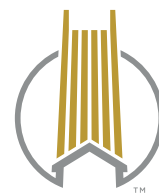




Meets the National Association of REALTORS® Code of Ethics Requirement



**GREATER
NASHVILLE
REALTORS®**
SINCE 1891



CODE OF ETHICS AND STANDARDS OF PRACTICE OF THE NATIONAL ASSOCIATION OF REALTORS®

NAR's Code of Ethics, adopted in 1913, was one of the first codifications of ethical duties adopted by any business group. The Code of Ethics ensures consumers are served by requiring REALTORS® to cooperate with each other in furthering clients' best interests.

OBJECTIVES

Upon completion of this course, participants will be able to:

- Identify key aspirational concepts found in the Preamble to the NATIONAL ASSOCIATION OF REALTORS® Code of Ethics.
- Describe the concept of general business ethics, and compare and contrast the REALTORS®' Code of Ethics with general business ethics.
- Describe the concepts established in Articles 1, 2, 3, 9, 11, 12, 16 and 17 of the Code of Ethics and identify possible violations of the Code of Ethics specifically related to those Articles.
- Briefly describe the professional standards enforcement process.



CODE OF ETHICS

- HISTORY OF THE CODE OF ETHICS
- CODE OF ETHICS AND STANDARDS OF PRACTICE
- APPLICATION OF THE CODE OF ETHICS
- PATHWAYS TO PROFESSIONALISM

HISTORY OF THE CODE OF ETHICS

PRE-1900

- 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.

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.

THE CODE IS

OUR COMMITMENT TO PROFESSIONALISM

RECOGNIZED AS THE MEASURE OF HIGH STANDARDS IN REAL ESTATE

THE GOLDEN THREAD THAT BINDS OUR REALTOR FAMILY TOGETHER

A LIVING DOCUMENT THAT EVOLVES WITH THE REAL ESTATE BUSINESS

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

CODE OF ETHICS AND STANDARDS OF PRACTICE

OF THE NATIONAL ASSOCIATION OF REALTORS®

Effective January 1, 2025



Where the word REALTORS® is used in this Code and Preamble, it shall be deemed to include REALTOR ASSOCIATE®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. Upon the written request of a cooperating broker who submits an offer to the listing broker, the listing broker shall provide, as soon as practical, a written affirmation to the cooperating broker stating that the offer has been submitted to the seller/landlord, or a written notification that the seller/landlord has waived the obligation to have the offer presented. 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 1/20)
- **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 seller. (Adopted 1/10, Amended 1/23)
- **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)
- **Standard of Practice 3-11**
REALTORS® may not refuse to cooperate on the basis of a broker’s race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity. (Adopted 1/20, Amended 1/23)

Article 4

REALTORS® who have a present ownership interest in property for sale or lease, or contemplated interest to purchase or lease property, must disclose in writing the existence of such interest to all parties to the transaction prior to a party signing any agreement. (Amended 1/25)

- **Standard of Practice 4-1**
The present ownership interest in property for sale or lease, or contemplated interest to purchase or lease property, includes transactions in which REALTORS®:
 - 1) represent themselves
 - 2) represent a member of their immediate family
 - 3) represent their firm or any broker or agent thereof
 - 4) represent an entity in which the REALTOR® or member of their immediate family has a legal interest. (Adopted 2/86, Amended 1/25)
- **Standard of Practice 4-2**
REALTORS® are not required to disclose the identity of the client or customer, nor the specific nature of the interest referred to in Article 4, but must disclose that an interest exists. (Adopted 1/25)

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, disability, 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, disability, familial status, national origin, sexual orientation, or gender identity. (Amended 1/23)

REALTORS®, in their real estate employment practices, shall not discriminate against any person or persons on the basis of race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity. (Amended 1/23)

- **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, disability, familial status, national origin, sexual orientation, or gender identity. (Adopted 1/94, Renumbered 1/05 and 1/06, Amended 1/23)

- **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)

- **Standard of Practice 10-5**

REALTORS® must not use harassing speech, hate speech, epithets, or slurs based on race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity. (Adopted and effective November 13, 2020, Amended 1/23)

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 or the applicable agency duties required by law. (Amended 1/25)
- **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**
(Deleted 1/20)
- **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.



430 North Michigan Avenue | Chicago, IL 60611-4087
800.874.6500 | www.nar.realtor

©2025 NATIONAL ASSOCIATION OF REALTORS®

166-288-25 (01/25 VG)



IV. APPLICATION OF THE CODE OF ETHICS

CASE #1-29: MULTIPLE OFFERS TO BE PRESENTED OBJECTIVELY

(Adopted November 2002.)

REALTOR® A listed Seller S's house. He filed the listing with the MLS and conducted advertising intended to interest prospective purchasers. Seller S's house was priced reasonably and attracted the attention of several potential purchasers.

Buyer B learned about Seller S's property from REALTOR® A's website, called REALTOR® A for information, and was shown the property by REALTOR® A several times.

Buyer X, looking for property in the area, engaged the services of REALTOR® R as a buyer representative. Seller S's property was one of several properties REALTOR® R introduced to Buyer X.

After the third showing, Buyer B was ready to make an offer and requested REALTOR® A's assistance in writing a purchase offer. REALTOR® A helped Buyer B prepare an offer and then called Seller S to make an appointment to present the offer that evening.

Later that same afternoon, REALTOR® R called REALTOR® A and told him that he was bringing a purchase offer to REALTOR® A's office for REALTOR® A to present to Seller S. REALTOR® A responded that he would present Buyer X's offer that evening.

That evening, REALTOR® A presented both offers to Seller S for his consideration. Seller S noted that both offers were for the full price and there seemed to be little difference between them. REALTOR® A responded, "I'm not telling you what to do, but you might consider that I have carefully pre-qualified Buyer B. There's no question but that she'll get the mortgage she'll need to buy your house. Frankly, I don't know what, if anything, REALTOR® R has done to pre-qualify his client. I hope he'll be able to get a mortgage, but you never can tell." REALTOR® A added, "Things can

get complicated when a buyer representative gets involved. They make all sorts of demands for their clients and closings can be delayed. You don't want that, do you? Things are almost always simpler when I sell my own listings," he concluded.

Seller S, agreeing with REALTOR® A's reasoning, accepted Buyer B's offer and the transaction closed shortly thereafter.

Upset that his purchase offer hadn't been accepted, Buyer X called Seller S directly and asked, "Just to satisfy my curiosity, why didn't you accept my full price offer to buy your house?" Seller S explained that he had accepted another full price offer, had been concerned about Buyer X being able to obtain the necessary financing, and had been concerned about delays in closing if a buyer representative were involved in the transaction.

Buyer X shared Seller S's comments with REALTOR® R the next day. REALTOR® R, in turn, filed an ethics complaint alleging that REALTOR® A's comments had intentionally cast Buyer X's offer in an unflattering light, that his comments about buyer representatives hindering the closing process had been inaccurate and unfounded, and that REALTOR® A's presentation of the offer had been subjective and biased and in violation of Article 1 as interpreted by Standard of Practice 1-6.

At the hearing, REALTOR® A tried to justify his comments, noting that although he had no personal knowledge of Buyer X's financial wherewithal and while he hadn't had a bad experience dealing with represented buyers, it was conceivable that an overzealous buyer representative could raise obstacles that might delay a closing. In response to REALTOR® R's questions, REALTOR® A acknowledged that his comments to Seller S about Buyer X's ability to obtain financing and the delays that might ensue if a buyer representative were involved were essentially

speculation and not based on fact.

The Hearing Panel concluded that REALTOR® A's

comments and overall presentation had not been objective as required by Standard of Practice 1-6 and found REALTOR® A in violation of Article 1.

CASE #1-30: MULTIPLE OFFERS WHERE LISTING BROKER AGREES TO REDUCE LISTING BROKER'S COMMISSION

(Adopted November 2002, Revised May 2019)

REALTOR® A listed Seller S's house. He filed the listing with the MLS and advertised to interest prospective purchasers. Seller S's house was priced reasonably and attracted the attention of several potential purchasers.

