The Code of Ethics – Your Promise of Professionalism

3 Hour Elective CE
Code of Ethics
Your Promise of Professionalism
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Course Description
This course provides the real estate agent with a reliable reference for guidance in dealing with complex situations in today’s day to day practice of real estate. Students will discuss how the Code of Ethics compares and contrasts with the concept of general business ethics.

Learning Objectives
Upon completion, participants will be able to:

1. Identify at least two aspirational concepts in the Preamble to the Code of Ethics.
2. Describe the concept of general business ethics and identify how the Code of Ethics compares and contrasts with the concept of general business ethics.
3. Describe the concepts of at least two of the following Articles of the Code of Ethics: Article 1, 2, 3, 9, 11, 12, 16 and 17.
4. Identify possible violations of the Code of Ethics, specifically related to at least one of the two Articles selected in Objective 3 using case studies, quizzes and group discussion of fact scenarios.
5. Describe the professional standards enforcement process of the board or association.
## Course Outline

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<td>Welcome</td>
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<tr>
<td>History and Background of the Code of Ethics</td>
<td>10 Minutes</td>
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<td>The Preamble and Business Ethics</td>
<td>15 Minutes</td>
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<td>The Structure of the Code</td>
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<td>Enforcement of the Code</td>
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<td>Concepts of Procuring Cause</td>
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<td>Article 1 Summary</td>
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<td>Article 1 Case Study</td>
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E-Book Self-Study Program

If you are taking this course via E-book self-study please review the following prior to beginning your program.

**Maximum Allowable Time To Complete Your Program:** You have 3 Months to complete this Continuing Education Course. No extensions are allowed. Failure to complete your course in the allotted time will result in dismissal from the course and forfeiture of your course tuition. While we grant students three months to complete this course you are responsible for completing your course, taking and passing the final exam prior to your specific required CE renewal cycle deadline date.

**Begin your Course:** This course consists of Chapters, Lessons or Sections. Begin your course by reading Chapter 1 in the text. At the end of the chapter complete any end of Chapter Review Questions presented. By completing the end of Chapter exams students are able to grade themselves as to how well they comprehend the chapter materials. When you have completed Chapter 1 proceed to the next Chapter.

**Instructor Assistance:** During your course of study contact our office if you need instructor assistance. We will share your contact information with an instructor, they will contact you. Please allow 24 hours for an instructor to contact you.

**Final Examination:** Students must take and pass a 25 question final exam in order to receive credit for this course. If you have completed your reading assignments and end of chapter exercises you are eligible to take your Final Exam.

**Final Exam Appointments:** Final exam appointments can be made locally or with an out-of-town Exam Proctor. To schedule your final exam appointment, please call 312-803-4900
or email central@chicagorealtor.com. You can also visit http://chicagorealtor.com/realtors-real-estate-school/course-forms/ to obtain the appropriate form.

Course Completion: When you successfully complete your final exam you will receive a transcript. Depending on the number of students testing at any given time we reserve the right to mail the documents to students within 7 – 10 working days after the date of the final exam.

Failed Final Exams: If you fail your final exam you may retake the Final exam within two weeks; follow the instructions outlined above for Final Exam appointments. Students failing a second time need to re-enroll and retake this course at the full course tuition.

CE Compliance Reporting: IDFPR requires each licensed education provider approved to offer continuing education courses to submit to the licensing agency, on or before the 15th of each month, a report of those licensees who have successfully completed a continuing education course offered by the provider during the preceding calendar month. We will report your compliance to IDFPR on the 15th of the month following your final exam date.

Please call 312-803-4910 if you have any questions or email info@rres-online.com.

Thank you.
Business Ethics

Business ethics can be made up of industry codes, such as the Code of Ethics, or have a more general concept which would include both company policy and individual moral values. Legal standards generally set minimum standards of conduct. Ethical standards usually encompass principles higher than legal standards.

This section moves from the broadest concepts in the Code to the most specific. The first part deals with the “three major categories.” The Code of Ethics is prioritized as to the importance of the sections, Articles and Standards of Practice. NAR structured the Code with “Duties to Clients and Customers” as the first section because these duties are the most important obligations REALTORS® have. Similarly, the Articles in subsequent sections are prioritized “Duties to the Public”, and “Duties to REALTORS®”.

Due to their importance let us restate the “three major categories.”

1. Duties to Clients and Customers
2. Duties to the Public
3. Duties to REALTORS

Articles are broad statements of ethical principles. Principles are fundamental truths. They serve as enduring moral guide posts and provide a guide for human and institutional conduct. They are permanent and carry a great obligation.
For Example, Article 1’s concept of protecting and promoting the interest of the client is considered to be the most important obligation REALTORS® have, both in this section and, because it is the first Article in the entire Code. The same prioritization occurs in the Standards of Practice that interpret each Article. Even though this priority exists, it is important to note that no section, Article or Standard of Practice is “less important” or the “least important”. Violations of any Article are serious and can subject the member to discipline.

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.

Case Interpretations are specific fact situations to which the Articles and/or Standards of Practice are applied.

Lastly, one should note that, in contrast to a failure to attain the aspirational goals of the Preamble, violation of any of the Articles can subject REALTORS® to disciplinary action.

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.
Part 1

History and Background of the Code of Ethics

The National Association of REALTORS® was founded as the National Association of Real Estate Exchanges on May 12, 1908 at the YMCA Auditorium in Chicago, Illinois. Three earlier attempts, beginning in 1891, at organizing a national real estate group were unsuccessful. With 120 founding members, 19 Boards, and one State Association, National Association of Real Estate Exchanges’ objective was “to unite the estate men of America for the purpose of effectively exerting a combined influence upon matters affecting real estate interests.”

In 1916, the National Association of Real Estate Exchanges was changed to the National Association of Real Estate Boards, and in 1974, the name was changed to the National Association of REALTORS®. Today, NAR has over 1,000,000 members, 54 state associations, and 1600 local associations, including Guam, Puerto Rico and the Virgin Islands.

