled. *(Adopted 1/08)*

Article 13

REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

Article 14

If charged with unethical practice or asked to present evidence or to cooperate in any other way, in any professional standards proceeding or investigation, REALTORS® shall place all pertinent facts before the proper tribunals of the Member Board or affiliated institute, society, or

council in which membership is held and shall take no action to disrupt or obstruct such processes. *(Amended 1/99)*

- **Standard of Practice 14-1**

REALTORS® shall not be subject to disciplinary proceedings in more than one Board of REALTORS® or affiliated institute, society, or council in which they hold membership with respect to alleged violations of the Code of Ethics relating to the same transaction or event. *(Amended 1/95)*

- **Standard of Practice 14-2**

REALTORS® shall not make any unauthorized disclosure or dissemination of the allegations, findings, or decision developed in connection with an ethics hearing or appeal or in connection with an arbitration hearing or procedural review. *(Amended 1/92)*

- **Standard of Practice 14-3**

REALTORS® shall not obstruct the Board's investigative or professional standards proceedings by instituting or threatening to institute actions for libel, slander, or defamation against any party to a professional standards proceeding or their witnesses based on the filing of an arbitration request, an ethics complaint, or testimony given before any tribunal. *(Adopted 11/87, Amended 1/99)*

- **Standard of Practice 14-4**

REALTORS® shall not intentionally impede the Board's investigative or disciplinary proceedings by filing multiple ethics complaints based on the same event or transaction. *(Adopted 11/88)*

Duties to REALTORS®

Article 15

REALTORS® shall not knowingly or recklessly make false or misleading statements about other real estate professionals, their businesses, or their business practices. *(Amended 1/12)*

- **Standard of Practice 15-1**

REALTORS® shall not knowingly or recklessly file false or unfounded ethics complaints. *(Adopted 1/00)*

- **Standard of Practice 15-2**

The obligation to refrain from making false or misleading statements about other real estate professionals, their businesses, and their business practices includes the duty to not knowingly or recklessly publish, repeat, retransmit, or republish false or misleading statements made by others. This duty applies whether false or misleading statements are repeated in person, in writing, by technological means (e.g., the Internet), or by any other means. *(Adopted 1/07, Amended 1/12)*

- **Standard of Practice 15-3**

The obligation to refrain from making false or misleading statements about other real estate professionals, their businesses, and their business practices includes the duty to publish a clarification about or to remove statements made by others on electronic media the REALTOR® controls once the REALTOR® knows the statement is false or misleading. *(Adopted 1/10, Amended 1/12)*

Article 16

REALTORS® shall not engage in any practice or take any action inconsistent with exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with clients. *(Amended 1/04)*

- **Standard of Practice 16-1**

Article 16 is not intended to prohibit aggressive or innovative business practices which are otherwise ethical and does not prohibit disagreements with other REALTORS® involving commission, fees, compensation or other forms of payment or expenses. *(Adopted 1/93, Amended 1/95)*

- **Standard of Practice 16-2**

Article 16 does not preclude REALTORS® from making general announcements to prospects describing their services and the terms of their availability even though some recipients may have entered into agency agreements or other exclusive relationships with another REALTOR®. A general telephone canvass, general mailing or distribution addressed to all prospects in a given geographical area or in a given profession, business, club, or organization, or other classification or group is deemed "general" for purposes of this standard. *(Amended 1/04)*

Article 16 is intended to recognize as unethical two basic types of solicitations:

First, telephone or personal solicitations of property owners who have been identified by a real estate sign, multiple listing compilation, or other information service as having exclusively listed their property with another REALTOR® and

Second, mail or other forms of written solicitations of prospects whose properties are exclusively listed with another REALTOR® when such solicitations are not part of a general mailing but are directed specifically to property owners identified through compilations of current listings, "for sale" or "for rent" signs, or other sources of information required by Article 3 and Multiple Listing Service rules to be made available to other REALTORS® under offers of subagency or cooperation. *(Amended 1/04)*

- **Standard of Practice 16-3**

Article 16 does not preclude REALTORS® from contacting the client of another broker for the purpose of offering to provide, or entering into a contract to provide, a different type of real estate service unrelated to the type of service currently being provided (e.g., property management as opposed to brokerage) or from offering the same type of service for property not subject to other brokers' exclusive agreements. However, information received through a Multiple Listing Service or any other offer of cooperation may not be used to target clients of other REALTORS® to whom such offers to provide services may be made. *(Amended 1/04)*

- **Standard of Practice 16-4**

REALTORS® shall not solicit a listing which is currently listed exclusively with another broker. However, if the listing broker, when asked by the REALTOR®, refuses to disclose the expiration date and nature of such listing, i.e., an exclusive right to sell, an exclusive agency, open listing, or other form of contractual agreement between the listing broker and the client, the REALTOR® may contact the owner to secure such information and may discuss the terms upon which the REALTOR®

might take a future listing or, alternatively, may take a listing to become effective upon expiration of any existing exclusive listing. *(Amended 1/94)*