Buyer B learned about Seller S's property from REALTOR® A's website, called REALTOR® A for information, and was shown the property by REALTOR® A several times.

Buyer X, looking for property in the area, engaged the services of REALTOR® R as a buyer representative. Seller S's property was one of several REALTORS® R introduced to Buyer X.

After the third showing, Buyer B was ready to make an offer and requested REALTOR® A's assistance in writing a purchase offer. REALTOR® A helped Buyer B prepare an offer and then called Seller S to make an appointment to present the offer that evening.

Later that same afternoon, REALTOR® R called REALTOR® A and told him that he was bringing a purchase offer to REALTOR® A's office for REALTOR® A to present to Seller S. REALTOR® A responded that he would present Buyer X's offer that evening.

That evening, REALTOR® A presented both offers to Seller S for his consideration. Seller S noted that both offers were for the full price and there seemed to be little difference between them. REALTOR® A responded, "They're both good offers and they'll both net you the same amount." Seller S asked about the feasibility of countering one or both of the offers. REALTOR® A agreed that was a possibility, but noted that counter-

ing a full price offer could result in the buyer walking away from the table. Besides, he reminded Seller S, production of a full-price offer triggered REALTOR® A's entitlement to a commission under the terms of their listing agreement. Seller S acknowledged that obligation but expressed regret that, faced with two full price offers, there was no way to increase the proceeds he would realize from the sale of his property. "I'll tell you what," said Seller S, "if you'll reduce your commission, I'll accept the offer you procured. While you'll get a little less than we'd agreed in the listing contract, you'll still have more than if you had to pay the other buyer's broker."

Seeing the logic of Seller S's proposal, and realizing that he and the seller were free to renegotiate the terms of their agreement, REALTOR® A agreed to reduce his commission by one percent. Seller S, in turn, accepted Buyer B's offer and the transaction closed shortly thereafter.

Upset that his purchase offer hadn't been accepted, Buyer X called Seller S directly and asked, "Just to satisfy my curiosity, why didn't you accept my full price offer to buy your house?" Seller S explained that he had accepted a full price offer produced by REALTOR® A because of REALTOR® A's willingness to reduce his commission by one percent.

Buyer X shared Seller S's comments with REALTOR® R the next day. REALTOR® R, in turn, filed an ethics complaint alleging that REALTOR® A's commission reduction had induced Seller S to accept the offer REALTOR® A had produced, that REALTOR® A's commission reduction made his presentation of the competing offer less than objective and violated Article 1, as interpreted by Standard of Practice 1-6, and that REALTOR®

A's failure to inform him of the change in his (REALTOR® A's) commission arrangement violated Article 3, as interpreted by Standard of Practice 3-4.

At the hearing, REALTOR® A defended his actions stating that he had said nothing inaccurate, untruthful, or misleading about either of the offers and that he understood that his fiduciary duties were owed to his client, Seller S, and that he and Seller S were free to renegotiate the terms of their listing agreement at any time. REALTOR® A acknowledged that by reducing his commission with respect to an offer he produced, he might arguably have created a dual or variable rate commission arrangement of the type addressed in Standard of Practice 3-4. He pointed out that if that commission arrangement had been a term of their agreement when the listing agreement was entered into, or at some point other than Seller S's deciding which offer he would accept, then he would have taken appropriate steps to disclose the existence of the modified arrangement. He noted that Standard of Practice 3-4 requires disclosure of variable rate com-

mission arrangements "as soon as practical" and stated that he saw nothing in the Standard that required him and his client to call "time-out" while the existence of their renegotiated agreement was disclosed to other brokers whose buyers had offers on the table—or to all other participants in the MLS. He acknowledged that if the accepted offer had subsequently fallen through and Seller S's property had gone back on the market with a variable rate commission arrangement in effect (where one hadn't existed before), then the existence of the variable rate commission arrangement would have had to have been disclosed. But, he concluded, the accepted offer hadn't fallen through so disclosure was not feasible or required under the circumstances.

The Hearing Panel agreed with REALTOR® A's reasoning and concluded that he had not violated either Article 1 or Article 3, regardless of whether he or the seller had suggested the reduction of REALTOR® A's commission.

CASE #1-6: FIDELITY TO CLIENT'S INTERESTS

(Originally Case #7-7. Reaffirmed May 1988. Transferred to Article 1 November 1994. Revised November, 2001.)

REALTOR® A managed an apartment building owned by Client B. In his capacity as property manager, REALTOR® A received a written offer to purchase the building from Buyer C. REALTOR® A responded that the building was not for sale. A few days later Buyer C met

Client B and told him that he thought he had made an attractive offer through his agent, and indicated that he would be interested in knowing what price would interest Client B. Client B answered that he had received no offer through REALTOR® A and asked for the details. Client B then filed a complaint against REALTOR® A with the local Board of REALTOR® charging failure to represent and promote his interests. His

complaint specified that while REALTOR® A had been engaged as a property manager, he had at no time told him not to submit any offers to buy, and that in the absence of any discussion whatever on this point, he felt that REALTOR® A should have recognized a professional obligation to acquaint him with Buyer C's offer which, he stated in the complaint, was definitely attractive to him.

REALTOR® A was notified of the complaint and directed to appear before a panel of the Board's Professional Standards Committee. In his defense, REALTOR® A stated that his only relationship with Client B was a property manager under the terms of a management contract; that he had not been engaged as a broker; that at no time had the client ever indicated an interest in selling the building; that in advising Buyer C that the property was not on the market, he felt that he was protecting his client against an

attempt to take his time in discussing a transaction which he felt sure would not interest him.

It was the conclusion of the Hearing Panel that REALTOR® A was in violation of Article 1; that in the absence of any instructions not to submit offers, he

should have recognized that fidelity to his client's interest, as required under Article 1 of the Code of Ethics, obligated him to acquaint his client with a definite offer to buy the property; and that any real estate investor would obviously wish to know of such an offer.

CASE #1-10: OBLIGATIONS UNDER EXCLUSIVE LISTING

*(Originally Case #7-12. Reaffirmed May 1988.
Transferred to Article 1 November 1994.
Revised November 2001.)*

At the time Client A signed an exclusive listing agreement with REALTOR® B, they discussed market conditions and prevailing prices, and agreed on listing at \$156,900. After six weeks with no apparent interest in the house, Client A called REALTOR® B to learn why his property was receiving scant attention from prospective buyers. REALTOR® B said, "It's not hard to diagnose the trouble. Your property is overpriced. That was clear to me by the time we had it listed for ten days. In this market, it would take a really interested buyer to go as high as \$149,000 for it. That's why it hasn't been possible for us to push it." "When you reached that conclusion, why didn't you tell me?" asked Client A. "Because," said REALTOR® B, "it wouldn't have done any good. I know from experience that sellers can't be convinced that they are overpricing their property until they get tired of waiting for an offer that will never come. Now that the market has taught you something that you would not take as advice, let's reduce the price to \$148,900 and push it."

Client A complained about REALTOR® B to the Board of REALTORS®, detailing these circumstances, strongly insisting that REALTOR® B had fully agreed with him on the price at which the property was originally listed.

Client A reiterated this point strongly at the hearing of his complaint which was held before a Hearing Panel of the Board's Professional Standards Committee. REALTOR® B did not contest this, taking the position that at the time of the listing it was his judgment that a price of \$156,900 was fair and obtainable in the market. He stated that a strong immediate sales effort had convinced him that the listed price was excessive, and he defended his action of reducing his sales effort as he had done in his discussion with the client. He said that many years of experience as a broker had convinced him that once a seller decides on a definite price for his property, no argument or analysis will shake his insistence on getting that price; that only inaction in the market is convincing to the sellers.