The Code of Ethics was adopted in 1913 (and is older than Illinois license laws) with the Golden Rule as its theme and the National Association of REALTORS® was one of the first business groups to adopt a Code of Ethics. The purpose of the Code of Ethics was to establish a professional standard of conduct for real estate practitioners. Before then, the real estate business had a history of speculation, exploitation, and disorder. This was before the establishment of state regulatory licensing agencies and consumer advocacy. It was a time when real estate practitioners, if they were licensed at all, were licensed as peddlers. It was an era of robber barons whose motto was “let the public be damned.” The motto of business was “Caveat Emptor” or “let the buyer beware.” Now, of course, the Code of Ethics is based on the concept of “let the public be served.” This central concept of the public protection is one of the foundations of the Articles of the Code.
To this day, many judicial decisions cite the REALTOR® Code of Ethics as the recognized standard of conduct in the real estate industry. Courts have applied the standards of conduct embodied in the Code of Ethics even to real estate licensees who are not REALTORS®, and as such, formed the basis for license laws.

Similarly, the use of arbitration in monetary disputes between REALTORS® was a pioneering effort. While “alternative dispute resolution” systems such as arbitration and mediation are used in the civil law system, more frequently today, the requirement that REALTORS® arbitrate monetary disputes between fellow REALTORS® has been in effect since the inception of the Code of Ethics nearly 90 years ago.
Part 1

Review Questions

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Answer Key

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Part 2
The Preamble of the Code of Ethics, Concepts of Business Ethics and the Structure of the Code

The Preamble to the Code of Ethics is the aspirational foundation of the Code. While the concepts in the Preamble do not serve as the basis for disciplinary action against a REALTOR®, they are timeless principles upon which the professionalism of the industry is based.

“Under all is the land...” This powerfully descriptive beginning to the Preamble to the Code sets the state for all that follows. The phrase clearly conveys the immense and all encompassing nature of real estate and the real estate calling. Land is the foundation of many aspects of society, whether it be the basics of food and shelter, or the more sophisticated aspects of economy and prosperity. Truly, REALTORS® deal in one of society’s most important commodities.

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. These concepts speak to a fundamental premise upon which our nation was founded. Given that much of our law and governance derived from England, under which the king held much of the available land, it is easy to see why the founders of our nation would have the desire not to have a few individuals own vast quantities of land. The accumulation of land can lead to inordinate power in the hands of a few. REALTORS® support the fundamental concept that many persons owning small parcels of land is vital to the efficient functioning of our democracy. 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 improve 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 the 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®.

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 even can justify departure from this ideal.

In the interpretation of this obligation, REALTORS® can take no safer guide than 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.” Even though the Golden Rule was an inspiration to the founding of the code real estate brokers must take into account the diversity of clients and customers in today’s society. Simply because something is appealing to an agent does not mean it is appealing to the client.

For example, the geographic direction of the placement of the front door is very important in some cultures. A broker may find a home that they think is the greatest value in the market. If they were looking for a home for themselves this home would be their first choice. However, it would not suit their clients because of the direction placement of the front door. Agents must also realize what the client wants is more important than what the agent would want for himself.

Accepting this standard as their own, REALTORS® pledge to observe its spirit in all of their activities and to conduct business in accordance with the tenets set forth.
### Review Questions

| T F | 1. The Preamble to the Code is the aspirational foundation of the Code. |
| T F | 2. Land is the foundation of many aspects of society. |
| T F | 3. REALTORS® support the fundamental concept that many persons owning small parcels of land is vital to the efficient functioning of our democracy. |
| T F | 4. REALTORS® urge exclusive representation of clients. |
| T F | 5. The term REALTOR® has come to connote competency, fairness, and high integrity. |
| T F | 6. Legal standards generally set minimum standards of conduct while ethical standards usually encompass principles higher than legal standards. |
| T F | 7. Articles are broad statements of ethical principles. |
| T F | 8. Principles provide a guide for human and institutional conduct. |
| T F | 9. Violation of any of the Articles can subject REALTORS® to disciplinary action. |
| T F | 10. Promoting the interest of the client is one of the most important obligations a REALTOR® has. |

#### Section 2 – Answer Key

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| 2. | T | 7. | T |
| 3. | T | 8. | T |
| 4. | T | 9. | T |
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Part 3
Enforcement of the Code of Ethics

While the primary focus of this course is not on enforcement procedures, one should know that the Code of Ethics has an enforcement mechanism and that local boards and associations have a duty to enforce the Code. Members should also know the basic concepts of how the code is enforced.

Local boards and associations resolve two types of cases, ethics complaints and arbitration requests. Anyone can file a complaint, whether it be another member, a buyer or seller, or someone from the general public. Ethics complaints might be described as “conduct” cases dealing with possible violations of the Code of Ethics. Arbitration cases might be described as “money” cases in which disputed commissions between REALTORS® are handled. Most cases dealing with commission disputes between REALTORS® with different firms are required to be arbitrated rather than litigated if any party requests arbitration.

The Grievance Committee is a screening committee comprised of members of the Association appointed to the committee. A key question for the Grievance Committee is: “If the allegations in the complaint were taken as true on their face, is it possible that a violation of the Code of Ethics occurred?”

Let us look at an example of whether it is a violation of the code. Broker Susan shows a property to client Charles. Charles wants the property and a contract is written and presented to the seller by Susan. The seller accepts the offer and everything is properly signed. The next day Charles mentions to Broker Harvey that he has purchased a property through Broker Susan. Broker Harvey sold Charles the last six properties he purchased and told Charles he should have purchased the property using Harvey as his agent. Harvey adds that, in fact, he is entitled to the commission because he sold Charles the other properties. Charles agrees.
Charles and Harvey contact Susan and inform her that Charles is entitled to the commission and not her. She disagrees and Harvey takes the matter to the Grievance Committee. The Grievance Committee would not hear the matter because representing a client who was formerly represented by another broker is not a violation of the Code. (This a true story.)

