Understanding the Code of Ethics

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National Association of Realtors Code of Ethics and Standards of Practice

This document is designed and written to compliment the January 1 2016 National Association of Realtors Code of Ethics and Standards of Practice. It is suggested that the student read and review the code of ethics enclosed in this packet before reviewing this delineation. The bolded headlines are designed to correlate to the sections within the enclosed code of ethics. Statements within are hereby noted as opinions of the subject document and have not been reviewed or endorsed by the subject document's creating body.

NOTE: Some Items May NOT be listed as they are deemed self-evident.

Facts about the NAR Code of Ethics:

1. Establishing ethical standards for real estate practitioners was the reason for organizing the national association.

2. The Code of Ethics—adopted in 1913—was one of the first codifications of ethical duties adopted by any business group and was modeled on ethical codes of physicians, engineers, and lawyers.

3. The Code was the precursor to state license laws.

4. The Code embodies the "Golden Rule."

5. The Code ensures that consumers are served by requiring REALTORS® to cooperate with each other in furthering clients' best interests.

6. The Code demands respect for others' exclusive relationships with clients.

7. The Code keeps disputes between members "in the family" by requiring REALTORS® to arbitrate.

8. The Code consists of 17 Articles, 71 supporting Standards of Practice, and 131 explanatory case interpretations.

9. The Code is enforced at the local level through knowledgeable peer panels.

10. The Code is a living document subject to ongoing review to ensure it stays relevant. An updated version appears every January in REALTOR® Magazine.

Preamble:
Historically, unions and associations have been established to provide the guidance and assistance above law that is deemed necessary by the field to aid both the licensed or practicing professional and the customers or clients that they union or association benefits. The balance between representing the union member interests and the interest of the customer or client has always been the biggest hurdle in the National Association of Realtors. In most instances, Real Estate and Real Property Law governing the practice of real estate is designed to provide the needed protection to potential real estate clients. The NAR Code of Ethics is designed to add to that protection.
The preamble of the Code of Ethics attempts to build a confidence in how important abiding by the rules, regulations and this code of ethics is to every licensee. Though we will find that many of the standards of practice noted within this document are already exemplified within the common or state specific law, this document is intended to be used nationally and thus must not assume that every state includes or will continue to hold such standards.

Article 1
National and local laws already require real estate licensees to provide fiduciary responsibility to clients. Said fiduciary responsibility requires the complete allegiance to the client. Thus this article seems a little redundant to federal principles of real estate agency. That said, it is an important reminder of one of the foundations for the relationships established between a licensee and a client.

1-1
This section implies that "when acting as a principle" the licensee is to abide by the code of ethics. Many cases have been found to have no merit relative to enforcement of such code based on the fact that the licensee had not yet established an agency relationship with the customer and thus the customer was not yet considered a client or principle. It has been suggested by review committees to modify this section to include when acting as a real estate licensee.

1-2
The progression of technology will only increase the use of electronic means in which transactions are facilitated. The code must apply to a member regardless of how the member elects to transact with a client.
Similar to section 1-1, this section notes that the licensee or member acting in a non-agency capacity is not subject to the code of ethics in such situations.
This section also reiterates national terminology wherein the client and the customer are defined. This section does not provide any additional insight to the terminology above and beyond national principles and common law definitions of the client and the customer. Many cases brought before approved ethics panels have deemed the definition of customer and prospect to be similar and interchangeable in most instances. It is also important for this section to define the term broker as it is mildly contrary to widely accepted common law definition. Said definitions will be very important when interpreting future articles within this document.

1-3
This standard of practice is one of the most used as a basis for wrong doing in the practice of representing sellers in the sale of real property. Real Estate licensees often use tactics such as removing a higher priced comparable from a market analysis to make a property value appear to be less. The real estate licensee will often be able to sell the property quicker based on such false property value and thus profiting in the short term but often falling suit to the mal practice within this code of ethics.

1-4
Similar to section 1-3, this section forbids the licensee from misleading the buyer so the agent may profit quickly. It is very difficult to prove that the licensee did or did not intentionally mislead the client and thus it is suggested that the licensee always use written supporting documentation to show proof of adequate representation.

1-5
Many states do not permit a licensee to represent both the buyer and seller within a transaction due to the conflict of interest that could transpire. Though the code of ethics purposely does not go into explicit detail in resolution to such disclosure, it is suggested that examples of such disclosure are provided or specific terminology that must be used is noted. Compliance to this section could be completed through a simple acknowledged statement such as: Buyer and Seller recognize licensee is representing both parties. The aforementioned statement does not provide the buyer and seller with information about the potential conflict of interest and thus does not protect the client as the preamble dictates. Though it could be considered the brokers duty to approve such disclosures, a basis for the terminology should be in place.

1-6
This section is self-explanatory and explicit.

1-7
Many licensees are unaware of this obligation and simply cease to present all offers after an original offer has been accepted by the seller. This standard of practice has been one of the most overlooked and important standards of the last 20 years. Many brokers have created contracts or company use forms that selling agents use to satisfy the waiver of such right to receive additional offers as it is the licensees duty under this section to continue to provide such offers until closing. The portion of this section requiring the licensee to recommend legal counselor concerning back up or subsequent offers was added in the early 90's due to legal ramifications surrounding the enforcement of the previously accepted offer and the commitment to the subsequent offer.

1-8
The licensee always has a duty to their client to continue to represent the clients interests until the agent client relationship ceases.

1-9
Licensees are often told information that is confidential to the client and this code forbids disclosure of such information unless legally or ethically required to disclose. Common law requires much of the same and arguably requires more of the licensee. Common law requires that fiduciary is owed to a client and thus confidentiality is one of the components within fiduciary responsibility.

1-10
Many property managers do not consider the living conditions that tenants are subject and sacrifice the same to report profit to the owner or party whom the management agreement is committed to. Licensees are encourages to consider the effects of their actions on others even when representing their clients best interests.

1-11
Management agreements don't often detail duties of a property manager. The management agreement often outlines the fee structure and the duty of the manager to find locate tenants but do not go into detail concerning property maintenance.

1-12
Many listing agreements are short and to the point. Though the length of the contract does not always indicate the comprehensive nature or completeness of the document, the listing agreement must have the terminology within section 1-12 at minimum.

1-13
Similar to section 12 but pertinent to purchase contract and the like.

1-14
This section is designed to protect the integrity of the system in place and insure that the system checks are performed without bias.

1-15
Full disclosure of any purchase or sale activity is always recommended and obtaining the permission for such disclosure is also recommended.

Article 2
The key and most often abused aspect of article 2's stipulation is the "To advise on matters outside the scope of the their real estate license." Many licensees review structural aspects of a property's condition and provide opinions as to how said structural defects can be remedied. Such activity is not considered to be within the licensees scope of work nor is the licensee authorized to discuss information that is not directly considered a real estate related activity that requires a separate license or professional designation
It is suggested that every structure sold is inspected by a licensed or certified professional. Using such a qualified 3rd party not only relives the real estate licensee of violation of this standard, it involves further disclosure of the property and its current condition to the client(s)

2-5
The subjective nature of what is considered a material fact is often the sole instance for which a legal suit has been brought against a licensee. What is a material fact and what isn't has been a grey area of contention for some time. The best and most widely accepted definition is:
Any fact that is relevant to a person making a decision.

Article 3
Determining when said cooperation is not in the clients best interest is key to this article. Many licensees have had dealings with other licensees or companies that leave the licensee to believe that future dealings may not be in the best interest of the clients. Such failure to cooperate as it is viewed to not be in the clients best interest should be documented and agreed to by the client after justification for said non-cooperation is supplied.

3-1
Licensees are encouraged to review the definition of exclusive agency to further understand this standard of practice. In addition, all rates and amounts inducements or compensation should always be noted in writing.