The Hearing Panel concluded that REALTOR® B's conduct had violated Article 1 of the Code of Ethics, which requires REALTORS® to protect and promote their clients' interests. The panel also found that since REALTOR® B honestly felt the original listing price of \$156,900 was the fair market value at the time he listed it, REALTOR® B had not violated the Code of Ethics by suggesting that the price be lowered. However, since REALTOR® B later concluded the property was overpriced, he should have immediately notified Client A of his conclusion and not waited for Client A to call him six weeks later.

CASE #2-3: OBLIGATION TO DISCLOSE DEFECTS

(Revised Case #9-9 May 1988. Transferred to Article 2 November 1994.)

Seller A came to REALTOR® B's office explaining that his company was transferring him to another city and he wished to sell his home. In executing the listing contract, Seller A specified that the house had hardwood floors throughout and that the selling price would include the shutters and draperies that had been custom made for the house. Seller A said that he would like to continue to occupy the house for 90 days while his wife looked for another home at his new location, and agreed that REALTOR® B could show the house during this time without making a special appointment for each visit. Accordingly, REALTOR® B advertised the house, showed it to a number of prospective buyers, and obtained a purchase contract from Buyer C. Settlement was completed and at the expiration of the 90-day period from the date of listing, Seller A moved out and Buyer C moved in.

On the day that Buyer C moved in, seeing the house for the first time in its unfurnished condition, he quickly observed that hardwood flooring existed only on the outer rim of the floor in each room that had been visible beyond the edges of rugs when he inspected the house, and that the areas that had been previously covered by rugs in each room were of subflooring material. He complained that REALTOR® B, the listing broker, had misrepresented the house in his advertisements and in the description included in his listing form which had specified "hardwood floors throughout." Buyer C complained to REALTOR® B, who immediately contacted Seller A. REALTOR® B pointed out that the house had been fully furnished when it was listed and Seller A had said that the house had hardwood floors throughout. Seller A acknowledged that he had so described the floors, but said the error was inadvertent since he had lived in the house for ten years since it had been custom built for him. He

explained that in discussing the plans and specifications with the contractor who had built the house, the contractor had pointed out various methods of reducing construction costs, including limiting the use of hardwood flooring to the outer rim of each room's floor. Since Seller A had planned to use rugs in each room, he had agreed, and after ten years of living in the house with the subflooring covered by rugs, he had "simply forgotten about it."

REALTOR® B explained, however, that Seller A's description, which he had accepted, had resulted in misrepresentation to the buyer. "But it's a small point," said Seller A. "He'll probably use rugs too, so it really doesn't make any difference." After further pressure from REALTOR® B for some kind of adjustment for Buyer C, Seller A concluded, "It was an honest mistake. It's not important. I'm not going to do anything about it. If Buyer C thinks this is a serious matter, let him sue me."

REALTOR® B explained Seller A's attitude to Buyer C, saying that he regretted it very much, but under the circumstances could do nothing more about it. It was at this point that Buyer C filed a complaint with REALTOR® B's Board.

At the hearing before a Hearing Panel of the Professional Standards Committee of REALTOR® B's Board, during which all of these facts were brought out, the panel found that REALTOR® B had acted in good faith in accepting Seller A's description of the property. While Article 2 prohibits concealment of pertinent facts, exaggeration, and misrepresentation, REALTOR® B had faithfully represented to Buyer C information given to him by Seller A. There were no obvious reasons to suspect that hardwood floors were not present throughout as Seller A had advised. REALTOR® B was found not in violation of Article 2.

CASE #2-7: OBLIGATION TO DETERMINE PERTINENT FACTS

(Revised Case #9-13 May 1988. Transferred to Article 2 November 1994.)

REALTOR® A, a home builder, showed one of his newly constructed houses to Buyer B. In discussion, the buyer observed that some kind of construction was beginning nearby. He asked REALTOR® A what it was. “I really don’t know,” said REALTOR® A, “but I believe it’s the attractive new shopping center that has been planned for this area.” Following the purchase, Buyer B learned that the new construction was to be a bottling plant and that the adjacent area was zoned industrial.

Charging that the proximity of the bottling plant would have caused him to reject purchase of the home, Buyer B filed a complaint with the Board of REALTORS® charging REALTOR® A with unethical conduct for failing to disclose a pertinent fact. The Grievance Committee referred the complaint for a hearing before a Hearing Panel of the Professional Standards Committee.

During the hearing, REALTOR® A’s defense was that he had given an honest answer to Buyer B’s question. At the time he had no positive knowledge about the new construction. He knew that other developers were planning an extensive shopping center in the general area, and had simply ventured a guess. He pointed out, as indicated in Buyer B’s testimony, that he had prefaced his response by saying he didn’t know the answer to this question.

The Hearing Panel concluded that Buyer B’s question had related to a pertinent fact; that REALTOR® A’s competence required that REALTOR® A know the answer or, if he didn’t know the answer, he should not have ventured a guess, but should have made a commitment to get the answer. The Hearing Panel also noted that although REALTOR® A had prefaced his response with “I don’t know,” he had nonetheless proceeded to respond and Buyer B was justified in relying on his response. REALTOR® A was found to have violated Article 2.

CASE #2-14: TIME AT WHICH MODIFICATION TO COOPERATIVE COMPENSATION IS COMMUNICATED IS A DETERMINING FACTOR

(Revised Case #9-26 May 1988. Transferred to Article 2 November 1994. Cross-reference Case #3-7. Revised May 2017.)

REALTOR® A listed Seller X’s home and entered the listing into the MLS. The relevant MLS data field indicated the compensation REALTOR® A was offering to the other Participants if they were successful in finding a buyer for Seller X’s home.

During the next few weeks, REALTOR® A authorized several Participants of the MLS, including REALTOR® C, to show Seller X’s home to potential buyers. Although several showings were made, no offers to purchase were forthcoming. REALTOR® A and Seller

X, in discussing possible means of making the property more salable, agreed to reduce the listed price. REALTOR® A also agreed to lower his commission. REALTOR® A changed his compensation offer in the field in the MLS and then called the MLS Participants who had shown Seller X’s property to advise them that he was modifying his offer of compensation to cooperating brokers. Upon receiving the call, REALTOR® C responded that he was working with Prospect Z who appeared to be very interested in purchasing the property and who would probably make an offer to purchase in the next day or two. REALTOR® C indicated that he would expect to receive the compensation that had been published originally in the MLS and not the reduced amount now being offered to him, since

he had already shown the property to Prospect Z and expected an offer to purchase would be made shortly. REALTOR® A responded that since Prospect Z had not signed an offer to purchase and no offer had been submitted the modified offer of compensation would be applicable.

The following day, REALTOR® C wrote an offer to purchase for Prospect Z. The offer was submitted to the Seller by REALTOR® A and was accepted. At the closing, commissions were dispersed reflecting the modified offer communicated to REALTOR® C by phone. REALTOR® C refused to accept the check indicating that he felt REALTOR® A's actions were in violation of the Code of Ethics. REALTOR® C filed a complaint with the Association's Grievance Committee alleging violation of Articles 2 and 3 on the part of REALTOR® A citing Standard of Practice 3-2 in support of the charge.

During the hearing, REALTOR® C stated that REALTOR® A's modification of the compensation constituted a misrepresentation through concealment of pertinent facts since he had not provided REALTOR® C with specific written notification of the modification prior to the time REALTOR® C began his efforts to

interest the purchaser in the listed property. REALTOR® A defended his actions by indicating that timely notice of the modification of compensation offered had been provided to REALTOR® C by telephone prior to REALTOR® C submitting a signed offer to purchase. REALTOR® A also indicated that his modified offer of compensation had been noticed to all Participants, including REALTOR® C, through the MLS in accordance with Standard of Practice 3-2 prior to the time that REALTOR® C had submitted the signed offer to purchase. REALTOR® A also commented that had REALTOR® C submitted the signed offer to purchase prior to REALTOR® A communicating the modified offer, then REALTOR® A would have willingly paid the amount originally offered.