The Professional Standards Hearing Panel’s function is to conduct a full “due process” hearing with sworn testimony, witnesses and evidence. The Hearing Panel is comprised of members of the Professional Standards Committee. After a hearing has been conducted, the Hearing Panel decides whether there was a violation of the Code of Ethics, proven by clear, strong and convincing proof. If the Hearing Panel finds a violation of the Code of Ethics, the Panel then determines the discipline to be imposed on the violator.

Authorized disciplinary actions are the only sanctions that may be imposed for violations of the Code. Authorized discipline could be: letter or warning; letter of reprimand; education; monetary fines up to $15,000; probation; suspension; expulsion from membership; suspension or termination of MLS privileges; administrative processing fee. The administrative processing fee is not discipline and is used only if the association has a policy which imposes the administrative processing fee in all cases where a violation of the Code is found.

The arbitration process starts with a request for arbitration being filed. Arbitration is conducted under Article 17 of the Code of Ethics and the state arbitration statute if any. To conduct an arbitration hearing, Boards of REALTORS®, acting through their Grievance Committees and Professional Standards Committees, must have a clear understanding of what constitutes an arbitrable issue. An arbitrable issue includes a contractual question arising out of a transaction between parties to a contract in addition to certain specified non-contractual issues set forth in Standard of Practice 17-4. These could be disputes between principals associated with different firms or arising out of their relationship as REALTORS®.
The Grievance Committee performs a screening function similar to review of ethics complaints. The key question for the Grievance Committee is: “If the facts alleged in the request for arbitration were taken as true on their face, is the matter at issue related to a real estate transaction and is it properly arbitrable – i.e., is there some basis on which an award could be based?” In reviewing requests for arbitration, it is important that the Grievance Committee not take action that could be construed as rendering decisions on the merits. For example, a Grievance Committee should not dismiss an otherwise arbitrable claim simply because Grievance Committee members believe the respondent would prevail in a hearing. On the other hand, an arbitration request that cites no factual basis on which a Hearing Panel could conceivably base an award should not be referred for hearing. A party requesting arbitration must clearly articulate, in the request for arbitration, facts that demonstrate a contractual relationship between the complainant and the respondent, or a relationship described in Standard 17-4, and an issue that could be the basis on which an arbitration award could be founded.

The Grievance Committee has many tools about arbitration to use and guide them. However, the actual case in question must be looked at as an individual case and not prejudged by knowledge of other cases. For example, Broker Amy is on the Grievance Committee with the Chicago Association of Realtors. Her brother is with the St. Louis Association of Realtors. He told her about a Grievance case they had which seemed very similar to the one presented to Amy. In the St. Louis case the plaintiff won the case. Amy should not take this information into consideration in deciding if the Grievance Committee with the Chicago Association should decide if there is an issue for arbitration.

Mediation is another remedy available. Mediation is a voluntary process in which disputing parties meet with a mediator appointed by the Association to create a mutually acceptable resolution of the
dispute, rather than having a decision imposed by an arbitration hearing panel. Boards and Associations are required to provide mediation services.

Mediation can occur before or after the Grievance Committee reviews requests for arbitration, depending on local Association policy. If a dispute is resolved in mediation, the parties sign an agreement spelling out the terms of the settlement, and no arbitration hearing is held.

The Professional Standards Hearing Panel’s function is to conduct a full “due process” hearing with sworn testimony, counsel, witnesses and documentary evidence. The Hearing Panel consists of members of the Professional Standards Committee. After the hearing, a Hearing Panel decides which REALTOR® is entitled to the award (typically a disputed commission in a transaction), proven by a preponderance of the evidence.

In the event an arbitration award is not voluntarily paid, the arbitration award can be enforced through judicial processes. Alternatively, associations can adopt procedures requiring that awards be deposited with and held by the association pending procedural review or legal challenges.
### Part 3
**Review Questions**

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<th>1. Local boards and associations resolve ethics complaints and arbitration requests.</th>
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<td>2. Only REALTORS® can file complaints.</td>
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<td>8. The Administrative processing fee is part of the discipline.</td>
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### Section 2 - Answer Key

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Part 4
Concepts of Procuring Cause in Arbitration

NAR’s Arbitration Guidelines are found in the Code of Ethics and Arbitration Manual. The following factors are recommended for consideration by Hearing Panels convened to arbitrate disputes between brokers or between brokers and their clients or their customers. This list is not all-inclusive nor can it be. Not every factor will be applicable in every instance. The purpose is to guide panels as to facts, issues, and relevant questions that may aid them in reaching fair, equitable, and reasoned decisions.

Factor #1. No predetermined rule of entitlement

Every arbitration hearing is considered in light of all of the relevant facts and circumstances as presented by the parties and their witnesses. “Rules of thumb”, prior decisions by other panels in other matter, and other predeterminants are to be disregarded.

Procuring cause shall be the primary determining factor in entitlement to compensation. Agency relationships, in and of themselves, do not determine entitlement to compensation. The agency relationship with the client and entitlement to compensation are separate issues. A relationship with the client, or lack of one, should only be considered in accordance with the guidelines established to assist panel members in determining procuring cause.

Factor #2. Arbitrability and appropriate parties

While primarily the responsibility of the Grievance Committee, Arbitration Hearing Panels may consider questions of whether an arbitrable issue actually exists and whether the parties names are appropriate to arbitration.
Factor #3. Relevance and admissibility

Frequently, Hearing Panels are asked to rule on questions of admissibility and relevancy. While state law, if applicable, controls, the general rule is that anything the Hearing Panel believes may assist it in reaching a fair, equitable, and knowledgeable decision is admissible. This gives the Hearing Panels wider latitude in what testimony can be heard over a courtroom.