3-2
This sets the stage up front for the cooperative compensation to be known prior to an offer being submitted.

3-3
Self-explanatory

3-4
Self-explanatory

3-5
This practice will work to eliminate any miscommunications between the subagents and principal's agent and insure all pertinent facts are disclosed.

3-6
Self-explanatory

3-7
Disclosing realtor status and purpose when seeking information from another realtor will show authority for obtaining the information.

3-8
This will give the client a much better chance of selling the property by having the availability of access to show represented truthfully.

3-9
This provides for the terms established by the owner or listing broker to be followed and eliminate unwanted people viewing at inopportune times.

Article 4
When buying, a realtor must make his position known to any owner or owner's agent or broker of the real property. If the realtor is selling their own property, they must make their ownership or interest known to the purchaser in writing.

4-1
This stipulates that the written notice required by article 4 must be provided prior to the signing of any contract.

Article 5
Realtors must disclose their interest to all affected parties before providing professional services concerning a property or its value.

Article 6
Other than referral fees, the Realtor must disclose any profit, commission, rebate etc. to the client that the realtor might receive by recommending certain products or services to the client.

6-1
Self-explanatory

Article 7
This section dictates that a Realtor cannot accept compensation from more than one party, without having the consent of the client or clients and must disclose this information to all parties.

Article 8
Realtor's personal monetary accounts must be kept separate from escrow, trust funds, clients' monies, etc.

Article 9
A copy of each agreement shall be provided by realtors in writing using clear and understandable language outlining the specific terms, conditions, obligations and commitments of the parties involved.

9-1
The Realtor must use written extensions or amendments to make sure that documents are kept current and don't expire.

9-2
Self-explanatory

Article 10
This section dictates that every person, regardless of race, religion, sex, handicap, familial status, etc., shall be provided with professional real estate services by a Realtor, thus enabling them to purchase a home in any neighborhood they wish. This means that the client's treatment will be the same as anyone else.

10-1
By the realtor not volunteering information regarding the racial, religious or ethnic composition of any neighborhood when involved in the sale or lease of a residence, a person can know that they will be looking at homes meeting their criteria and not that of their realtor.

10-2
Self-explanatory

10-3
This section gives the seller a better opportunity to sell their home rather than limiting the sale to only those people that are interested in certain race, color, religion, sex, handicap, etc., homes.

10-4
This insures that not only does the public receive professional services by the realtor, but by any staff working alongside the realtor and assisting in any part of the transaction.

Article 11
This section dictates that Realtors must provide to their clients and customers services that meet their specific area of competence and practice rather than trying to be the "end all" and do everything themselves even if it is outside their expertise. They must engage the assistance of one who is competent in that area of service in order to provide the best service possible to the client.

11-1
When providing opinions on value or price, the Realtor must include a specific data set that supports their opinion. This will make the opinion more comprehensive to the client.

11-2
Self-explanatory

11-3
This means that the public can be assured that whatever consulting services they are receiving are objective and are represented by a set fee. They aren't charged a higher fee for more information and a lower fee for less information.

11-4
Self-explanatory

Article 12
The public will know that the Realtor is not misrepresenting himself or his capabilities and will provide honest and truthful communications.

12-1
This makes sure the public has a clear understanding of what is being offered and what is not when looking at services or products being advertised by Realtors.

12-2
This section lets the public know that if the services are listed as free by the Realtor, this doesn't mean the Realtor won't be receiving any compensation at all, just not from the client.

12-3
The Realtor cannot offer the moon. Every aspect of any premiums, prizes, merchandise being offered to list, sell, purchase, or lease must be spelled out specifically and are limited by state law and the ethical obligations established by Standard of Practice. The public is made aware and not blind-sighted.

12-4
Basically a Realtor cannot list a home without the owner's permission and the listing price must be agreed upon prior to the listing.

12-5
This section allows for the public to know exactly who they are dealing with rather than just the realtor's name. They will know what company the Realtor works for giving them a place to seek a solution should something go wrong.

12-6
Knowing whether or not a Realtor is an owner/landlord of advertised unlisted real property will let the public know that the realtor has an interest in the outcome and may not be completely unbiased.

12-7
This section gives a clear understanding to the public as to who's selling what and doesn't give credit where credit isn't due.

12-8
Not only does the Realtor have to represent themselves truthfully to the public personally, they have to provide accurate information on their website as well. The public will know that they won't read one thing on the website only to have something else presented in person.

12-9
Makes sure the Realtor's licensure information is made readily available for the public.

12-10
Self-explanatory

12-11
The public is informed that their personal information may be shared or sold if it is gathered by the Realtor thru the internet.

12-12
Self-explanatory

12-13
This means that the Realtor cannot misrepresent their qualifications to the public which, if done, would ultimately provide a false sense of security to the client.

Article 13
Self- explanatory

Article 14
This section protects the public in that it requires the Realtor to provide all the facts to the board if being charged with unethical practice. They are not allowed to withhold information and try to protect themselves.

14-1
Basically the Realtor cannot be hung twice for the same crime.

14-2
This section implies that the Realtor cannot discuss any part of the allegations or findings in connection with an ethics hearing unless authorization is given.

14-3
Realtors may not result to coercion to deflect any repercussions that may arise out of any unethical conduct charges.

14-4
Realtors are required to allow the Board to investigate the charge without disrupting their process by filing multiple complaints based on the same charge.

Article 15
Realtors should not deliberately or carelessly make incorrect or misspeak about the competition, their business or business practices.

Standard or Practice 15-1
Realtors should not deliberately or carelessly file deceptive ethic complaints.

Standard of Practice 15-2
One's duty is to abstain from deliberately, misleading communications about the competition, their businesses or carelessly publish, repeat, transmit by others acting on your behalf. This would apply whether it is verbally in person, in writing, internet or any means of transmission.

Standard of Practice 15-3
One's duty is to abstain from deliberately, misleading communications about the competition, their businesses or carelessly publish, repeat, transmit by others acting on your behalf. This would apply whether it is verbally in person, in writing, internet or any means of transmission and to include removing communications made by others through the internet/social media the Realtor controls when the Realtor is aware of the communication being untrue.

Article 16
Realtors should not participate in any practice or initiate an exclusive representation or exclusive brokerage relationship that would infringe upon another Realtor's client.

Standard of Practice 16-1
Article 16 is to enforce ethical practices amongst practicing Realtors and not deter constructive disagreements with other Realtors involving commission, fees, compensation and/or other forms of payment.

Standard of Practice 16-2
Article 16 does not deflect Realtors form prospecting their services and their availability even though some prospective clients may have engaged in other exclusive relationships with other Agents. General cold calling, mass mailing to a particular area, profession, club, business, organization or group will be considered "general" purpose.
Article 16 recognizes two unethical practices:
1. Telephone and personal solicitation involving home owners who possess a real estate sign, multiple listing report, or any information proving exclusive listing with another Realtor.
2. Mail or any form of written communication to prospects that are exclusively listed with another Realtor and the communication is not a part of the "general" mailings is prohibited. The mailings are found to be directed to property owners who are otherwise engaged in a prior agency relationship, ie for sale, for rent, etc.

Standard of Practice 16-13
Article 16 does not deflect Realtors form contacting the prospective clients of another broker to provide unrelated real estate services. Information retrieved from the Multiple Listing Services or any other cooperating service is not permitted for use to target said clients.

Standard of Practice 16-4
Realtors shall not seek a listing currently with another broker. If the current broker is asked by said Realtor the type of listing and the expiration date and current broker does not disclose, then the Realtor is allowed to contact the client and obtain such information for future planning to capture the listing upon expiration.