Based on the evidence presented to it, the Hearing Panel concluded that REALTOR® A had acted in accordance with the obligation expressed in Standard of Practice 3-2 based on changing the offer of cooperative compensation in the MLS alone, even without the courtesy phone calls, and there had been no concealment of a pertinent fact relating to the transaction, and consequently was not in violation of Articles 2 or 3.

CASE #3-9: REALTOR®'S OBLIGATION TO DISCLOSE TRUE NATURE OF LISTING AGREEMENT

(Adopted as Case #9-32 April 1992. Transferred to Article 3 November 1994. Revised May 2017.)

REALTOR® A listed the home of Seller X and entered it in the MLS as an exclusive right to sell listing. REALTOR® A did not disclose that there was a variable rate commission arrangement on this listing, even though the listing contract provided that, should the seller be the procuring cause of sale, the listing broker would receive a commission of \$1,000, an amount intended to compensate REALTOR® A for his photography and marketing costs.

REALTOR® B, a cooperating broker, showed the property several times. Eventually, REALTOR® B submitted a signed purchase agreement to REALTOR® A. REALTOR® A returned the purchase agreement the next day, informing REALTOR® B that the seller had rejected the offer. Several weeks later, REALTOR® B learned that the property had been sold, and that the buyer was Seller X's nephew.

Several months later, REALTOR® B met Seller X at a fund-raising event. Seller X thanked her for her efforts, and told her that, under "normal circumstances," he might have seriously considered the offer she had produced. When asked why the circumstances surround-

ing this transaction were “unusual,” Seller X responded telling her of his agreement “with REALTOR® A to pay a \$1,000.00 commission if Seller X found the buyer. And when my nephew decided to buy the house, I jumped at the chance to save some money.”

When REALTOR® B learned of this arrangement, she filed a complaint with the Association of REALTORS® alleging that REALTOR® A had violated Article 3 of the Code of Ethics. The Professional Standards Administrator of the Association referred the complaint to the Grievance Committee, and, after its review, the Grievance Committee referred the complaint for hearing.

At the hearing, REALTOR® B, in stating her complaint to the Hearing Panel, said that REALTOR® A's failure to disclose the actual terms and conditions of his listing with Seller X was a misrepresentation. She explained that, had she been aware of this arrangement, she might have decided not to accept REALTOR® A's offer of cooperation, since it might put potential purchasers she would produce in a possibly unfair position.

REALTOR® A, speaking in his own defense, stated no commission differential would have resulted if the buyer had been procured by either the listing broker or a cooperating broker so whatever other arrangements he had with Seller X were personal and, as listing broker, it was his right to establish the terms and conditions of his relationship with his client.

After careful deliberation, the Hearing Panel concluded that while it was REALTOR® A's right to establish the terms and conditions of the listing contract, the existence of his “special” arrangement with Seller X should have been disclosed as a dual or variable rate commission, since without knowledge of it, cooperating brokers would be unable to make knowledgeable decisions regarding acceptance of the listing broker's offer to cooperate.

The Hearing Panel concluded that REALTOR A had in fact concealed and misrepresented the real facts of the transaction and was in violation of Article 3 of the Code of Ethics as interpreted by Standard of Practice 3-4.

CASE #3-13 TIMING OF COMMISSION NEGOTIATIONS

(Adopted November 2019.)

REALTOR® A signs a listing agreement with Seller B for the sale of her home. The home is priced at \$1,000,000, and REALTOR® A files the listing with the MLS, offering a certain percentage of cooperative compensation.

REALTOR® C sees the listing and knows it would be a perfect fit for her buyers, but unfortunately, it's out of their price range. She discusses it with them, and they ask her to submit an offer for \$900,000. REALTOR® C explains the risks in submitting an offer so far below asking price, but the buyers are in love with the home and ask her to submit the offer anyway.

REALTOR® C submits the offer to REALTOR® A, who discusses it with Seller B. Seller B is concerned about

accepting an offer so far below the home's asking price, so REALTOR® A offers to reduce her commission, as articulated in the listing agreement, by 1% if Seller B wants to accept the offer of \$900,000 and ensure a quick sale. Seller B agrees to accept the offer and reduce the commission she pays to REALTOR® A by 1%.

REALTOR® A informs REALTOR® C that their offer was accepted, but that REALTOR® A is now being paid 1% less in commission. “Listen,” she explains to REALTOR® C, “it seems like both of our clients are happy with the price if it means the sale moves quickly. Would you be willing to split the difference on my reduced commission and I pay you 0.5% less in cooperative compensation than I specified in the MLS?”

REALTOR® C agrees to accept 0.5% less than the commission specified in the MLS. After closing, REALTOR® C files an ethics complaint against REALTOR® A, alleging a violation of Article 3, as illustrated by Standard of Practice 3-2.

At the hearing on the matter, REALTOR® C argued that by asking her to accept 0.5% less in cooperative compensation after the offer was submitted, REALTOR® A was unilaterally modifying the compensation with regard to that transaction. The Hearing Panel disagreed and found no violation of Article 3, noting

that Standard of Practice 3-3 specifically authorizes listing and cooperating brokers to enter into an agreement to change the compensation for a transaction at any time, and that the Code of Ethics would never interfere with the negotiation of commissions between listing and cooperating brokers. The Panel also noted that REALTOR® C could have said no to the reduced commission, and in that instance REALTOR® A would have been obligated to pay the commission stated in the MLS.

CASE #4-3: DISCLOSURE OF FAMILY INTEREST

(Revised Case #13-4 May 1988. Transferred to Article 4 November 1994.)

REALTOR® A listed Client B's home and subsequently advised him to accept an offer from Buyer C at less than the listed price. Client B later filed a complaint against REALTOR® A with the Board stating that REALTOR® A had not disclosed that Buyer C was REALTOR® A's father-in-law; that REALTOR® A's strong urging had convinced Client B, the seller, to accept an offer below the listed price; and that REALTOR® A had acted more in the interests of the buyer than in the best interests of the seller.

At the hearing, REALTOR® A defended his actions stating that Article 4 of the Code requires disclosure when the purchaser is a member of the REALTOR®'s immediate family, and that his father-in-law was not a member of REALTOR® A's immediate family. REALTOR® A also demonstrated that he had presented two

other offers to Client B, both lower than Buyer C's offer, and stated that, in his opinion, the price paid by Buyer C had been the fair market price.

REALTOR® A's defense was found by the Hearing Panel to be inadequate. The panel concluded that Article 4 forbids a REALTOR® to "acquire an interest in" property listed with him unless the interest is disclosed to the seller or the seller's agent; that the possibility, even remote, of REALTOR® A's acquiring an interest in the property from his father-in-law by inheritance gave the REALTOR® a potential interest in it; that REALTOR® A's conduct was clearly contrary to the intent of Article 4, since interest in property created through a family relationship can be closer and more tangible than through a corporate relationship which is cited in the Code as an interest requiring disclosure. REALTOR® A was found to have violated Article 4 for failing to disclose to Client B that the buyer was his father-in-law.

CASE #6-6: DISCLOSE AFFILIATED BUSINESS RELATIONSHIPS PRIOR TO RECOMMENDING REAL ESTATE-RELATED PRODUCTS OR SERVICES

(Adopted November 2006. Revised November 2017.)

REALTOR® Z, a broker and sole proprietor, had invested considerable resources into developing her website. Seeking to recoup some of her costs, she approached virtually every provider of real estate-related products and services in her area, including financial institutions, title insurance companies, home inspectors, mortgage brokers, insurance agencies, appraisers, exterminators, decorators, landscapers, furniture and appliance dealers, rug and carpet dealers, moving companies, and others about purchasing banner advertisement space on her website. As a condition of having a link to their own sites appear on her home page, REALTOR® Z required that a fee be paid to her each time a consumer “clicked through” from her site to an advertiser’s.