Arbitration Hearing Panels are called on to resolve contractual questions, not to determine whether the law or the Code of Ethics has been violated. An otherwise substantiated award cannot be withheld solely on the basis that the Hearing Panel looks with disfavor on the potential recipient’s manner of doing business or even that the panel believes that unethical conduct may have occurred. To prevent any appearance of bias, Arbitration Hearing Panels and procedural review panels shall make no referrals of ethical concerns to the Grievance Committee. This is based on the premise that the fundamental right and primary responsibility to bring potentially unethical conduct to the attention of the Grievance Committee rests with the parties and others with firsthand knowledge. At the same time, evidence or testimony is not inadmissible simply because it relates to potentially unethical conduct. While an award cannot be used to punish a perceived wrongdoer, it is equally true that Hearing Panels are entitled to consider all relevant evidence and testimony so that they will have a clear understanding of what transpired before determining entitlement to any award.

For example:

This is one of the most confusing areas for students. It seems to many students that the Hearing Panel should refer unethical behavior to the Grievance Committee. This is not to be done by the Hearing Committee. Let us look at why they do not refer such behavior to
the Grievance Committee. Broker John has a contractual question brought to the Hearing Panel by Broker Bridget. Bridget claims that it is she that is entitled to the commission and not John. In reality Broker John is entitled to the commission. However, John knows that he is probably the most unethical and crooked real estate agent in the state. But he is entitled to the commission. If the Hearing Panel could refer John’s actions to the Grievance Committee he might be afraid to present the evidence that would show it is he and not Bridget who is entitled to the commission.

Remember that other parties to the transaction may bring the unethical behavior to the Grievance Committee.

**Factor #4. Communication and contact – abandonment and estrangement**

Many arbitrable disputes will turn on the relationship between a broker and a prospective purchaser. Panels will consider whether, under the circumstances and in accord with local custom and practice, the broker made reasonable efforts to develop and maintain an ongoing relationship with the purchaser. The Panel will want to determine, in cases where two cooperating brokers have competing claims against a listing broker, whether the first cooperating broker actively maintained ongoing contact with the purchaser or, alternatively, whether the broker’s inactivity, or perceived inactivity, may have caused the purchaser to reasonably conclude that the broker had lost interest or disengaged from the transaction. In other instances, a purchaser, despite reasonable efforts by the broker to maintain ongoing contact, may seek assistance from another broker. The panel will want to consider why the purchaser was estranged from the first broker. In still other instances, there may be no question that there was an ongoing relationship between the broker and purchaser; the issue then becomes whether the broker engaged in conduct which caused the purchaser to terminate the relationship. This can be
caused, among other things, by words or actions. Panels will want to consider whether such conduct caused a break in the series of events leading to the transaction and whether the successful transaction was actually brought about through the initiation of a separate, subsequent series of events by the second cooperating broker.

**Factor #5  Conformity with state law**

The procedures by which arbitration requests are received, hearings are conducted, and awards are made must be in strict conformity with the law. In such matters, the advice of Board legal counsel should be followed.

**Factor #6. Consideration of the entire course of events**

The standard of proof in Board-conducted arbitration is a preponderance of the evidence, and the initial burden of proof rests with the party requesting arbitration. This does not, however, preclude panel members from asking questions of the parties or witnesses to confirm their understanding of testimony presented or to ensure that panel members have a clear understanding of the events that led to the transaction and to the request for arbitration. Since each transaction is unique, it is impossible to develop a comprehensive list of all issues or questions that panel members may want to consider in a particular hearing. Panel members are advised to consider the following, which are representative of the issues and questions frequently involved in arbitration hearings:

*The nature and status of the transaction*

1. What was the nature of the transaction? Was there a residential or commercial sale/lease?
2. Is or was the matter the subject of litigation involving the same parties and issues as the arbitration?
The nature, status, and terms of the listing agreement

1. What was the nature of the listing or other agreement: exclusive right to sell, exclusive agency, open or some other form of agreement?
2. Was the listing agreement in writing? If not, is the listing agreement enforceable?
3. Was the listing agreement in effect at the time the sales contract was executed?
4. Was the property listed subject to a management agreement?
5. Were the broker’s actions in accordance with the terms and conditions of the listing agreement?
   A. Were all conditions of the listing agreement met?
   B. Did the final terms of the sale meet those specified in the listing agreement?
   C. Did the transaction close?
   D. Did the listing broker receive a commission?

The nature, status, and terms of the offer to compensate

1. Was an offer of cooperation and compensation made in writing? If not, how was it communicated?
2. Is the claimant a party to whom the listing broker’s offer of compensation was extended?
3. Were the broker’s actions in accordance with the terms and conditions of the offer of cooperation and compensation?
   A. Were all conditions of the agreement met?
Roles and relationships of the parties

1. Who was the listing broker?
2. Who was the cooperating broker or brokers?
3. Were any of the parties acting as subagents? As buyer brokers? In some other capacity?
4. Did any of the cooperating brokers have an agreement, written or otherwise, to act as agent or in some other capacity on behalf of any of the parties?
5. Were any of the brokers (including the listing broker) acting as a principal in the transaction?
6. What were the broker’s relationships with respect to the seller, the purchaser, the listing broker, and any other cooperating brokers involved in the transaction?
   A. Was the party to whom the property was sold represented by a party with whom the broker had previously dealt?
   B. Is the primary shareholder of the buyer-corporation a party with whom the broker had previously dealt?
   C. Was a prior prospect a vital link to the buyer?

7. Are all appropriate parties to the matter joined?

Initial contact with the purchaser

1. Who first introduced the purchaser or tenant to the property?
2. When was the first introduction made?
   A. Was the introduction made when the buyer had a specific need for that type of property?
   B. Was the introduction instrumental in creating the desire to purchase?
   C. Did the buyer know about the property before the broker contacted him?
D. Were there previous dealings between the buyer and the seller?
E. Did the buyer find the property on his own?

3. How was the first introduction made?
   A. Was the property introduced as an open house?
   B. What subsequent efforts were made by the broker after the open house?
   C. Was the introduction made to a different representative of the buyer?
   D. Was the introduction merely a mention that the property was listed?
   E. What property was first introduced?