Standard of Practice 16-5
Realtors shall not seek a buyer/tenant agreement currently with another broker. If the current broker is asked by said Realtor the type of buyer/tenant agreement and the expiration date and current broker does not disclose, then the Realtor is allowed to contact the client and obtain such information for future planning to enter into an agreement upon expiration.

Standard of Practice 16-6
When a Realtor is contacted by a client already engaged with another Realtor to perform the same service and the Realtor did not initiate directly or indirectly the contact then the Realtor may discuss future agreement terms upon expiration of the current contract with existing Realtor.

Standard of Practice 16-7
When a prospective client has engaged in multiple past transaction this should not deter future Realtors from seeking business from the client.

Standard of Practice 16-8
An exclusive arrangement that is currently entered into by another Realtor and a client should not deter future Realtors from contacting the client on a similar agreement after the expiration to provide the same service.

Standard of Practice 16-9
Realtors should take precautions before entering into an agreement make a valid attempt to determine whether the client is in a prior agreement before new Realtor provides the same service.

Standard of Practice 16-10
Realtors and/or Brokers representing a buyer or tenant, should disclose the relationship to the seller/landlord's Realtor or Broker during initial contract and also provide written confirmation of the disclosure to the seller/landlord's Realtor/Broker no later than execution of a purchase agreement or lease.

Standard of Practice 16-11
On the unlisted property, a Realtor or Broker representing a buyer/tenant shall make known to the seller/landlord and/or Realtor/Broker involved at initial contact their established relationship followed by written confirmation, disclosures prior to the execution of the Purchase or Lease agreement.

Standard of Practice 16-12
Realtors and/or Brokers representing the sellers/landlords or subagents of listing brokers should make known their relationship to buyers/tenants as soon as practicable and provide the written confirmation ie Duties Owed prior to the execution of the purchase agreement or lease agreement.

Standard of Practice 16-13
Transactions involving an exclusive listing or any agreement involving a buyer/tenant should be followed through by the representative or broker and not with the client. The exception would be the consent of the client's representative or broker or where the transaction is initiated by the client. Prior to proceeding with services, (ie writing a purchase agreement, CMA-comps) to potential clients, Realtors should first ask the potential clients whether they are already in an existing exclusive agreement. Realtors should not knowingly attempt to engage in any services with potential clients who are already represented with the exception of a consent from the client.

Standard of Practice 16-14
Realtors or Brokers can enter into written agreements or negotiate with sellers, landlords, buyers, and tenants and the like who are not in an exclusive agreement so long as they do not consciously obligate the client to pay more than the commission without an informed consent.

Standard of Practice 16-15
In a cooperative transaction, Realtors can provide compensation to Realtors (Brokers). However, do not offer to nor compensate directly or indirectly any of their sales licensees employees, without prior knowledge and consent of the cooperating Broker.

Standard of Practice 16-16
Self-explanatory

Standard of Practice 16-17
Realtors, acting as subagents or representing the buyer/tenant or brokers, should not try to extend a listing broker's offer of cooperation and/or compensation to participating brokers without the consent of the listing broker.

Standard of Practice 16-18
Realtors should not use client information acquired from listing brokers through offers, multiple listing services or through broker cooperation to refer listing clients to other brokers in the attempt to create a buyer/tenant relationship unless it is authorized by the listing broker.

Standard of Practice 16-19
Any signs that are for sale, rent, lease, or exchange should not be placed on the property without prior consent of the seller/landlord.

Standard of Practice 16-20
Realtors who terminate their relationship with a current firm should not encourage clients cancel the exclusive agreement with said firm. This should not exclude the Realtor (principal) from initiating agreements with the associated licensee to assign an exclusive agreement.

Article 17
Upon contractual on non-contractual disputes between Realtors affiliated with different brokerages, Realtors should submit the dispute to arbitration to abide by the regulations stipulated by the Board rather than seeking litigation.
Should the clients of said Realtors want to arbitrate a contractual or non-contractual dispute originating from a real estate transaction, should arbitrate the dispute to abide by the regulations stipulated by the Board (s) rather than seeking litigation.
The responsibility of the Realtor to participate in arbitration stipulated by this Article includes the responsibility of Realtors (principals) to cause their affiliated Brokerage to arbitrate and abide by the regulations put forth by the Board(s).

Standard of Practice 17-1
The pursuit of litigation and refusing to withdraw from it by the Realtor(s) through arbitration would be recognized as a direct refusal to adhere to Article 17.

Standard of Practice 17-2
In clarification of Article 17, it does not require Realtors to arbitrate when all parties involved advise the Board writing that they do not wish to do so.

Standard of Practice 17-3
Realtors who are acting as principals in real estate transactions are not required to arbitrate disagreements with other Realtors without a written agreement to attest to the fact.

Standard of Practice 17-4
Specific non-contractual disputes deemed subject to arbitration per Article 17

Code of Ethics and Standards of Practice

of the NATIONAL ASSOCIATION OF REALTORS®

Effective January 1, 2016

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. REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord. REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing purchase contract or lease. *(Amended 1/93)*

- **Standard of Practice 1-8**
  REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. 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 1/99)*

- **Standard of Practice 1-9**
  The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law. REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:
  1) reveal confidential information of clients; or
  2) use confidential information of clients to the disadvantage of clients; or
  3) use confidential information of clients for the REALTOR®'s advantage or the advantage of third parties unless:
     a) clients consent after full disclosure; or
     b) REALTORS® are required by court order; or
     c) it is the intention of a client to commit a crime and the information is necessary to prevent the crime; or
     d) it is necessary to defend a REALTOR® or the REALTOR®'s employees or associates against an accusation of wrongful conduct.

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

- **Standard of Practice 1-10**
  REALTORS® shall, consistent with the terms and conditions of their real estate licensure and their property management agreement, competently manage the property of clients with due regard for the rights, safety and health of tenants and others lawfully on the premises. *(Adopted 1/95, Amended 1/00)*

- **Standard of Practice 1-11**
  REALTORS® who are employed to maintain or manage a client's property shall exercise due diligence and make reasonable efforts to protect it against reasonably foreseeable contingencies and losses. *(Adopted 1/95)*

- **Standard of Practice 1-12**
  When entering into listing contracts, REALTORS® must advise sellers/landlords of:
  1) the REALTOR®'s company policies regarding cooperation and the amount(s) of any compensation that will be offered to subagents, buyer/tenant agents, and/or brokers acting in legally recognized non-agency capacities;
  2) the fact that buyer/tenant agents or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and
  3) any potential for listing brokers to act as disclosed dual agents, e.g., buyer/tenant agents. *(Adopted 1/93, Renumbered 1/98, Amended 1/03)*

- **Standard of Practice 1-13**
  When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:
  1) the REALTOR®'s company policies regarding cooperation;
  2) the amount of compensation to be paid by the client;
  3) the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties;
  4) any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g., listing broker, subagent, landlord's agent, etc., and
  5) the possibility that sellers or sellers' representatives may not treat the existence, terms, or conditions of offers as confidential unless confidentiality is required by law, regulation, or by any confidentiality agreement between the parties. *(Adopted 1/93, Renumbered 1/98, Amended 1/06)*

- **Standard of Practice 1-14**
  Fees for preparing appraisals or other valuations shall not be contingent upon the amount of the appraisal or valuation. *(Adopted 1/02)*

- **Standard of Practice 1-15**
  REALTORS®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property. Where disclosure is authorized, REALTORS® shall also disclose, if asked, whether offers were obtained by the listing licensee, another licensee in the listing firm, or by a cooperating broker. *(Adopted 1/03, Amended 1/09)*

- **Standard of Practice 1-16**
  REALTORS® shall not access or use, or permit or enable others to access or use, listed or managed property on terms or conditions other than those authorized by the owner or seller. *(Adopted 1/12)*

Article 2

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

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

- **Standard of Practice 2-2**
  (Renumbered as Standard of Practice 1-12 1/98)

- **Standard of Practice 2-3**
  (Renumbered as Standard of Practice 1-13 1/98)

- **Standard of Practice 2-4**
  REALTORS® shall not be parties to the naming of a false consideration in any document, unless it be the naming of an obviously nominal consideration.