- **Standard of Practice 16-5**

REALTORS® shall not solicit buyer/tenant agreements from buyers/ tenants who are subject to exclusive buyer/tenant agreements. However, if asked by a REALTOR®, the broker refuses to disclose the expiration date of the exclusive buyer/tenant agreement, the REALTOR® may contact the buyer/tenant to secure such information and may discuss the terms upon which the REALTOR® might enter into a future buyer/tenant agreement or, alternatively, may enter into a buyer/tenant agreement to become effective upon the expiration of any existing exclusive buyer/tenant agreement. *(Adopted 1/94, Amended 1/98)*

- **Standard of Practice 16-6**

When REALTORS® are contacted by the client of another REALTOR® regarding the creation of an exclusive relationship to provide the same type of service, and REALTORS® have not directly or indirectly initiated such discussions, they may discuss the terms upon which they might enter into a future agreement or, alternatively, may enter into an agreement which becomes effective upon expiration of any existing exclusive agreement. *(Amended 1/98)*

- **Standard of Practice 16-7**

The fact that a prospect has retained a REALTOR® as an exclusive representative or exclusive broker in one or more past transactions does not preclude other REALTORS® from seeking such prospect's future business. *(Amended 1/04)*

- **Standard of Practice 16-8**

The fact that an exclusive agreement has been entered into with a REALTOR® shall not preclude or inhibit any other REALTOR® from entering into a similar agreement after the expiration of the prior agreement. *(Amended 1/98)*

- **Standard of Practice 16-9**

REALTORS®, prior to entering into a representation agreement, have an affirmative obligation to make reasonable efforts to determine whether the prospect is subject to a current, valid exclusive agreement to provide the same type of real estate service. *(Amended 1/04)*

- **Standard of Practice 16-10**

REALTORS®, acting as buyer or tenant representatives or brokers, shall disclose that relationship to the seller/landlord's representative or broker at first contact and shall provide written confirmation of that disclosure to the seller/landlord's representative or broker not later than execution of a purchase agreement or lease. *(Amended 1/04)*

- **Standard of Practice 16-11**

On unlisted property, REALTORS® acting as buyer/tenant representatives or brokers shall disclose that relationship to the seller/landlord at first contact for that buyer/tenant and shall provide written confirmation of such disclosure to the seller/landlord not later than execution of any purchase or lease agreement. *(Amended 1/04)*

REALTORS® shall make any request for anticipated compensation from the seller/landlord at first contact. *(Amended 1/98)*

- **Standard of Practice 16-12**

REALTORS®, acting as representatives or brokers of sellers/landlords or as subagents of listing brokers, shall disclose that relationship to buyers/ tenants as soon as practicable and shall provide written confirmation of such disclosure to buyers/tenants not later than execution of any purchase or lease agreement. *(Amended 1/04)*

- **Standard of Practice 16-13**

All dealings concerning property exclusively listed, or with buyer/tenants who are subject to an exclusive agreement shall be carried on with the client's representative or broker, and not with the client, except with the consent of the client's representative or broker or except where such dealings are initiated by the client.

Before providing substantive services (such as writing a purchase offer or presenting a CMA) to prospects, REALTORS® shall ask prospects whether they are a party to any exclusive representation agreement REALTORS® shall not knowingly provide substantive services concerning a prospective transaction to prospects who are parties to exclusive representation agreements, except with the consent of the prospects' exclusive representatives or at the direction of prospects. *(Adopted 1/93, Amended 1/04)*

- **Standard of Practice 16-14**

REALTORS® are free to enter into contractual relationships or to negotiate with sellers/landlords, buyers/tenants or others who are not subject to an exclusive agreement but shall not knowingly obligate them to pay more than one commission except with their informed consent. *(Amended 1/98)*

- **Standard of Practice 16-15**

In cooperative transactions REALTORS® shall compensate cooperating REALTORS® (principal brokers) and shall not compensate nor offer to compensate, directly or indirectly, any of the sales licensees employed by or affiliated with other REALTORS® without the prior express knowledge and consent of the cooperating broker.

- **Standard of Practice 16-16**

REALTORS® acting as subagents or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer/tenant representatives or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. *(Amended 1/04)*

- **Standard of Practice 16-17**

REALTORS®, acting as subagents or as buyer/tenant representatives or brokers, shall not attempt to extend a listing broker's offer of cooperation and/or compensation to other brokers without the consent of the listing broker. *(Amended 1/04)*

- **Standard of Practice 16-18**

REALTORS® shall not use information obtained from listing brokers through offers to cooperate made through multiple listing services or through other offers of cooperation to refer listing brokers' clients to other brokers or to create buyer/tenant relationships with listing brokers' clients, unless such use is authorized by listing brokers. *(Amended 1/02)*

- **Standard of Practice 16-19**

Signs giving notice of property for sale, rent, lease, or exchange shall not be placed on property without consent of the seller/landlord. *(Amended 1/93)*