Conduct of the brokers

1. Were all required disclosures complied with?
2. Was there a faithful exercise of the duties a broker owes to his client/principal?
3. If more than one cooperating broker was involved, was either or both aware of the other’s role in the transaction?
4. Did the broker who made the initial introduction to the property engage in conduct or fail to take some action which caused the purchaser or tenant to utilize the services of another broker?
5. Did the cooperating broker or second cooperating broker initiate a separate series of events, unrelated to and not dependent on any other broker’s efforts, which led to the successful transaction – that is, did the broker perform services which assisted the buyer in making his decision to purchase?
   A. Did the broker make preparation to show the property to the buyer?
   B. Did the broker make continued efforts after showing the property?
C. Did the broker remove an impediment to the sale?
D. Did the broker make a proposal upon which the final transaction was based?
E. Did the broker motivate the buyer to purchase?

6. How do the efforts of one broker compare to the efforts of another?
   A. What was the relative amount of effort by one broker compared to another?
   B. What was the relative success or failure of negotiations conducted by one broker compared to the other?

7. If more than one cooperating broker was involved, how and when did the second cooperating broker enter the transaction?

**Continuity and breaks in continuity (abandonment and estrangement)**

1. What was the length of time between the broker’s efforts and the final sales agreement?
2. Did the original introduction of the purchaser or tenant to the property start an uninterrupted series of events leading to the sale or lease, or was the series of events hindered or interrupted in any way?
   A. Did the buyer terminate the relationship with the broker? Why?
   B. Did negotiations break down?
3. If there was an interruption or break in the original series of events, how was it caused, and by whom?
   A. Did the seller change the listing agreement from an open listing to an exclusive listing agreement with another broker?
   B. Did the purchaser’s motive for purchasing change?
C. Was there interference in the series of events from any outside or intervening cause or party?

4. Did the broker who made the initial introduction to the property maintain contact with the purchaser or tenant, or could the broker’s inaction have reasonably been viewed by the buyer or tenant as a withdrawal from the transaction?

5. Was the entry of any cooperating broker into the transaction an intrusion into an existing relationship between the purchaser and another broker, or was it the result of abandonment or estrangement of the purchaser, or at the request of the purchaser?

**Conduct of the buyer**

1. Did the buyer make the decision to buy independent of the broker’s efforts/information?

2. Did the buyer negotiate without any aid from the broker?

3. Did the buyer seek to freeze out the broker?
   A. Did the buyer seek another broker in order to get a lower price?
   B. Did the buyer express the desire not to deal with the broker and refuse to negotiate through him?
   C. Did the contract provide that no brokers or certain brokers had been involved?

**Conduct of the seller**

1. Did the seller act in bad faith to deprive the broker of his commission?
   A. Was there bad faith evident from the fact that the difference between the original bid submitted and the final sales price equaled the broker’s commission?
B. Was there bad faith evident from the fact that a sale to a third party was a straw transaction which was designed to avoid paying commission?

C. Did the seller freeze out the broker to avoid a commission dispute or to avoid paying a commission at all?

2. Was there bad faith evident from the fact that the seller told the broker he would not sell on certain terms, but did so via another broker or via the buyer directly?

Leasing transactions

1. Did the cooperating broker have a tenant representation agreement?

2. Was the cooperating broker working with the “authorized” staff member of the tenant company?

3. Did the cooperating broker prepare a tenant needs analysis?

4. Did the cooperating broker prepare a market analysis of available properties?

5. Did the cooperating broker prepare a tour book showing alternative properties and conduct a tour?

6. Did the cooperating broker show the tenant the property leased?

7. Did the cooperating broker issue a request for proposal on behalf of the tenant for the property leased?

8. Did the cooperating broker take an active part in the lease negotiations?

9. Did the cooperating broker obtain the tenant’s signature on the lease document?

10. Did the tenant work with more than one broker and if so, why?
Other information

Is there any other information that would assist the hearing Panel in having a full, clear understanding of the transaction giving rise to the arbitration request or in reaching a fair and equitable resolution of the matter?

These questions are typical, but not all-inclusive, of the questions that may assist Hearing Panels in understanding the issues before them. The objective of a panel is to carefully and impartially weigh and analyze the whole course of conduct of the parties and render a reasoned peer judgment with respect to the issues and questions presented and to the request for award.

Procuring cause disputes are often decided in court. The reasoning relied on by the courts in resolving such claims is articulated in Black’s Law Dictionary, Fifth Edition, definition of procuring cause:

“The proximate cause; the cause originating a series of events which, without break in their continuity, result in the accomplishment of the prime object. The inducing cause; the direct or proximate cause. Substantially synonymous with “Sufficient cause.”

A broker will be regarded as the “procuring cause” of a sale, so as to be entitled to commission, if his efforts are the foundation on which the negotiations resulting in a sale are begun. A cause originating a series of events which, without break in their continuity, result in accomplishment of prime objective of the employment of the broker who is producing a purchaser ready, willing, and able to buy real estate on the owner's terms. Mohamed v. Robbins, 23Ariz. APP. 195, 531p.2d928.930.
### Part 4
#### Review Questions

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<td>1. Every arbitration hearing is considered in light of all the relevant facts as presented by the parties and their witnesses.</td>
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<td>2. Procuring cause shall be the primary determining factor in entitlement to compensation.</td>
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<td>3. Only the Grievance Committee can consider questions of whether an Arbitrable issue actually exits.</td>
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<td>4. The Hearing Panel may allow anything that will help it to reach a fair and knowledgeable decision.</td>
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<td>5. Communication and contact as well as abandonment and estrangement are issues to be considered by the Hearing Panel.</td>
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<td>6. The hearing procedures must be in accordance with the law.</td>
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<td>7. The standard of proof in Board conducted arbitration is a preponderance of the evidence.</td>
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<td>8. The objective of the Hearing Panel is to evaluate the course of conduct of the parties and render a decision.</td>
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<td>9. Procuring Cause is the basis for determining entitlement to commission.</td>
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<td>10. Having an agency relationship is the same as procuring cause.</td>
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### Section 2 – Answer Key

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Part 5

Summaries and Case Studies of Selected Articles of the Code of Ethics

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.