- **Standard of Practice 2-5**
  Factors defined as "non-material" by law or regulation or which are expressly referenced in law or regulation as not being subject to disclosure are considered not "pertinent" for purposes of Article 2. *(Adopted 1/93)*

Article 3

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

- **Standard of Practice 3-1**
  REALTORS®, acting as exclusive agents or brokers of sellers/ landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation. *(Amended 1/99)*

- **Standard of Practice 3-2**
  Any change in compensation offered for cooperative services must be communicated to the other REALTOR® prior to the time that REALTOR® submits an offer to purchase/lease the property. After a REALTOR® has submitted an offer to purchase or lease property, the listing broker may not attempt to unilaterally modify the offered compensation with respect to that cooperative transaction. *(Amended 1/14)*

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

- **Standard of Practice 3-4**
  REALTORS®, acting as listing brokers, have an affirmative obligation to disclose the existence of dual or variable rate commission arrangements (i.e., listings where one amount of commission is payable if the listing broker's firm is the procuring cause of sale/lease and a different amount of commission is payable if the sale/lease results through the efforts of the seller/landlord or a cooperating broker). The listing broker shall, as soon as practical, disclose the existence of such arrangements to potential cooperating brokers and shall, in response to inquiries from cooperating brokers, disclose the differential that would result in a cooperative transaction or in a sale/lease that results through the efforts of the seller/landlord. If the cooperating broker is a buyer/tenant representative, the buyer/tenant representative must disclose such information to their client before the client makes an offer to purchase or lease. *(Amended 1/02)*

- **Standard of Practice 3-5**
  It is the obligation of subagents to promptly disclose all pertinent facts to the principal's agent prior to as well as after a purchase or lease agreement is executed. *(Amended 1/93)*

- **Standard of Practice 3-6**
  REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation. *(Adopted 5/86, Amended 1/04)*

- **Standard of Practice 3-7**
  When seeking information from another REALTOR® concerning property under a management or listing agreement, REALTORS® shall disclose their REALTOR® status and whether their interest is personal or on behalf of a client and, if on behalf of a client, their relationship with the client. *(Amended 1/11)*

- **Standard of Practice 3-8**
  REALTORS® shall not misrepresent the availability of access to show or inspect a listed property. *(Amended 11/87)*

- **Standard of Practice 3-9**
  REALTORS® shall not provide access to listed property on terms other than those established by the owner or the listing broker. *(Adopted 1/10)*

- **Standard of Practice 3-10**
  The duty to cooperate established in Article 3 relates to the obligation to share information on listed property, and to make property available to other brokers for showing to prospective purchasers/tenants when it is in the best interests of sellers/landlords. *(Adopted 1/11)*

Article 4

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

- **Standard of Practice 4-1**
  For the protection of all parties, the disclosures required by Article 4 shall be in writing and provided by REALTORS® prior to the signing of any contract. *(Adopted 2/86)*

Article 5

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

Article 6

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

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

- **Standard of Practice 6-1**
  REALTORS® shall not recommend or suggest to a client or a customer the use of services of another organization or business entity in which they have a direct interest without disclosing such interest at the time of the recommendation or suggestion. *(Amended 5/88)*

Article 7

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

Article 8

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

Article 9

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

- **Standard of Practice 9-1**
  For the protection of all parties, REALTORS® shall use reasonable care to ensure that documents pertaining to the purchase, sale, or lease of real estate are kept current through the use of written extensions or amendments. *(Amended 1/93)*

- **Standard of Practice 9-2**
  When assisting or enabling a client or customer in establishing a contractual relationship (e.g., listing and representation agreements, purchase agreements, leases, etc.) electronically, REALTORS® shall make reasonable efforts to explain the nature and disclose the specific terms of the contractual relationship being established prior to it being agreed to by a contracting party. *(Adopted 1/07)*

Duties to the Public

Article 10

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

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

- **Standard of Practice 10-1**
  When involved in the sale or lease of a residence, REALTORS® shall not volunteer information regarding the racial, religious or ethnic composition of any neighborhood nor shall they engage in any activity which may result in panic selling, however, REALTORS® may provide other demographic information. *(Adopted 1/94, Amended 1/06)*

- **Standard of Practice 10-2**
  When not involved in the sale or lease of a residence, REALTORS® may provide demographic information related to a property, transaction or professional assignment to a party if such demographic information is (a) deemed by the REALTOR® to be needed to assist with or complete, in a manner consistent with Article 10, a real estate transaction or professional assignment and (b) is obtained or derived from a recognized, reliable, independent, and impartial source. The source of such information and any additions, deletions, modifications, interpretations, or other changes shall be disclosed in reasonable detail. *(Adopted 1/05, Renumbered 1/06)*

- **Standard of Practice 10-3**
  REALTORS® shall not print, display or circulate any statement or advertisement with respect to selling or renting of a property that indicates any preference, limitations or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. *(Adopted 1/94, Renumbered 1/05 and 1/06, Amended 1/14)*

- **Standard of Practice 10-4**
  As used in Article 10 "real estate employment practices" relates to employees and independent contractors providing real estate-related services and the administrative and clerical staff directly supporting those individuals. *(Adopted 1/00, Renumbered 1/05 and 1/06)*

Article 11

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

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

- **Standard of Practice 11-1**
  When REALTORS® prepare opinions of real property value or price they must:
  1) be knowledgeable about the type of property being valued,
  2) have access to the information and resources necessary to formulate an accurate opinion, and
  3) be familiar with the area where the subject property is located

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

  When an opinion of value or price is prepared other than in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer, the opinion shall include the following unless the party requesting the opinion requires a specific type of report or different data set:
  1) identification of the subject property
  2) date prepared
  3) defined value or price
  4) limiting conditions, including statements of purpose(s) and intended user(s)
  5) any present or contemplated interest, including the possibility of representing the seller/landlord or buyers/tenants
  6) basis for the opinion, including applicable market data
  7) if the opinion is not an appraisal, a statement to that effect
  8) disclosure of whether and when a physical inspection of the property's exterior was conducted
  9) disclosure of whether and when a physical inspection of the property's interior was conducted
  10) disclosure of whether the REALTOR® has any conflicts of interest *(Amended 1/14)*

- **Standard of Practice 11-2**
  The obligations of the Code of Ethics in respect of real estate disciplines other than appraisal shall be interpreted and applied in accordance with the standards of competence and practice which clients and the public reasonably require to protect their rights and interests considering the complexity of the transaction, the availability of expert assistance, and, where the REALTOR® is an agent or subagent, the obligations of a fiduciary. *(Adopted 1/95)*

- **Standard of Practice 11-3**
  When REALTORS® provide consultive services to clients which involve advice or counsel for a fee (not a commission), such advice shall be rendered in an objective manner and the fee shall not be contingent on the substance of the advice or counsel given. If brokerage or transaction services are to be provided in addition to consultive services, a separate compensation may be paid with prior agreement between the client and REALTOR®. *(Adopted 1/96)*

- **Standard of Practice 11-4**
  The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly

imposed by the Code of Ethics; and the duties imposed by law or regulation. *(Adopted 1/02)*

Article 12

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

- **Standard of Practice 12-1**
  REALTORS® may use the term "free" and similar terms in their advertising and in other representations provided that all terms governing availability of the offered product or service are clearly disclosed at the same time. *(Amended 1/97)*