Ads for providers of real estate-related products and services who agreed to REALTOR® Z’s terms appeared on her home page under the heading “Preferred Providers.” Immediately under that heading read: “These vendors provide quality goods and services. Please patronize them.”

Buyer A frequented REALTOR® Z’s website seeking information about available properties. Using that website, he became aware of a property on Elm Street that he made an offer on through REALTOR® Z, which was accepted by the seller. The sale closed shortly afterwards.

Buyer A was an avid remodeler and, using REALTOR® Z’s website, linked to the Real Rug company website, among others. Interested by what he found there, he subsequently visited their showroom in person and purchased wall-to-wall carpeting and several expensive area rugs.

Given the size of Buyer A’s order, one of the owners of Real Rug came to oversee the delivery and installation. In the course of conversation with Buyer A, he com-

mented favorably on the amount of referral business received from REALTOR® Z’s website. “And to think I only pay a small fee for each customer who’s referred to me by REALTOR® Z,” he added.

Buyer A was somewhat surprised that REALTOR® Z would receive money for referring clients and customers to providers of real estate-related products and services and contacted the local association of REALTORS®. The association provided him with a copy of the Code of Ethics. Reading it carefully, Buyer A concluded that REALTOR® Z’s actions might have violated Article 6, and he filed an ethics complaint against REALTOR® Z.

At the hearing, REALTOR® Z defended herself and her website, stating that the advertisements for real estate-related products and services on her website were simply that, only advertisements and not recommendations or endorsements of the products and services found there. She acknowledged she collected a fee each time a visitor to her website clicked on the links found under “Preferred Providers” but claimed that simply referring to those advertisers as “preferred” did not constitute a recommendation or endorsement of the products and/or the services offered.

The hearing panel disagreed with REALTOR® Z’s reasoning, pointing out that a reasonable consumer would certainly conclude that referring to a provider of real estate-related products or services as being “preferred” by a REALTOR® constituted a recommendation or endorsement. Further, since REALTOR® Z received a fee each time a consumer “clicked through” to one of REALTOR® Z’s “Preferred Providers,” REALTOR® Z received a referral fee, and disclosure of that fee was required under Article 6. REALTOR® Z was found in violation of Article 6.

CASE #10-2: DENIAL OF EQUAL PROFESSIONAL SERVICE

*(Revised May 1988. Revised November 2001.
Revised May 2017.)*

On a Saturday morning, REALTOR® B, a salesperson affiliated with REALTOR® A, answered an e-mail from Prospect C, a recent college graduate who was moving into the city to take his first teaching job at Northwest High School. Prospect C was married, had two young children, and was a veteran.

After working with Prospect C to determine his family could afford a three-bedroom home in the \$240,000 range, REALTOR® B described available properties near Northwest High School and set up appointments to show houses to Prospect C. That afternoon, REALTOR® B showed Prospect C and his wife three houses in neighborhoods near the high school.

On Monday, at a faculty meeting, Prospect C met Prospect D, who was also moving into the city to take a teaching position at the same high school and who was also in the market for a home. Prospect D was married with two young children and was also a veteran.

Prospect C told Prospect D of REALTOR® B's knowledge of the market and VA financing and how helpful he had been. Prospect D called REALTOR® A's office that afternoon and asked for REALTOR® B, and asked for REALTOR® B. REALTOR® B met Prospect D and determined Prospect D could also afford a home in the \$240,000 range. Prospect D told REALTOR® B that

he was also a new teacher at Northwest High School and had been referred by Prospect C. Prospect D was black.

REALTOR® B showed Prospect D houses in several neighborhoods undergoing racial transition but did not show Prospect D homes in neighborhoods near the high school. Prospect D asked about houses closer to Northwest High School. REALTOR® B replied that he had no knowledge of any homes in that area for which Prospect D could qualify. The next day, Prospect D, while visiting Prospect C, related his problems in finding a home near the high school and learned that REALTOR® B had shown Prospect C several homes near the high school. Prospect D filed a complaint with the Association of REALTORS® claiming that REALTOR® B had discriminated against him and his family by not offering equal professional services.

The complaint was reviewed by the Grievance Committee. REALTOR® B was charged with an alleged violation of Article 10, and the complaint was referred to a Hearing Panel of the Association's Professional Standards Committee for hearing. At the hearing, REALTOR® B admitted that he did not use the same efforts to show Prospect D properties in neighborhoods near the high school as he did with Prospect C because he felt Prospect D and his family would feel more comfortable living in a racially integrated neighborhood.

The Hearing Panel found REALTOR® B in violation of Article 10 of the Code of Ethics.

CASE #10-5: USE OF “CHOOSE YOUR NEIGHBOR” FORM LETTERS AS PART OF A MARKETING CAMPAIGN

(Adopted November 1987.

Revised November 2013 and May 2017.)

The ABC Association of REALTORS® received a complaint from a local fair housing group alleging that REALTOR® A was using discriminatory marketing techniques, in violation of Article 10 of the Code of Ethics, as the listing broker for a property in a new subdivision.

In support of their complaint, the fair housing group provided copies of “Choose Your Neighbor” form letters sent by REALTOR® A to current neighborhood residents. The letters announced that the property was on the market and invited neighborhood residents to contact REALTOR® A if they knew of anyone who they thought might be interested in purchasing the home.

At the hearing, REALTOR® A defended his use of “Choose Your Neighbor” form letters by demonstrating that they were just one element of his marketing campaign, and were not an attempt to restrict access to the property on the basis of race, color, religion, sex, handicap, familial status, country of national origin,

sexual orientation, or gender identity, as prohibited by Article 10. REALTOR® A produced copies of banner advertisements run on several websites, “OPEN HOUSE” information provided on Realtor.com, and a copy of the property’s MLS listing. REALTOR® A remarked, “In my experience, the current residents of a neighborhood often have friends or relatives who have said that they would love to live in the neighborhood. It just makes sense to me to include contacting these folks in any marketing campaign!”

The Hearing Panel found REALTOR® A not in violation of Article 10. In their “Findings of Fact and Conclusions,” the panel noted that the use of “Choose Your Neighbor” letters is not a per se violation of Article 10, but cautioned that such letters could be used in a manner inconsistent with the intent of Article 10. If used in conjunction with other marketing techniques and not as a means of limiting or restricting access to property on the basis of race, color, sex, handicap, familial status, country of national origin, sexual orientation, or gender identity, “Choose Your Neighbor” letters were another method of announcing a property’s availability and attracting potential purchasers.

CASE #11-11: REALTOR®’S OBLIGATION TO DISCLOSE PRESENT OR CONTEMPLATED INTEREST

(Adopted May 1997. Revised November 2000.)

Owner A was considering refinancing a property. Client B, a lender, ordered an appraisal from REALTOR® C. The appraisal report was completed and later Owner A decided to sell the property instead of refinancing it. Owner A contacted REALTOR® C who listed the property. An offer was made that was accepted by Owner A.

At the loan application, the prospective purchaser told the lender, Client B, that a recent appraisal on the

property had been done for Client B. When the lender became aware that the listing broker was also the appraiser, the lender filed a complaint with the Association of REALTORS® alleging that REALTOR® C had not disclosed her “present or contemplated interest” in the property as required by Article 11, as interpreted by Standard of Practice 11-1. The complaint was referred by the Grievance Committee for hearing before a panel of the Association’s Professional Standards Committee.

At the hearing, a written statement from Owner A containing all the facts above was entered into evi-

dence. REALTOR® C stated that the appraisal had been completed in accordance with Standard of Practice 11-1 and it was only after Owner A decided to sell, rather than refinance, that there were any discussions about REALTOR® C representing the owner in the sale of the property.

REALTOR® C stated that the owner had been appreciative of the time that she had spent discussing the subject's neighborhood and existing market condi-

tions, and that the owner had decided that he wanted someone really knowledgeable to represent him in the sale of his property.