- **Standard of Practice 16-20**

REALTORS®, prior to or after their relationship with their current firm is terminated, shall not induce clients of their current firm to cancel exclusive contractual agreements between the client and that firm. This does not preclude REALTORS® (principals) from establishing agreements with their associated licensees governing assignability of exclusive agreements. *(Adopted 1/98, Amended 1/10)*

Article 17

In the event of contractual disputes or specific non-contractual disputes as defined in Standard of Practice 17-4 between REALTORS® (principals) associated with different firms, arising out of their relationship as REALTORS®, the REALTORS® shall mediate the dispute if the Board requires its members to mediate. If the dispute is not resolved through mediation, or if mediation is not required, REALTORS® shall submit the dispute to arbitration in accordance with the policies of the Board rather than litigate the matter.

In the event clients of REALTORS® wish to mediate or arbitrate contractual disputes arising out of real estate transactions, REALTORS® shall mediate or arbitrate those disputes in accordance with the policies of the Board, provided the clients agree to be bound by any resulting agreement or award.

The obligation to participate in mediation and arbitration contemplated by this Article includes the obligation of REALTORS® (principals) to cause their firms to mediate and arbitrate and be bound by any resulting agreement or award. *(Amended 1/12*)

- **Standard of Practice 17-1**

The filing of litigation and refusal to withdraw from it by REALTORS® in an arbitrable matter constitutes a refusal to arbitrate. *(Adopted 2/86)*

- **Standard of Practice 17-2**

Article 17 does not require REALTORS® to mediate in those circumstances when all parties to the dispute advise the Board in writing that they choose not to mediate through the Board's facilities. The fact that all parties decline to participate in mediation does not relieve REALTORS® of the duty to arbitrate.

Article 17 does not require REALTORS® to arbitrate in those circumstances when all parties to the dispute advise the Board in writing that they choose not to arbitrate before the Board. *(Amended 1/12)*

- **Standard of Practice 17-3**

REALTORS®, when acting solely as principals in a real estate transaction, are not obligated to arbitrate disputes with other REALTORS® absent a specific written agreement to the contrary. *(Adopted 1/96)*

- **Standard of Practice 17-4**

Specific non-contractual disputes that are subject to arbitration pursuant to Article 17 are:

1) Where a listing broker has compensated a cooperating broker and another cooperating broker subsequently claims to be the procuring cause of the sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. When arbitration occurs between two (or more) cooperating brokers and where the listing broker is not a party, the amount in dispute and the amount of any potential resulting award is limited to the amount paid to the respondent by the listing broker and any amount credited or paid to a party to the transaction at the direction of the respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. *(Adopted 1/97, Amended 1/07)*

2) Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. When arbitration occurs between two (or more) cooperating brokers and where the listing broker is not a party, the amount in dispute and the amount of any potential resulting award is limited to the amount paid to the respondent by the seller or landlord and any amount credited or paid to a party to the transaction at the direction of the respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. *(Adopted 1/97, Amended 1/07)*

3) Where a buyer or tenant representative is compensated by the buyer or tenant and, as a result, the listing broker reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. *(Adopted 1/97)*

4) Where two or more listing brokers claim entitlement to compensation pursuant to open listings with a seller or landlord who agrees to participate in arbitration (or who requests arbitration) and who agrees to be bound by the decision. In cases where one of the listing brokers has been compensated by the seller or landlord, the other listing broker, as complainant, may name the first listing broker as

respondent and arbitration may proceed between the brokers. *(Adopted 1/97)*

5) Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, claims to be the procuring cause of sale or lease. In such cases arbitration shall be between the listing broker and the buyer or tenant representative and the amount in dispute is limited to the amount of the reduction of commission to which the listing broker agreed. *(Adopted 1/05)*

- **Standard of Practice 17-5**

The obligation to arbitrate established in Article 17 includes disputes between REALTORS® (principals) in different states in instances where, absent an established inter-association arbitration agreement, the REALTOR® (principal) requesting arbitration agrees to submit to the jurisdiction of, travel to, participate in, and be bound by any resulting award rendered in arbitration conducted by the respondent(s) REALTOR®'s association, in instances where the respondent(s) REALTOR®'s association determines that an arbitrable issue exists. *(Adopted 1/07)*

Explanatory Notes

The reader should be aware of the following policies which have been approved by the Board of Directors of the National Association:

In filing a charge of an alleged violation of the Code of Ethics by a REALTOR®, the charge must read as an alleged violation of one or more Articles of the Code. Standards of Practice may be cited in support of the charge.

The Standards of Practice serve to clarify the ethical obligations imposed by the various Articles and supplement, and do not substitute for, the Case Interpretations in *Interpretations of the Code of Ethics*.

Modifications to existing Standards of Practice and additional new Standards of Practice are approved from time to time. Readers are cautioned to ensure that the most recent publications are utilized.

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