- **Standard of Practice 12-2**
  REALTORS® may represent their services as "free" or without cost even if they expect to receive compensation from a source other than their client provided that the potential for the REALTOR® to obtain a benefit from a third party is clearly disclosed at the same time. *(Amended 1/97)*

- **Standard of Practice 12-3**
  The offering of premiums, prizes, merchandise discounts or other inducements to list, sell, purchase, or lease is not, in itself, unethical even if receipt of the benefit is contingent on listing, selling, purchasing, or leasing through the REALTOR® making the offer. However, REALTORS® must exercise care and candor in any such advertising or other public or private representations so that any party interested in receiving or otherwise benefiting from the REALTOR®'s offer will have clear, thorough, advance understanding of all the terms and conditions of the offer. The offering of any inducements to do business is subject to the limitations and restrictions of state law and the ethical obligations established by any applicable Standard of Practice. *(Amended 1/95)*

- **Standard of Practice 12-4**
  REALTORS® shall not offer for sale/lease or advertise property without authority. When acting as listing brokers or as subagents, REALTORS® shall not quote a price different from that agreed upon with the seller/landlord. *(Amended 1/93)*

- **Standard of Practice 12-5**
  REALTORS® shall not advertise nor permit any person employed by or affiliated with them to advertise real estate services or listed property in any medium (e.g., electronically, print, radio, television, etc.) without disclosing the name of that REALTOR®'s firm in a reasonable and readily apparent manner either in the advertisement or in electronic advertising via a link to a display with all required disclosures. *(Adopted 11/86, Amended 1/16)*

- **Standard of Practice 12-6**
  REALTORS®, when advertising unlisted real property for sale/lease in which they have an ownership interest, shall disclose their status as both owners/landlords and as REALTORS® or real estate licensees. *(Amended 1/93)*

- **Standard of Practice 12-7**
  Only REALTORS® who participated in the transaction as the listing broker or cooperating broker (selling broker) may claim to have "sold" the property. Prior to closing, a cooperating broker may post a "sold" sign only with the consent of the listing broker. *(Amended 1/96)*

- **Standard of Practice 12-8**
  The obligation to present a true picture in representations to the public includes information presented, provided, or displayed on REALTORS®' websites. REALTORS® shall use reasonable efforts to ensure that information on their websites is current. When it becomes apparent that information on a REALTOR®'s website is no longer current or accurate, REALTORS® shall promptly take corrective action. *(Adopted 1/07)*

- **Standard of Practice 12-9**
  REALTOR® firm websites shall disclose the firm's name and state(s) of licensure in a reasonable and readily apparent manner.

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

- **Standard of Practice 12-10**
  REALTORS®' obligation to present a true picture in their advertising and representations to the public includes Internet content posted, 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) to otherwise mislead consumers. *(Adopted 1/07, Amended 1/13)*

- **Standard of Practice 12-11**
  REALTORS® intending to share or sell consumer information gathered via the Internet shall disclose that possibility in a reasonable and readily apparent manner. *(Adopted 1/07)*

- **Standard of Practice 12-12**
  REALTORS® shall not:
  1) use URLs or domain names that present less than a true picture, or
  2) register URLs or domain names which, if used, would present less than a true picture. *(Adopted 1/08)*

- **Standard of Practice 12-13**
  The obligation to present a true picture in advertising, marketing, and representations allows REALTORS® to use and display only professional designations, certifications, and other credentials to which they are legitimately entitled. *(Adopted 1/08)*

Article 13

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

Article 14

If charged with unethical practice or asked to present evidence or to cooperate in any other way, in any professional standards proceeding or investigation, REALTORS® shall place all pertinent facts before the proper tribunals of the Member Board or affiliated institute, society, or council in which membership is held and shall take no action to disrupt or obstruct such processes. *(Amended 1/99)*

- **Standard of Practice 14-1**
  REALTORS® shall not be subject to disciplinary proceedings in more than one Board of REALTORS® or affiliated institute, society, or council in which they hold membership with respect to alleged violations of the Code of Ethics relating to the same transaction or event. *(Amended 1/95)*

- **Standard of Practice 14-2**
  REALTORS® shall not make any unauthorized disclosure or dissemination of the allegations, findings, or decision developed in connection with an ethics hearing or appeal or in connection with an arbitration hearing or procedural review. *(Amended 1/92)*

- **Standard of Practice 14-3**
  REALTORS® shall not obstruct the Board's investigative or professional standards proceedings by instituting or threatening to institute actions for libel, slander, or defamation against any party to a professional standards proceeding or their witnesses based on the filing of an arbitration request, an ethics complaint, or testimony given before any tribunal. *(Adopted 11/87, Amended 1/99)*

- **Standard of Practice 14-4**
  REALTORS® shall not intentionally impede the Board's investigative or disciplinary proceedings by filing multiple ethics complaints based on the same event or transaction. *(Adopted 11/88)*

Duties to REALTORS®

Article 15

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

- **Standard of Practice 15-1**
  REALTORS® shall not knowingly or recklessly file false or unfounded ethics complaints. *(Adopted 1/00)*

- **Standard of Practice 15-2**
  The obligation to refrain from making false or misleading statements about other real estate professionals, their businesses, and their business practices includes the duty to not knowingly or recklessly publish, repeat, retransmit, or republish false or misleading statements made by others. This duty applies whether false or misleading statements are repeated in person, in writing, by technological means (e.g., the Internet), or by any other means. *(Adopted 1/07, Amended 1/12)*

- **Standard of Practice 15-3**
  The obligation to refrain from making false or misleading statements about other real estate professionals, their businesses, and their business practices includes the duty to publish a clarification about or to remove statements made by others on electronic media the REALTOR® controls once the REALTOR® knows the statement is false or misleading. *(Adopted 1/10, Amended 1/12)*

Article 16

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

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

- **Standard of Practice 16-2**
  Article 16 does not preclude REALTORS® from making general announcements to prospects describing their services and the terms of their availability even though some recipients may have entered into agency agreements or other exclusive relationships with another REALTOR®. A general telephone canvass, general mailing or distribution addressed to all prospects in a given geographical area or in a given profession, business, club, or organization, or other classification or group is deemed "general" for purposes of this standard. *(Amended 1/04)*

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

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

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

- **Standard of Practice 16-3**
  Article 16 does not preclude REALTORS® from contacting the client of another broker for the purpose of offering to provide, or entering into a contract to provide, a different type of real estate service unrelated to the type of service currently being provided (e.g., property management as opposed to brokerage) or from offering the same type of service for property not subject to other brokers' exclusive agreements. However, information received through a Multiple Listing Service or any other offer of cooperation may not be used to target clients of other REALTORS® to whom such offers to provide services may be made. *(Amended 1/04)*

- **Standard of Practice 16-4**
  REALTORS® shall not solicit a listing which is currently listed exclusively with another broker. However, if the listing broker, when asked by the REALTOR®, refuses to disclose the expiration date and nature of such listing, i.e., an exclusive right to sell, an exclusive agency, open listing, or other form of contractual agreement between the listing broker and the client, the REALTOR® may contact the owner to secure such information and may discuss the terms upon which the REALTOR® might take a future listing or, alternatively, may take a listing to become effective upon expiration of any existing exclusive listing. *(Amended 1/94)*

- **Standard of Practice 16-5**
  REALTORS® shall not solicit buyer/tenant agreements from buyers/tenants who are subject to exclusive buyer/tenant agreements. However, if asked by a REALTOR®, the broker refuses to disclose the expiration date of the exclusive buyer/tenant agreement, the REALTOR® may contact the buyer/tenant to secure such information and may discuss the terms upon which the REALTOR® might enter into a future buyer/tenant agreement or, alternatively, may enter into a buyer/tenant agreement to become effective upon the expiration of any existing exclusive buyer/tenant agreement. *(Adopted 1/94, Amended 1/98)*