Standard of Practice 1-2

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 REALTORS® 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 REALTORS® firm; “prospect” means a purchaser, seller, tenant or landlord who is not subject to a representation relationship with the REALTOR® or REALTORS® 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.

**Case Study**

Grant inherited his Uncle Dan’s cabin in the north country. This was quite a surprise, since Grant had only met Uncle Dan twice in his whole life. Dan rarely left his private retreat and never invited anyone to visit him. Grant held on to the cabin for a year, during which he never had the opportunity to visit it. It was quite a year. He opened his dental practice, and he and his wife had their first child. They decided it would be best to sell the cabin. So Grant called and got the name of REALTOR® Bob. He asked Bob to look at the cabin and suggest a listing price. Bob called back and suggested $90,000.

It seemed low since the property included several hundred feet of lake frontage, but Grant agreed to it. Within three weeks Bob called back with an offer. He would be the buyer at the listed price – less the commission. Grant became increasingly uneasy about the price. He told Bob he intended to have the property appraised before accepting the offer. Hearing this, Bob got upset and abruptly said, “Listen, you can take my offer or not- that’s up to you. But it’s a legitimate offer based on the price you agreed to. So far as I’m concerned, I’ve done my job and you owe me a commission.”

**Do you think Bob is in violation of the Code of Ethics?**

Yes.

**What was Bob’s obligation to Grant?**

Bob’s obligation was to protect and promote the interest of his client, Grant. When he became a principal in the transaction, he was pursuing his own interest, possibly at the expense of his client. He could not continue to act as Grant’s agent, except with full disclosure.
to Grant and with Grant’s knowledgeable consent. Grant did not give consent. Bob’s comment that Grant had no choice but to continue to view Bob as his agent and to compensate him, even though Bob had become a principal, was not accurate.

**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.

Article 2 requires more than simply the disclosure of property defects, however, REALTORS® are not required to be “experts” in every possible aspect of real estate transactions. For example, Article 2 makes it clear that REALTORS® may not be home inspectors, professional engineers, architects, accountants, attorneys or the like. These areas would generally be considered to be outside the scope of a typical real estate licensee’s expertise and not required by the licensing statute. However, one should note that REALTORS® have an obligation to be aware of conditions and matters which a reasonably knowledgeable real estate licensee in the state or locality would know. In other words, a REALTOR® cannot ignore a condition of which he or she is aware simply because the REALTOR® believes that a home inspector will also note the condition. REALTORS® should make the appropriate disclosures to the appropriate parties of the information which the REALTOR® is aware of at the time.
Case Study

As she always did when listing a home, Jeanie followed her checklist as she completed the property data sheet on Leslie’s home. Noticing the hardwood flooring in the family room, she asked Leslie if there were hardwood floors under the wall-to-wall carpeting in the rest of the house. Leslie told her there were. Jeanie noted that and later specified hardwood floors on the property data form.

Imagine her surprise when she later received an irate phone call from Ben, the new owner. There was outrage in Ben’s voice: “You said there were hardwood floors in this house. Well, there’s no hardwood flooring under the carpeting in the living room and dining room. When we took up the carpeting, we found that the bedrooms have hardwood flooring but under the living and dining room carpet there is nothing but plywood sub flooring. We paid for a home with hardwood floors. This is not right.

Do you think Jeanie is in violation of the Code?

No.

What was Jeanie’s obligation to the purchaser?

Jeanie accurately conveyed to the buyer information given to her by the seller. There was no reason to believe that hardwood floors were not present as the seller stated. This case makes clear that the REALTOR® has a right to rely on the representations of the seller unless there is reason to believe that the seller’s information is not accurate.

State law may vary the results of this case in a civil action. It is possible that some state law requires that the REALTOR® verify and or substantiate the information given by the seller and may require that the buyer’s agent verify and or substantiate that information.
**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.

Article 3 is a key Article of the Code of Ethics. This Article mandates cooperation unless it is not in the best interests of the client. Cooperation among competitors in other industries is rare. This cooperation aspect of the real estate industry is of great benefit to the consumers as it forms the basis for the concept of the Multiple Listing Service. The MLS, of course, creates tremendous efficiencies for the buying and selling public in the sale of real property.

The second concept of Article 3 is also very important. The duty of “cooperation” does not include an obligation to share commissions or fees or to otherwise compensate another broker. The obligation to compensate other brokers in a cooperative transaction depends on a contract between the brokers, not on Article 3.

**Case Study**

Lucy was a listing broker who published an offer of cooperation and compensation in MLS for one of her listings (list price of $300,000). The offer of compensation to MLS participants was for X%. Sam, who saw the MLS listing, showed the property and wrote an offer on the property for Barney Buyer. When Sam delivered the offer to Lucy, Lucy said, “Oh, by the way, I had to reduce my commission the other day to keep the seller happy so I can only pay Y% co-op fee now.” (Y% was 1% less than X%) Sam is upset.
**What Articles and/or Standards of Practice apply to this case?**

Obviously, this case is based on Article 3. However, it is also based on Standard of Practice 3-2 which requires the timely communication of any change in an offer of compensation before an offer to purchase is produced by the other REALTOR®.

(Standard of Practice 3-2 – REALTORS® shall, with respect to offers of compensation to another REALTOR®, timely communicate any change of compensation for cooperative services to the other REALTOR® prior to the time such REALTOR® produces an offer to purchase/lease the property.)

**Is Lucy in violation of the Code of Ethics?**

Yes. Lucy is in violation of Article 3 as interpreted by Standard of Practice 3-2.

**What was Lucy’s obligation to Sam?**

Lucy should have communicated the change to the offer of compensation before Sam produced the offer to purchase. If this were an MLS listing, Lucy could have changed the offer of compensation in MLS before Sam produced the offer to purchase.