Because REALTOR® C's disclosures regarding present and contemplated interests were true at the time they were made in connection with the appraisal, the Hearing Panel concluded that REALTOR® C was not in violation of Article 11.

CASE #11-10: REALTOR®'S OBLIGATION TO DISCLOSE INTEREST

(Adopted May 1997. Revised November 2000 and May 2017.)

Client A, an owner, needed to sell a property. She approached REALTOR® B to list the property. They agreed to the terms of the listing and the property was listed.

An offer was made and was accepted by Client A. After the prospective purchaser completed the loan application, REALTOR® B was contacted to appraise the property. When the lender was preparing the closing statement, the lender became aware that the listing broker was also the appraiser and filed a complaint with the Board of REALTORS® alleging that REALTOR® B had failed to disclose in the appraisal that he had an interest in the property, specifically seeing that the sale closed. The complaint was referred by the Grievance Committee for hearing before a panel of the

Association's Professional Standards Committee.

At the hearing, REALTOR® B protested that the lender was misreading Article 11, as interpreted by Standard of Practice 11-1, claiming that "disclosure of whether the REALTOR® has any conflicts of interest" referred only to an ownership interest. REALTOR® B concluded that the listing commission had been earned when a ready, willing, and able purchaser contracted to purchase the property and that the appraisal process was separate and distinct from the brokerage process.

The Hearing Panel concluded that REALTOR® B's defense was specious and because he was the listing agent REALTOR® B was biased in favor of Client A since a successful transaction would benefit REALTOR® B in the form of a commission.

REALTOR® B was found in violation of Article 11.

CASE # 12-8: REALTOR® TO DISCLOSE STATUS AS REAL ESTATE BROKER OR SALESPERSON EVEN WHEN ADVERTISING PROPERTY OWNED BY THE REALTOR®

(Revised Case #19-11 May 1988. Transferred to Article 12 November 1994. Revised May 2017.)

REALTOR® A decided to sell a residential investment property he owned in the city. He did not list the property with his firm, but rather advertised it for sale

under the heading "For Sale by Owner," giving only his name and home telephone number. Mr. X responded to the ad, purchased the property, and took occupancy.

Shortly after moving into the property, Mr. X filed a complaint with the Association, alleging that REAL-

TOR® A had violated Article 12 of the Code of Ethics by not disclosing that he was a real estate broker in his advertising or in negotiations for the property.

The Grievance Committee determined that the matter should be heard and referred it to the Professional Standards Committee for hearing. After following the Association’s prescribed professional standards procedures, including proper notice to parties, a Hearing Panel was convened to hear the matter.

Mr. X testified that he had purchased the property without knowledge that REALTOR® A was a real estate broker. If he had known this, said Mr. X, he might have decided not to purchase the property or might have decided to have an independent appraisal of the property made before agreeing to purchase. In any event, he said, REALTOR® A’s special knowledge and expertise placed him at a disadvantage.

REALTOR® A testified that the obligations imposed by Article 12 relate only to listed properties, where the REALTOR® acts as agent for the seller. He told the panel that he believed he had complied with the “true picture” test of Article 12 by advertising the property

as a “For Sale by Owner,” because it had not been listed with his firm and there was no agency relationship to disclose.

“Besides,” explained REALTOR® A, “there was no need to disclose my licensure status in the advertisement, because my name is well known in the community as a real estate broker.”

The Hearing Panel disagreed with REALTOR® A’s reasoning and indicated in its decision that Article 12 as interpreted by Standard of Practice 12-6, does establish a requirement to disclose both ownership interest and licensure status when the REALTOR® advertises his own unlisted property for sale. Merely indicating REALTOR® A’s name in the advertisement and assuming that his prominence in the real estate business was well known was not enough. The panel concluded that REALTOR® A was obliged to disclose his licensure status in the advertisement, since this knowledge might well have affected Mr. X’s negotiations on the property as well as his eventual decision to purchase.

REALTOR® A was found in violation of Article 12 of the Code of Ethics.

CASE #12-1: ABSENCE OF NAME ON SIGN

(Reaffirmed Case #19-3 May 1988. Transferred to Article 12 November 1994. Revised November 2001 and May 2017.)

Prospect A observed a sign on a vacant lot reading: “For Sale — Call 330-5215.” Thinking he would be dealing with a For Sale by Owner, he called the number on the sign. He was surprised that the lot was exclusively listed by REALTOR® A, and the telephone number on the sign was the home number of REALTOR® B in REALTOR® A’s office.

Prospect A filed a complaint against REALTOR® A and REALTOR® B alleging a violation of Article 12 of the Code of Ethics.

At the hearing, REALTOR® A stated that he permitted REALTOR® B to put up the sign. REALTOR® B’s defense was that the sign was not a “formal” advertisement, such as an online advertisement, business card, or billboard, to which he understood Article 12 to apply.

The Hearing Panel determined that the sign was an advertisement within the meaning of Article 12; that its use violated that Article of the Code; and that both REALTOR® A and REALTOR® B were in violation of Article 12.

CASE #12-16, COPYING AND PUBLISHING OTHER BROKERS' LISTINGS

(Adopted April 1998. Revised May 2017.)

In developing his website, REALTOR® A decided he would offer two pages of listings: his own and some featured listings of his competitors. Being careful not to present a misleading picture in his advertising, he was very careful to list the company name and phone number of the listing company with each of his competitors' listings.

When REALTOR® B found one of her listings on REALTOR® A's website, she filed an ethics complaint with the local Association of REALTORS® complaining that REALTOR® A had "blatantly and without authorization of any kind whatsoever advertised my listing on his website and in so doing was clearly in violation of Article 12 of the Code of Ethics as interpreted by Standard of Practice 12-4."

At their next meeting, the Grievance Committee decided that the alleged conduct, if taken at face value, could possibly violate Article 12 and directed the Association's Professional Standards Administrator to schedule an ethics hearing before a Hearing Panel of the Association's Professional Standards Committee.

At the hearing, REALTOR® B produced a printed copy of her listing which was on REALTOR® A's website. She produced a copy of her listing agreement and a photograph of the property, which matched the information in the listing. She testified that she had never been contacted by REALTOR® A for permission to advertise her listing.

When REALTOR® A presented his case, he showed the hearing panel several examples of REALTORS® providing links to sites with ads for other REALTORS® listings. He said he saw no fundamental difference between providing such links and actually advertising other listings on his website, especially when he was very careful to also give the listing company's name and phone number. He went on to argue that REALTOR® B's clients would be hard pressed to understand REALTOR® B's objection to giving their properties the additional exposure they received on REALTOR® A's website.

Upon the conclusion of all testimony and closing statements, the Hearing Panel met in executive session and decided that while providing a link to listings of other REALTORS® did not violate Article 12, by actually publishing REALTOR® B's listing on his website REALTOR® A was not linking, but instead was advertising (by copying, as opposed to simply providing a link) without authority. In their findings of fact, the Hearing Panel also noted that even if REALTOR® B's clients might not object to such advertising, the lack of objection could not be assumed and would not relieve REALTOR® A of the obligation to obtain REALTOR® B's specific authority and consent to advertise her listings.

The Hearing Panel found REALTOR® A in violation of Article 12 of the Code of Ethics.

CASE #15-1: KNOWING OR RECKLESS FALSE STATEMENTS ABOUT COMPETITORS

(Adopted Case #23-1 November 1992. Transferred to Article 15 November 1994. Revised May 2017.)

REALTOR® A operated a residential brokerage firm in a highly competitive market area. He frequently used information from the MLS as the basis for compara-

tive ads and to keep close track of his listing and sales activity as well as his competition.

One day, while reviewing MLS data and comparing it to a competitor's ad, REALTOR® A noticed that REALTOR® Z had used a diagram to demonstrate his market

share, contrasting it with those of several other firms. The ad showed that REALTOR® A had listed 10% of the properties in the MLS over the past three months.