- **Standard of Practice 16-6**
  When REALTORS® are contacted by the client of another REALTOR® regarding the creation of an exclusive relationship to provide the same type of service, and REALTORS® have not directly or indirectly initiated such discussions, they may discuss the terms upon which they might enter into a future agreement or, alternatively, may enter into an agreement which becomes effective upon expiration of any existing exclusive agreement. *(Amended 1/98)*

- **Standard of Practice 16-7**
  The fact that a prospect has retained a REALTOR® as an exclusive representative or exclusive broker in one or more past transactions does not preclude other REALTORS® from seeking such prospect's future business. *(Amended 1/04)*

- **Standard of Practice 16-8**
  The fact that an exclusive agreement has been entered into with a REALTOR® shall not preclude or inhibit any other REALTOR® from entering into a similar agreement after the expiration of the prior agreement. *(Amended 1/98)*

- **Standard of Practice 16-9**
  REALTORS®, prior to entering into a representation agreement, have an affirmative obligation to make reasonable efforts to determine whether the prospect is subject to a current, valid exclusive agreement to provide the same type of real estate service. *(Amended 1/04)*

- **Standard of Practice 16-10**
  REALTORS®, acting as buyer or tenant representatives or brokers, shall disclose that relationship to the seller/landlord's representative or broker at first contact and shall provide written confirmation of that disclosure to the seller/landlord's representative or broker not later than execution of a purchase agreement or lease. *(Amended 1/04)*

- **Standard of Practice 16-11**
  On unlisted property, REALTORS® acting as buyer/tenant representatives or brokers shall disclose that relationship to the seller/landlord at first contact for that buyer/tenant and shall provide written confirmation of such disclosure to the seller/landlord not later than execution of any purchase or lease agreement. *(Amended 1/04)*

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

- **Standard of Practice 16-12**
  REALTORS®, acting as representatives or brokers of sellers/landlords or as subagents of listing brokers, shall disclose that relationship to buyers/tenants as soon as practicable and shall provide written confirmation of such disclosure to buyers/tenants not later than execution of any purchase or lease agreement. *(Amended 1/04)*

- **Standard of Practice 16-13**
  All dealings concerning property exclusively listed, or with buyer/tenants who are subject to an exclusive agreement shall be carried on with the client's representative or broker, and not with the client, except with the consent of the client's representative or broker or except where such dealings are initiated by the client.

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

- **Standard of Practice 16-14**
  REALTORS® are free to enter into contractual relationships or to negotiate with sellers/landlords, buyers/tenants or others who are not subject to an exclusive agreement but shall not knowingly obligate them to pay more than one commission except with their informed consent. *(Amended 1/98)*

- **Standard of Practice 16-15**
  In cooperative transactions REALTORS® shall compensate cooperating REALTORS® (principal brokers) and shall not compensate nor offer to compensate, directly or indirectly, any of the sales licensees employed by or affiliated with other REALTORS® without the prior express knowledge and consent of the cooperating broker.

- **Standard of Practice 16-16**
  REALTORS®, acting as subagents or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer/tenant representatives or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. *(Amended 1/04)*

- **Standard of Practice 16-17**
  REALTORS®, acting as subagents or as buyer/tenant representatives or brokers, shall not attempt to extend a listing broker's offer of cooperation and/or compensation to other brokers without the consent of the listing broker. *(Amended 1/04)*

- **Standard of Practice 16-18**
  REALTORS® shall not use information obtained from listing brokers through offers to cooperate made through multiple listing services or through other offers of cooperation to refer listing brokers' clients to other brokers or to create buyer/tenant relationships with listing brokers' clients, unless such use is authorized by listing brokers. *(Amended 1/02)*

- **Standard of Practice 16-19**
  Signs giving notice of property for sale, rent, lease, or exchange shall not be placed on property without consent of the seller/landlord. *(Amended 1/93)*

- **Standard of Practice 16-20**
  REALTORS®, prior to or after their relationship with their current firm is terminated, shall not induce clients of their current firm to cancel exclusive contractual agreements between the client and that firm. This does not preclude REALTORS® (principals) from establishing agreements with their associated licensees governing assignability of exclusive agreements. *(Adopted 1/98, Amended 1/10)*

Article 17

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

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

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

- **Standard of Practice 17-1**
  The filing of litigation and refusal to withdraw from it by REALTORS® in an arbitrable matter constitutes a refusal to arbitrate. *(Adopted 2/86)*

- **Standard of Practice 17-2**
  Article 17 does not require REALTORS® to mediate in those circumstances when all parties to the dispute advise the Board in writing that they choose not to mediate through the Board's facilities. The fact that all parties decline to participate in mediation does not relieve REALTORS® of the duty to arbitrate.

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

- **Standard of Practice 17-3**
  REALTORS®, when acting solely as principals in a real estate transaction, are not obligated to arbitrate disputes with other REALTORS® absent a specific written agreement to the contrary. *(Adopted 1/96)*

- **Standard of Practice 17-4**
  Specific non-contractual disputes that are subject to arbitration pursuant to Article 17 are:

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

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

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

  4) Where two or more listing brokers claim entitlement to compensation pursuant to open listings with a seller or landlord who agrees to participate in arbitration (or who requests arbitration) and who agrees to be bound by the decision. In cases where one of the listing brokers has been compensated by the seller or landlord, the other listing broker, as complainant, may name the first listing broker as respondent and arbitration may proceed between the brokers. *(Adopted 1/97)*

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

- **Standard of Practice 17-5**
  The obligation to arbitrate established in Article 17 includes disputes between REALTORS® (principals) in different states in instances where, absent an established inter-association arbitration agreement, the REALTOR® (principal) requesting arbitration agrees to submit to the jurisdiction of, travel to, participate in, and be bound by any resulting award rendered in arbitration conducted by the respondent(s) REALTOR®'s association, in instances where the respondent(s) REALTOR®'s association determines that an arbitrable issue exists. *(Adopted 1/07)*

Explanatory Notes

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

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

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

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

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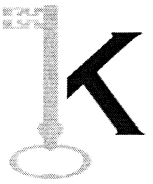

KEY REALTY
SCHOOL

CASE EXAMPLES

The following pages contain case examples directly relative to the Code of Ethics previously examined. Though students will not be directly tested on this information, the student will benefit from the review of these case studies both in academic understanding of the previously noted evaluations and the practice relevance of the code of ethics.

NOTE: All names and locations are merely presented as generic and are not intended to directly represent any person or company that could have had similar circumstances.

CASE EXAMPLES RELATIVE THE CODE OF ETHICS

CASE 1

Brent a real estate licensee had a meeting with Mark a potential client. He informed Brent that his company was relocating him across the country and wanted to sell his current home. In the executing listing contract, Mark let it be known that the house had hardwood floors throughout. Also included in the sale was a custom chandelier and shutters made specifically for the house.

Mark mentioned that his wife was going to occupy the house for at least a minimum of 90 days. This would provide them enough time to pack their belongings and allow Mark to find a new house for his family. They agreed that Brent would still be able to show the property to interested buyers during this time as long as they made an appointment for each visit.

Brent proceeded with advertising the property; to his surprise the first potential buyer Carl loved the property. Carl submitted an offer and was agreed upon. Carl agreed to a close on the house in 2 months, allowing Mark 10 weeks to be completely moved out of the house.

After closing Buyer Carl moved in, it was his first time seeing the house in its unfurnished condition, he quickly noticed that the hardwood flooring only existed on the "outer" rim of the floor in each room that had been visible beyond the edges of rugs when he inspected the house. Now there was subflooring material at each spot in which the rugs initially were. Buyer Carl immediately called Brent, the listing broker and argued that he had initially misrepresented the house in his advertisement and listing, since it was specified as "hardwood floors throughout".