**If Sam files an arbitration claim against Lucy for the 1% difference, do you think Sam is entitled to be paid the additional 1%?**

The arbitration panel will likely rule in Sam’s favor if Sam can prove that the offer of compensation in MLS was X% on the day the offer to purchase was produced. To prove the offer of compensation was X%, Sam should print a copy of the MLS data sheet on the day the offer to purchase was produced.
Duties to the public
Article 11

The essence of Article 11 is “competence”. The REALTOR® is called to be competent in the specific real estate discipline(s) in which the REALTOR® engages.

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, 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.

Article 11 and Article 1 can be closely linked. For example, if a REALTOR® fails in his/her duty to be competent in his/her field, the REALTOR® likely will not be promoting and protecting the interests of the client.

Case Study

It was a listing Leo now wished he had never taken. But Keith was adamant. He wanted Leo to list the property and no one else. Leo appreciated Keith’s confidence in him, but had repeatedly pointed out that his expertise was with commercial property. This was a home and in an area of the city he didn’t know much about. He strongly encouraged Keith to have the house appraised. But Keith
insisted that he knew the area and $266,000 was its fair market value. That seemed low to Leo, but he listed the house at Keith’s price and it quickly sold to a young couple, Linda and Brian.

When he got a call from Keith five months later, Leo could immediately tell something was wrong. Keith told him about meeting the buyers, Linda and Brian, at a party. Linda was being reassigned to another city and they had received an offer on the house – for $280,000, which they declined feeling they could do even better. Keith said he was upset and disappointed that Leo had not given him better advice concerning the price.

**What Articles and or/Standards of Practice apply to this case?**

This is, of course, an Article 11 case. The second paragraph is the key to the case. Standard of Practice 1-3 is pertinent. Standard of Practice 1-3 states “REALTORS®, in attempting to secure a listing, shall not deliberately mislead the owner as to market value.”

**Is Leo in violation of the code?**

No.

**What was Leo’s obligation to Keith?**

Leo’s obligation under Article 1 is to protect and promote the interests of the client. He advised the client of his lack of knowledge about the area, the market value of the property, and that the seller should have the property appraised. Because of these disclosures and recommendations, Leo is not in violation of Article 1 nor Standard of Practice 1-3. In addition, Leo did exactly what was required under the second paragraph of Article 11 in advising the seller that residential real estate was not his area of expertise.
Duties to REALTORS®

Article 16

REALTORS® shall not engage in any practice or take any action inconsistent with exclusive representation or other exclusive brokerage relationship recognized by law that other REALTORS® have with clients.

Article 16 is a relatively short Article, but is interpreted by many Standards of Practice. Article 16 applies to both agency and non-agency relationships. In the Article, the words “other exclusive brokerage relationship recognized by law” are directed specifically to REALTORS® in those states having adopted non-agency relationships (transaction broker, transaction licensee, facilitator, statutory non-agent, etc.).

This list is a good summary of types of issues which the Standards of Practice to Article 16 cover:

• **Innovative or aggressive business practices – 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.

• **Advertising solicitations of agency or other relationships – Standard of Practice 16-2**

  Article 16 does not preclude REALTORS® from making general announcements to prospective clients 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 prospective clients 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.

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 prospective clients 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 sub agency or cooperation.

- **Solicitation of listings and agency relationships of clients of other brokers – Standards of Practice 16-4, 16-5, 16-6, 16-7, 16-8**

**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.

**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.

**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.

**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 former prospect’s future business.
**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.

- **Dealing with other broker’s clients – Standard of Practice 16-13**

**Standard of Practice 16-13**

All dealings concerning property exclusively listed, or with buyers/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 agent or broker or except where such dealings are initiated by the client.

- **Obligations when entering into exclusive relationships – Standards of Practice 16-9, 16-14**

**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.

**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.
• **Agency and/or brokerage relationship disclosure – Standards of Practice 16-10, 16-11, 16-12**

**Standard of Practice 16-10**

REALTORS®, acting as buyer or tenant representatives 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.

**Standard of Practice 16-11**

On unlisted property, REALTORS®, acting as buyer/tenant representative 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. REALTORS® shall make any request for anticipated compensation from the seller/landlord at first contact.

**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.

**Case Study**

When Fred met Tony for lunch, he asked him whether Tony had sold his house yet. A shadow passed over Tony’s face. “We’re closing on the new place next week and it’s only been shown five times in three months,” he said. “I think I should get another agent. We had a 90 day exclusive with REALTOR® Sue and it’s just about up.” Fred
suggested that Tony talk to the REALTOR® who helped Fred sell his home. “I’ll give Laura a call, tell her about your situation and see if she thinks she can help.”

After Laura gets Fred’s call, she decides to call Sue to ask when Sue’s listing expires. Laura had heard of Sue, but had never spoken with her. When she reached Sue, after leaving a number of messages, Sue was cool and abrupt. Sue refused to discuss the matter or to divulge when the listing expired. Laura explained that, given the circumstances, she would go directly to the seller to get the information. Laura thought this might elicit a response from Sue. Instead, Sue hung up.

Laura then called Tony. He recognized her name from his conversation with Fred and seemed happy to hear from her. He asked if they could meet that evening. During their meeting, Laura discussed her services and explained that she would be happy to list Tony’s home when his exclusive with Sue expired.

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

**Is Laura in violation of the Code?**

No. Laura followed the exact procedure required by Standard of Practice 16-4. Laura first contacted Sue, the listing agent, to determine the nature and expiration date of the listing. When Sue refused to give her the information, Laura then contacted the seller to secure such information.

**What was Laura’s obligation?**

Laura’s obligation was to first contact Sue to secure information about the nature and expiration date of the listing. She fulfilled that obligation in this case.
Is Sue in violation of the Code?

No. Sue had a choice. She could either disclose the information concerning the listing to Laura or not. Once Sue chose not to disclose the information, Laura was free to go directly to the seller and obtain the information and discuss the terms of a future listing or enter into an agreement that would become effective upon expiration of the current listing.

What was Sue’s obligation?