REALTOR® A thought this was low. His analysis of MLS data showed his market share was 11%. REALTOR® A filed an ethics complaint against REALTOR® Z citing Article 15 of the Code of Ethics in that REALTOR® Z's "obviously understated market share claim" was a "misleading statement about other real estate professionals." REALTOR® A's complaint was considered by the Grievance Committee which determined that an ethics hearing should be held.

At the hearing, REALTOR® Z testified he had always been truthful in his advertising and that all claims were based in fact. He produced an affidavit from the MLS administrator which indicated that a programming error had resulted in miscalculations and, after careful recomputation, REALTOR® A's market share over the past three months had been 10.9%. The administrator's statement noted that this was the first time that information related to REALTOR® A's listings or sales had

been misstated on the system. "I relied on information from the MLS. It's always been accurate and I had no reason to even suspect it was wrong last month," said REALTOR® Z in his defense.

The Hearing Panel agreed with REALTOR® Z's logic, noting that a REALTOR® should be able to rely on generally accurate information from reliable sources. They reasoned that if, on the other hand, the MLS had shown REALTOR® A having, for example, 1% of the market, then REALTOR® Z's reliance on the information would have been "reckless" because REALTOR® A had generally had a 10 -15% market share and a reasonable conclusion would have been that the information from the MLS was seriously flawed.

The Hearing Panel concluded that REALTOR® Z's comparison with other real estate professionals, while slightly inaccurate, was based on usually accurate and reliable information and had been made in good faith and while technically "misleading," had not been "knowing" or "reckless." REALTOR® Z was found not to have violated Article 15.

CASE #16-20: CONTINUED CONTACT WITH POTENTIAL SELLER WHO ENTERS INTO AN EXCLUSIVE LISTING WITH ANOTHER REALTOR®

(Adopted November 2011, Revised November 2019)

At the conclusion of a detailed listing presentation, REALTOR® B asked the sellers whether they had any questions. "No," said Seller Z. "Your presentation was professional and complete and we very much appreciate your time. We have appointments with two other firms and after we talk to them we'll make our decision." REALTOR® B thanked the sellers and encouraged them to contact him with any questions they might have. "I really look forward to being your broker," he added.

Several days later, REALTOR® B noticed that Seller Z's property had come on the market, listed with REALTOR® A. REALTOR® B and REALTOR® A were friends, but were also quite competitive, both frequently pursuing the same potential seller-clients. "I wonder

why Seller Z decided to list with REALTOR® A," mused REALTOR® B, "it won't matter if I just call and ask why they decided to list with my friend REALTOR® A instead of me." REALTOR® B called the sellers and left a message on their voicemail asking for a return call at their convenience.

That evening, Seller Z returned REALTOR® B's phone call. REALTOR® B started the conversation by thanking Seller Z and his wife for their time. "What I'd like to know is why you chose to give your listing to REALTOR® A instead of me?" he then asked. "Don't get me wrong, REALTOR® A is a good broker and will do a good job for you. I'm not suggesting you cancel your listing with REALTOR® A but if your listing expires and REALTOR® A hasn't sold it, I'd be pleased to talk to you about listing with me."

Seller Z did not follow up on REALTOR® B's offer and the following weekend at REALTOR® A's open house Seller Z and his wife recounted REALTOR® B's follow-up phone call. Over the next few days REALTOR® A debated filing an ethics complaint. He weighed his friendship with REALTOR® B against what he saw as his duty to bring potentially unethical conduct to the attention of the association of REALTORS®. Somewhat reluctantly, he filed an ethics complaint alleging a violation of Article 16, as interpreted by Standard of Practice 16-13.

At the hearing, REALTOR® A called Seller Z as a witness. Seller Z faithfully recounted the substance of REALTOR® B's conversation with Seller Z and his wife, commenting that while REALTOR® B had said he was only trying to understand why he hadn't been given the listing, it appeared to Seller Z that REALTOR® B wanted Seller Z to cancel his listing with REALTOR® A. Then REALTOR® B testified in his own defense. He

acknowledged he had been aware that REALTOR® A had already exclusively listed the property when he contacted Seller Z and asked for a follow-up appointment. He defended his actions stating he was not trying to induce Seller Z to cancel the listing, he was simply trying to find out what he had said – or failed to say – that led Seller Z to list with REALTOR® A instead of with him, and wanted Seller Z and his wife to be fully aware of the services he would provide if their listing with REALTOR® A expired.

The Hearing Panel did not agree with REALTOR® B's defense, noting that REALTOR® B's curiosity or desire to enhance his listing presentation skills did not justify continued contact with a potential seller-client after that seller had entered into an exclusive representation agreement with another broker. REALTOR® B was found in violation of Article 16 as interpreted by Standard of Practice 16-13.

CASE #16-2: RESPECT FOR AGENCY

(Revised Case #21-6 May 1988. Transferred to Article 16 November 1994. Revised May 2017.)

Client A gave a 180-day exclusive right to sell listing of a commercial property to REALTOR® B, specifying that no “for sale” sign was to be placed on the property. REALTOR® B and his sales associates started an intensive sales effort which, after three months, had produced no offer to buy, but it had called attention to the fact that Client A's property was for sale. When REALTOR® C heard of it, he called on Client A, saying that he understood that his property was, or soon would be, for sale, and that if Client A would list the property with him exclusively he felt confident that he could provide prompt action. Client A said the property was exclusively listed with REALTOR® B under a contract that still had about 90 days to run.

“In that case,” said REALTOR® C, “you are bound for the next 90 days to REALTOR® B. I have a really outstanding organization, constantly in touch with active

buyers interested in this class of property. I am in a position to render you an exceptional service, and I will plan to call you again in 90 days or so.”

The property remained unsold during the term of REALTOR® B's listing contract. REALTOR® C called again on Client A, and obtained his assurance that he would sign an exclusive listing of the property upon expiration of the listing contract.

When REALTOR® B called on Client A on the last day of the listing contract to seek its renewal, Client A told him of REALTOR® C's two visits. “I was impressed by REALTOR® C's assurance of superior service” Client A told REALTOR® B, “and in view of the fact that my listing with you produced no definite offer in the 180-day period, I have decided to give REALTOR® C a listing tomorrow.”

REALTOR® B filed a complaint with the Grievance Committee of the Association, outlined the facts, and

charged that REALTOR® C's conduct had been inconsistent with Article 16 of the Code of Ethics.

The Grievance Committee referred the matter to the Professional Standards Committee.

At the conclusion of the hearing, the panel found that REALTOR® C had violated Article 16 by failing to respect the exclusive agency of REALTOR® B. The panel's decision advised that REALTOR® C's original contact with Client A, made at a time when he had no knowledge of REALTOR® B's exclusive listing, was not in itself unethical, but that as soon as he learned of REALTOR® B's status as the client's exclusive agent, he should have taken an attitude of respect for the agency of another REALTOR®, and refrained from any effort to get the listing until after the expiration date of the

original contract.

REALTOR® C's attitude of regarding the client's relationship with REALTOR® B as a kind of misfortune, of presenting his own service as superior to REALTOR® B's, and of suggesting to the client that, having a better capacity to serve him, he could wait until REALTOR® B's listing had expired, was, the panel said, contrary to the respect for another REALTOR®'s exclusive agency required by Article 16.

The Hearing Panel's decision further advised REALTOR® C that he would have conducted himself in accord with Article 16 if, upon learning of REALTOR® B's status as exclusive agent, he had expressed his willingness to cooperate with REALTOR® B in the sale of Client A's property.

CASE #16-10: REFUSAL TO DISCLOSE NATURE AND EXPIRATION DATE OF LISTING

(Originally Case #9-20. Revised and transferred to Article 21 as Case #21-16 May 1988. Transferred to Article 16 November 1994. Revised May 2018.)