After receiving this complaint Brent contacted Mark the seller. Brent noted that during the entire listing period the house was fully furnished and the seller had mentioned that the house had the hardwood flooring throughout. Mark acknowledged that he had described the floors as so, but stated that it was an error inadvertently made. Mark mentioned that the house was custom built and he had lived there for over 15 years and explained that he had "simply forgot about it". He went on to explain that when it was originally being built the contractor pointed out various methods to reduce the construction costs, including limiting the use of hardwood flooring to the outer rim of each rooms floor. Mark had planned to use rugs in each room anyway so he agreed with

the contractor's advice and after 15 years of living in the house with rugs covering the sub flooring he simply forgot all about it.

Brent the listing broker explained to Mark that his descriptions resulted in a misrepresentation to the buyer. Mark responded: "The buyer will probably use rugs too, so it really doesn't make a difference". Brent urged for some kind of alteration for the buyer Carl. The seller Mark concluded, "It was an honest mistake and isn't that important and I do not feel I owe the buyer anything".

Brent relayed Mark's comments to the buyer Carl. Brent acknowledged he regretted it, but under the circumstances there really wasn't anything additional he could do for him.

Shortly following Carl filed a complaint with Brent's Real Estate Board.

The hearing was completed before the Professional Standards Committee of Brent's Real Estate Board. Brent provided all of the facts on the situation to the committee. The committee came to a decision that Brent had acted in good faith in accepting the seller's description of the property. Article 2 does prohibit concealments of pertinent facts, exaggerations and misrepresentations. Brent had faithfully provided the buyer all material information provided to him by the seller. There also was no obvious reason to suspect that the hardwood floors were not present throughout the house, as the seller advised. Brent was found not to be in violation of ethical conduct.

Case 2

Adam a real estate licensee wanted to generate more business so he decided to run an ad in his local newspaper. The promotion he decided to use read as follows: "Get a Free Market Analysis with No Obligations".

A property owner Steve filed a complaint to Adam's board stating he was a victim of a scheme to solicit for listings on his property. Adam real estate board's Grievance Committee decided to hold a hearing before the panel of the Professional Standards Committee.

During the hearing Steve the property owner testified he called Adam and had him prepare a "Free market analysis with no obligation", as advertised in Adam's ad. Steve noted that when Adam visited his home he mentioned that he would be glad to complete this free offer for him but also stated "I hope you understand that by completing this, we are also expecting that if you decide to list your property, you will allow us to serve you". During Steve's testimony he also stated that Adam did not press the issue initially and completed the market analysis without any additional mentioning of listing Steve's home. However during the next 3 weeks Adam or a representative of his company called almost every day. They would solicit to list his home and on several occasions the solicitor reminded Steve that the licensee had provided him a valuable free service and felt that I owed them the ability to list my property.

Adam responded to the board of Professional Standards Committee that he did indeed provide a free market analysis as represented in his advertising, and had provided it with no obligations. He stated that not once did he either ask or receive a fee for the completion of the market analysis. Adam also thought it was absurd that he had to appear before the hearing panel for violation in Article 12 of Code of Ethics.

The Professional Standards Committee concluded that offering premiums or prizes as inducements, or anything described as "free" is not prohibited by the Code of Ethics nor can such advertising be prohibited by a Board of Realtors unless it presents other than a "true picture" as required by Article 12. The committee noted that although Adam is free to advertise "free market analysis with no obligations" such a representation was not a "true picture" if all of the terms governing availability are not clearly disclosed in the ad. Adam assumed that the property owner would list with him if the property was to be listed and the following reminders by sale representatives or Adam about the expectations

made the representation less than a "true picture." The panel concluded that Adam was in violation of Ethical conduct.

Case 3

Alex a real estate licensee was just recently asked to list a house that needed a wide range of repairs. He strongly urged the owners that it would be a benefit to them to repair the property before it was listed. The owners declined the advice and wanted it sold immediately "as is". Alex decided to take the listing and wrote up an advertisement: Offering a "clunker" needs TLC in poor condition, looking for a do it yourself handyman. A couple of days later one of Alex's sales associates Ben, who was not a board member showed the house to a couple who loved the location and were attracted to the ad because of the husbands fix-it-up hobby of improving a home. The couple decided to make an offer and shortly after the sale closed. Shortly after the purchase Alex was changed by the buyers with having misrepresented the condition of the property.

Ben and Alex both went to the hearing, with a copy of his advertisement. The hearing concluded that the buyer did fully understand the poor condition that the house was in. However when inspecting the house Ben had commented that since the house was strictly made of concrete and stucco, there would be no termite worries, since they could never enter that type of material. The committee asked Ben if this was true and he did acknowledge that this was told to the buyers and his belief was that the statement was true and accurate. However once the deal closed the buyers ripped out a sill to replace it and after doing so they found out it was infested with termites. Further questioning from the committee determined that there had been no evidence of any termites before the close of escrow and that the presenting agent had volunteered an assurance that he thought was well grounded.

After hearing all of the facts Alex offered to pay the cost of exterminating the building and any lumber for repair to the damaged areas. The plaintiffs stated that they were satisfied with the reimbursement offer Alex proposed. The panel took Alex's actions into account but ultimately he was still responsible for the errors and misstatements of his sales associate Ben. The Hearing Panel concluded that Alex was found in violation of Ethical conduct.

CASE 4

A licensee named Anthony entered an agreement for a listing. The next day he entered the listing on the MLS offering to pay a fee for sub-agency services. A buyer's agent named Brett called Anthony and asked if Anthony could make the arrangements to show the property to his client. Anthony agreed to show the property the following day. His clients loved the property and the next day they presented a purchase agreement that was contingent on the seller's agreeing to pay the buyer's agent commission. The seller accepted the offer and closed the transaction later that month.

After the closing Anthony filed a complaint against Brett citing Article 16 of the Code of Ethics as interpreted by Standard of Practice 16-16. He stated that Brett had interfered in Anthony's relationship with his seller by attempting to negotiate a separate commission agreement with the seller. Brett responded to this claim as follows: since the request that the seller pay his commission was made by Brett's clients, the buyers, directly of the seller and not of the listing broker, no violation ever occurred.

After hearing both sides the hearing panel noted that if Brett, or his client at Brett's urging, had demanded that a portion of Anthony's commission be paid to Brett, there would have been valid basis for the complaint. Since the request for Brett's commission was made directly to the seller there was no violation of Ethical conduct.

CASE 5

Paula has been a licensed real estate broker for more than 20 years. She has always searched for new ways to attract new licensees. Paula put together a training and benefits package to attract new agents, which included: Individual websites with personalized domain names for each licensee.

One of her sales associates Tom had a very long and productive relationship with the brokerage. Throughout the years Tom had gained a considerable amount of knowledge and experience as well as an extensive client base. Tom felt that there really wasn't much more additional information he could learn under his current brokerage and decided to open his own office.

The departure from Paula's company was a smooth transition except for one item, Tom's domain name. Under the terms of his contract agreement, the domain name belonged to Paula's firm and not Tom. After multiple attempts to negotiate with Paula on the release of his domain name Tom was successful. He felt he had no other options, so Tom filed an ethics complaint to the board stating that Paula violated Article 12 as interpreted by Standard of Practice 12-12.

Within Tom's filed complaint he mentioned that the domain name included his first and last name and that any future use of it by Paula would present something less than the true picture required by Article 12 since he was no longer with the brokerage.