None. Sue has no obligation to disclose the information. However, the consequence of not disclosing the information is that Laura has a right to contact the seller directly to secure the information.
### Part 5
**Review Questions**

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<td>1.</td>
<td>Article 1 provides that REALTORS® pledge themselves to protect and promote the best interests of their client.</td>
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<tr>
<td>2.</td>
<td>Client means the person or entity with whom a REALTOR® has agency relationship.</td>
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<td>3.</td>
<td>Customer means a party to a real estate transaction who receives information.</td>
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<td>4.</td>
<td>Agent means a real estate licensee acting in an agency relationship.</td>
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<tr>
<td>5.</td>
<td>Article 2 states that REALTORS® shall avoid exaggeration, misrepresentation or concealment of pertinent facts relating to the property or the transaction.</td>
<td></td>
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<tr>
<td>6.</td>
<td>Article 3 states that REALTORS® do not have to cooperate with other brokers even if it is in the client’s best interest.</td>
<td></td>
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<tr>
<td>7.</td>
<td>The essence of Article 11 is competence.</td>
<td></td>
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<tr>
<td>8.</td>
<td>Article 16 applies to both agency and non-agency relationships.</td>
<td></td>
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<tr>
<td>9.</td>
<td>Article 16 says REALTORS® shall not engage in any practice or take any action inconsistent with the agency or other exclusive relationship recognized by law that other REALTORS® have with clients.</td>
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<tr>
<td>10.</td>
<td>The Code of Ethics protects the buying and selling public, promotes a competitive marketplace, enhances the integrity of the industry and is the REALTORS® promise of performance and professionalism.</td>
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### Section 2 - Answer Key

| 1. T | 6. F |
| 2. T | 7. T |
| 3. T | 8. T |
| 4. T | 9. T |
| 5. T | 10. T |
Now it’s time to take your final exam. Final exam appointments can be made locally or with an out-of-town Exam Proctor. To schedule your appointment, please call 312-803-4900 or email central@chicagorealtor.com. You can also visit http://chicagorealtor.com/realtors-real-estate-school/course-forms/ to obtain the appropriate form.
Duties to Clients and Customers

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

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

• Standard of Practice 1-2
The duties imposed by the Code of Ethics encompass all real estate-related activities and transactions whether conducted in person, electronically, or through any other means.

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

As used in this Code of Ethics, “client” means the person(s) or entity(ies) with whom a REALTOR® or a REALTOR®’s firm has an agency or legally recognized non-agency relationship; “customer” means a party to a real estate transaction who receives information, services, or benefits but has no contractual relationship with the REALTOR® or the REALTOR®’s firm; “prospect” means a purchaser, seller, tenant, or landlord who is not subject to a representation relationship with the REALTOR® or REALTOR®’s firm; “agent” means a real estate licensee (including brokers and sales associates) acting in an agency relationship as defined by state law or regulation; and “broker” means a real estate licensee (including brokers and sales associates) acting as an agent or in a legally recognized non-agency capacity. (Adopted 1/95, Amended 1/07)

• Standard of Practice 1-3
REALTORS®, in attempting to secure a listing, shall not deliberately mislead the owner as to market value.

• Standard of Practice 1-4
REALTORS®, when seeking to become a buyer/tenant representative, shall not mislead buyers or tenants as to savings or other benefits that might be realized through use of the REALTOR®’s services. (Amended 1/93)

• Standard of Practice 1-5
REALTORS® may represent the seller/landlord and buyer/tenant in the
same transaction only after full disclosure to and with informed consent of both parties. (Adopted 1/93)

- **Standard of Practice 1-6**
  REALTORS® shall submit offers and counter-offers objectively and as quickly as possible. (Adopted 1/93, Amended 1/95)

- **Standard of Practice 1-7**
  When acting as listing brokers, REALTORS® shall continue to submit to the seller/landlord all offers and counter-offers until closing or execution of a lease unless the seller/landlord has waived this obligation in writing. Upon the written request of a cooperating broker who submits an offer to the listing broker, the listing broker shall provide, as soon as practical, a written notification to the cooperating broker stating that the offer has been submitted to the seller/landlord, or a written notification that the seller/landlord has waived the obligation to have the offer presented. REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord. REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing purchase contract or lease. (Amended 1/20)

- **Standard of Practice 1-8**
  REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. 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 license 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 1/89)*

• **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)*

• **Standard of Practice 3-11**
  REALTORS® may not refuse to cooperate on the basis of a broker’s race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. *(Adopted 1/20)*

**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. *(Adopted 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 1/83)

- 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, 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
Unless they are receiving no compensation from any source for their time and services, REALTORS® may use the term “free” and similar terms in their advertising and in other representations only if they clearly and conspicuously disclose:
1) by whom they are being, or expect to be, paid;
2) the amount of the payment or anticipated payment;
3) any conditions associated with the payment, offered product or service, and;
4) any other terms relating to their compensation. (Amended 1/20)

• Standard of Practice 12-2
(Deleted 1/20)

• Standard of Practice 12-3
The offering of premiums, prizes, merchandise discounts or other inducements to sell, list, 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 1/85)

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

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

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

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

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

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

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

• Standard of Practice 12-10
REALTORS® obligation to present a true picture in their advertising and representations to the public includes Internet content, images, and the URLs and domain names they use, and prohibits REALTORS® from:
1) engaging in deceptive or unauthorized framing of real estate brokerage websites;
2) manipulating (e.g., presenting content developed by others) listing and other content in any way that produces a deceptive or misleading result;
3) deceptively using metatags, keywords or other devices/methods to direct, drive, or divert Internet traffic; or
4) presenting content developed by others without either attribution or without permission; or
5) otherwise misleading consumers, including use of misleading images. (Adopted 1/07, Amended 1/18)

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

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

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

Article 13
REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

Article 14
If charged with unethical practice or asked to present evidence or to cooperate in any other way, in any professional standards proceeding or investigation, REALTORS® shall place all pertinent facts before the proper tribunals of the Member Board or affiliated institute, society, or council in
• **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 investigatory 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 investigatory 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® 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**
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 1/04)

**Standard of Practice 16-4**
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 1/88, 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. (Adopted 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 subsequently 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)

• **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.