REALTOR® A, on his way to his office, noticed the deteriorated condition of a "For Sale" sign posted on an unimproved site bearing the name of REALTOR® B. He remembered that REALTOR® B's "For Sale" sign had been on that site for a considerable period of time. REALTOR® A decided to call REALTOR® B to determine the status of the property. In response to several questions, one of which was, "Do you have an exclusive listing on that property?" REALTOR® B replied that he was not obligated to disclose the nature, status, or the type of listing. After considerable conversation, REALTOR® A stated his intention to contact the property owners for this information, citing Standard of Practice 16-4 as the basis for his action. REALTOR® B warned REALTOR® A not to contact his sellers and refused to discuss the matter further. A few days later, REALTOR® B had a telephone conversation with the property owners and learned of their decision to list their property with REALTOR® A when their current listing with REALTOR® B expired the following week. REALTOR® B

filed a complaint against REALTOR® A with the Association, stating that REALTOR® A's actions in contacting his client had been inconsistent with REALTOR® B's exclusive agreement with the sellers.

The Grievance Committee reviewed the complaint and the response to the complaint filed by REALTOR® B. The case was referred to the Professional Standards Administrator to schedule a hearing by a Hearing Panel of the Association's Professional Standards Committee.

During the hearing, REALTOR® B repeated his complaint and his conversation with REALTOR® A. He also advised the Hearing Panel of his telephone conversation with the property owners and of their decision, as a result of REALTOR® A's direct contact, not to relist the property with him, REALTOR® B. "Not only did REALTOR® A fail to respect my exclusive agreement with the property owners by contacting them directly," said REALTOR® B, "but he violated Article 16 by taking the opportunity to relist the property away from me!" REALTOR® A defended his actions by stating that he had requested information on the nature and status of the listing from REALTOR® B, as required by Article

16, and that REALTOR® B had refused to divulge the information; and that he had contacted the property owners only after this refusal, citing as his authority the principle established in Standard of Practice 16-4. “The sellers were happy to discuss listing their property with me, once I described the services my firm could offer,” said REALTOR® A. “They said they hadn’t had an interested customer since the first week of their listing with REALTOR® B.”

After considering all of the evidence and testimony, the Hearing Panel concluded that REALTOR® A’s actions had not been inconsistent with the exclusive agreement of REALTOR® B. The panel advised that REALTOR® B’s refusal to disclose the nature and status of his listing had freed REALTOR® A to contact the property owners.

The Hearing Panel’s decision noted that Article 16 requires a REALTOR® to respect the exclusive agency of another REALTOR®. But, in order to respect the listing broker’s agency, the REALTOR® must be able to determine if an exclusive listing really exists. If the listing broker refuses to disclose the existence, type, and duration of his listing, Standard of Practice 16-4 recognizes the REALTOR®’s right to contact the seller directly to get that information. Once the REALTOR® secures information on the type and duration of the listing, Standard of Practice 16-4 also permits him to discuss the terms of a future listing or to enter into a listing that becomes effective upon the expiration of the current listing. The panel’s decision also indicated that REALTOR® B could have barred REALTOR® A’s contact with the sellers by simply providing him with information on the nature and status of the listing.

The panel found REALTOR® A not in violation of Article 16 of the Code of Ethics.

CASE #17-10: BOARD’S USE OF STATE ASSOCIATION ARBITRATION PANEL

(Adopted Case #14-16 May 1988. Transferred to Article 17 November 1994.)

A dispute arose between REALTOR® A and REALTOR® B, two of the 15 members of the X Board of REALTORS®. Both members requested that the matter be arbitrated by the Board’s Professional Standards Committee. The Grievance Committee concluded that an arbitrable matter existed but expressed reservations about the Board’s ability to provide an objective and impartial hearing since most of the other Board Members were either employed by or affiliated with REALTOR® A or REALTOR® B, or were frequently involved in transactions with them.

At a specially called meeting of the Board of Directors, it was determined that the Board was incapable of providing an impartial panel for an arbitration hearing. The Board President was authorized to refer the request to the State Association for a hearing by a Hearing Panel of the State Association’s Professional Standards Committee.

Pursuant to the Board’s request, a Hearing Panel was convened by the State Association which rendered an award on behalf of REALTOR® A. REALTOR® B refused to abide by the decision on the grounds that the dispute had not been heard by a panel of his Board as required by Article 17.

APPLICATION OF THE CODE OF ETHICS

COMMERCIAL CASE STUDIES

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.

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.

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.

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.

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.

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.
- D.** Yes. Tom made no representation that the apartment was legally built.

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

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.

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.

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.

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.

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. 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.

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.

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.

2. WHEN DO YOU LOOK TO THE CODE OF ETHICS FOR GUIDANCE?

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.

Social media brings a new set of challenges to REALTORS®

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

3. 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.
- Wear and display your REALTOR® pin.

4. A PATHWAY TO PROFESSIONAL CONDUCT: RESPECT STARTS HERE

- It 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.

Some 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
 Chinese - Traditional
 Danish
 French
 German
 Italian
 Japanese
 Korean
 Portuguese
 Romanian
 Russian
 Spanish
 Tagalog
 Vietnamese

PATHWAYS TO PROFESSIONALISM

The Code of Ethics and Standards of Practice establishes objective, enforceable ethical standards governing professional conduct of REALTORS®. This list of suggested professional courtesies is meant to complement the Code of Ethics. It may not be all-inclusive and may be supplemented by local custom and practice.

These professional courtesies are intended to be used by REALTORS® on a voluntary basis, and cannot form the basis for a professional standards complaint.

RESPECT FOR PROPERTY

- When showing a property, be responsible for your clients and keep the group together.
- Make reasonable and timely accommodations to provide access to listed properties.
- Make reasonable and timely requests to access listed properties.
- Leave the property as you found it (lights, heating/cooling, drapes, etc.) If you think something is amiss (vandalism), contact the listing broker immediately.
- Be considerate of sellers' property. Do not allow anyone to eat, drink, smoke, dispose of trash, use facilities, or bring pets. When instructed or appropriate, remove footwear when entering property.
- Use sidewalks to protect landscaping.
- Obtain permission before photographing, video graphing, or streaming the interior or exterior of properties or allowing others to do so.

RESPECT FOR THE PUBLIC

- Follow the "Golden Rule": Do unto other as you would have them do unto you.
- Respond promptly to inquiries and requests for information.
- Schedule appointments and showings as far in advance as possible.
- Communicate promptly if are delayed or must cancel an appointment or showing.
- If a prospective buyer decides not to view an occupied home, promptly communicate the situation to the listing broker or the occupant.

- When entering a property, ensure that unexpected situations, such as pets, are handled appropriately.
- Never criticize property in the presence of the occupant.
- When showing an occupied home, always ring the doorbell or knock—and announce yourself loudly before entering. Knock and announce yourself loudly before entering any closed room.
- Present a professional appearance at all times.
- If occupants are home during showings, ask their permission before using the bathroom.
- Encourage the clients of other brokers to direct questions to their agent or representative.
- Communicate clearly; ensure specialized language and real estate terminology is understood.
- Be aware of and respect cultural differences. Show courtesy and respect to everyone.
- Be aware of—and meet—all deadlines.
- Promise only what you can deliver—and keep your promises.
- Do not tell people what you think—tell them what you know.

RESPECT FOR PEERS

- Respond to other real estate professionals' communication promptly and courteously.
- Contact the listing broker if there appears to be a discrepancy in the listing information.
- Inform anyone accessing the property about important information (pets, security systems, video/audio recording equipment, etc.).
- Inform if sellers or listing agent will be present during the showing.
- Show courtesy, trust, and respect to other real estate professionals.
- Avoid the inappropriate use of endearments or other denigrating language.
- Do not prospect at other open houses or similar events.
- Secure property and lockbox and/or return keys promptly.
- Real estate is a reputation business. What you do today may affect your reputation—and business — for years to come.

PATHWAYS TO PROFESSIONALISM & MARKETING THE CODE OF ETHICS CASE STUDIES

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).

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 week-end. 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.