During the hearing in front of the Professional Standards Committee, Paula defended her actions of not releasing the domain name. Paula stated that "at the time her brokerage registered the domain Tom was a licensee with her brokerage and because of this the use of the domain name, of a member at her brokerage presented a true picture". At the time of registering the domain on behalf of her brokerage and licensee Tom, all of her actions were in accordance to Article 12 as interpreted by Standard of Practice 12-12. Paula went on to tell the committee that "Situations change, and due to the fact that Tom decided to start his own brokerage it shouldn't result in a violation of the Code of Ethics".

The Professional Standards Committee determined that Paula did not violate Article 12 as interpreted by Standard of Practice 12-12. At the time of registration of the domain name there was knowledge and consent from Tom and as a result Paula satisfied Article 12's true picture requirement. Also since Paula ended the use of the domain upon Tom's departure there was no violation. However the committee noted that the Code of Ethics did not require her to transfer the domain name at this time. But domain names do require a renewal periodically and if Paula were to complete any future renewals of the domain name she would be would be in violation of Article 12 since the domain name would not reflect a "true picture" of Paula's business at the time of the renewal.

CASE 6

Beth is a salesperson with ABC Realty. The company decided to run a new promotion to help encourage the sale of in-house listings. The broker of ABC Realty offered an incentive of $1,200.00 to any company's sales associate at the time of closing for any ABC Realty listing that was sold.

Dr. Miller recently moved into town and entered into a buyer's representation agreement with Beth. After meeting with Beth, Dr. Miller explained that there would be some specific needs in the house that they were looking to purchase. Primarily the house has to be suitable for and readily accessible for Dr. Miller's wife whom was physically challenged. Dr. Miller stated "My wife's physical therapy includes swimming so our new home must either have a pool or an area to build one".

After their discussion Beth was able to research and locate a number of homes for sale that met Dr. Miller's specifications, several of these homes were listed with ABC Realty all of which were in the Bella Vista subdivision.

Throughout the next week Beth was able to show Dr. Miller the majority of the properties that she located, all of which were listed with ABC Realty. The first property they visited had an outdoor swimming pool; however there were many similar properties in the Bella Vista subdivision listed with other firms that were not presented to Dr. Miller. After carefully considering the properties, Dr. Miller came to a decision of making an offer on the home with the outdoor pool. The buyers accepted and Dr. Miller closed on the property later that month.

Three months after Dr. Miller closed on his house, to Beth's surprise she received a notice of an ethics complaint filed by Dr. Miller. In the months after his closing Dr. Miller became aware of another home in the same subdivision that had an indoor pool down the road from him and it was also available when he initially purchased his property.

Included in the complaint Dr. Miller alleged that Beth, his agent had placed her interest ahead of his. He mentioned Beth solely provided him with listings from ABC Realty and did not notify him of a similarly priced property in the same subdivision with an indoor pool because another company listed it. Dr. Miller went on to indicate that Beth also received a bonus of $1,200.00 for the sale of one of ABC Realty's listings and he suspected that the bonus was motivation for her not to present the home with an indoor pool.

During the hearing Beth defended herself by stating that "Properties rarely meet all of the purchaser's desires and she made Dr. Miller aware of the property that met the majority of his specifications". Beth also indicated that Dr. Miller must have been pleased with her services since he did end up purchasing the home.

Upon questioning Beth did acknowledged that she was aware of the house with an indoor pool, but opted not to show Dr. Miller the property. Beth also admitted that the outdoor pool could only be used for a few months out of the year where as the indoor pool could be used 365 days a year and that her firm's incentive may have motivated her actions slightly.

The committee decided that Beth was aware of Dr. Miller's primary concern of the on going therapy for his wife. Based on ABC Realty's incentives and Beth's reluctance to show property that did not include a bonus, the Hearing Panel determined that she did violate for her unethical conduct.

Case 7

Cathy a licensee contacted a list broking Dan to see if his listing at 123 Main was still available in if there was anything currently pending on the property. Dan informed her that there was not major interest on the property. That evening Cathy's buyers decided to make an offer on the property and provided an acceptance period of 5 pm the next day (Tuesday).

Cathy waited until 5 pm on Tuesday and still did not hear a response from Dan. Per her buyers request they asked her to contact Dan to see what happened. He informed Cathy that he had not year heard back from his clients and requested an additional day for response. Cathy relayed the information to her buyer and they granted the extension on acceptance until Wednesday at 5 pm.

Cathy received a message Wednesday afternoon stating that the sellers of 123 Main had accepted another offer. Cathy immediately called him back as asked why she was not informed of the multiple offers and would file a complaint with the Board. Cathy stated that he did not allow her clients to submit their best offer and that Dan was not working in the best interest of the sellers. Dan mentioned that the sellers had not yet signed off on the accepted contract and would not do so until Friday. He told her to consult with her buyers and see if they would like to submit another offer before Friday. After explaining the situation to her buyers, they informed Cathy that they would like to go in another direction due to the situation.

The following week Cathy did file a complaint to the board mentioning that Dan violated Article 1 of the Code of Ethics for denying to disclose that there were multiple offers and saying there was an accepted offer, when the seller did not agree to it in writing.

Dan addressed Cathy's complaint and acknowledged that he informed her of a pending contract. Both contracts were submitted at the same time and the seller decided to go with the higher bid. Dan mentioned after presenting this information Cathy was very upset and that Dan told her that they could submit another offer as the one accepted was not yet finalized. Cathy clients did not respond with another offer. Dan stated that he acted ethically and professionally and in the best interests of the sellers and Cathy was also provided the opportunity to submit another offer.

Case 8

Eric is Real Estate Broker and also a member of 123 Board of Realtors. John is a cooperating broker and a member of ABC Board of Realtors. Eric was a listing broker and on transaction and John disagreed as to whether John should participate in the commission. The listed property was located in the jurisdiction of Eric's board, and Eric proposed that the dispute be handled through arbitration within his board, 123 Board of Realtors due to the jurisdiction.

John decided to agree to this request. He presented his evidence in support of why he was entitled to participate in the commission before the arbitration panel of the Professional Standards Committee of the 123 Board of Realtors. After hearing John's explanation the arbitration panel found in favor of Eric. John was not satisfied with the outcome; he decided to contact his Board or Realtors ABC to arrange an inter-board arbitration as provided in Article 17 of the Code of Ethics.

ABC Board of Realtors refused to do so; they noted that John had voluntarily accepted the proposal to have the matter arbitrated by the 123 Board of Realtors. Furthermore John had agreed during the hearing to be bound by the board's decision. Since he had participated in the arbitration he was not, following an adverse decision, entitled to initiate another arbitration hearing.

CASE 9

LICENSEE Arturo, the exclusive agent of Seller Bill, facilitated the sale of a small commercial property to Buyer Cameron, by filling in the blanks in a standard purchase contract form. At the time LICENSEE Arturo presented the contract for Buyer Cameron's signature, he explained that the contract was prepared by attorneys and was commonly used in the area. He highly recommended that Buyer Cameron have his attorney review it. Buyer Cameron said he would simply read it over carefully, and if he had any questions he would consult an attorney about it. He eventually signed the purchase contract, saying it was clear and satisfactory to him.

At the closing, Buyer Cameron professed to have been under some misunderstanding as to language in the contract regarding the date of possession of the property, and following the closing Seller Bill complained to the Board of REALTORS® that he had been greatly embarrassed by this circumstance at the closing and felt that LICENSEE Arturo was at fault in preparing a contract without having an attorney participate in the drafting.

At the hearing, LICENSEE Arturo restated the points that had been made in his written response to the complaint: that the contract he had used was the standard form, prepared by an attorney; that in keeping with Article 13 he had strongly recommended that the buyer Bill have the contract reviewed by his own attorney; and that no other parties present at the closing had found any lack of clarity in the clause in question.

The Hearing Panel concluded that LICENSEE Arturo did in fact act in compliance with the Code; that he had not undertaken to practice law; and that he was not in violation of Ethical conduct.