

Examples of Discrimination

1. If a Realtor inquires about credit of a black prospective buyer and does not do the same for the white, the Realtor is violating the law. Fair Housing Laws require that the same qualifications process be used for all prospective buyers.
2. A homeowner who does not want a Realtor or their agents to show their house to a minority group is in violation of the Fair Housing Laws.
3. A Realtor and their agents are in violation of the Fair Housing Laws if they initiate, either directly or indirectly, any discussion with a customer regarding his or her racial, ethnic, or religious preference or the racial or religious mixture of any neighborhood or schools.
4. The Fair Housing Laws provide protection for the Realtor and prospective buyer if they are threatened during the process of showing a minority person a home.
5. If a lender tells a prospective buyer the investment in a certain neighborhood is not good; the lender is violating Federal and State law and will be subjected to sanctions by Federal regulatory agencies. If a seller loses a prospective buyer, the lender is responsible under the Fair Housing Law.

6. If the owner or operator of multi-family rental property refuses to rent a unit to a family with children, even though the same unit was made available to the same number of adults, he or she is violating the Fair Housing Act as amended in the Fair Housing Act as amended in the Fair Housing Amendments of 1988.

ADDITIONAL INFORMATION CAN BE OBTAINED

FROM:

Community Development Office
Somerset County
27 Warren Street., PO Box 3000
Somerville, NJ 08876-1262
(908) 541-5756 TDD (908) 231-7168

COMPLAINTS...

Complaints must be filed 180 days after the alleged act of discrimination. At any time after 180 days from the filing of a complaint, you or your attorney may file a request with the Division to forward the case to the Office Administrative Law for a public hearing, provided that the case has not been dismissed and the Director has not found that "No Probable Cause" exists.

When I file my complaint, what should I bring?

The following information must be provided when a complaint is filed.

- Have the correct names, titles addresses and telephone number of alleged to have discriminated against you.
- Bring any documentation that may support the allegations made in your complaint.
- If possible, supply the correct names and addresses of any witnesses to the alleged act of discrimination.
- Maintain information to support the damages you are seeking i.e., wage statement, tax forms, proof of medical expenses, etc.

For information and referral for suspected cases of housing discrimination in Somerset County, contact:

Somerset County Coalition on Affordable Housing
(SCCOAH)

600 First Avenue, Suite 3
Raritan, NJ 08869
(908) 704-8901 or (908) 704-9649

Legal referrals can be provided for low and moderate-income persons

Where to file complaints...

New Jersey Division of Civil Rights
383 West State St., Trenton, NJ 08618
(609) 292-4606



Equal Housing Opportunities

Through

Fair Housing

Laws

This brochure is provided through the
Affirmative Fair Housing
Program of:

BOARD OF CHOSEN
FREEHOLDERS
COUNTY OF SOMERSET

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The Law

The prohibition against housing discrimination assures all persons regardless of race, religion, color, national origin and ancestry live anywhere they wish, if they are qualified to purchase or rent the premises of their choice.

There are several laws that prohibit housing discrimination the Civil Rights Act of 1866, the Federal Fair Housing Act of 1968 and the Fair Housing Amendments Act of 1988 and the State of New Jersey Law against Discrimination (N.J.S.A. 10.5 1 et.seq.)

The Federal Law

The Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968) declared it a national policy to provide for fair housing throughout the United States. This law and subsequent amendments make discrimination based on race, color, religion, sex, national origin, familial status of disability illegal in connection with the sale or rental of most housing and any vacant land offered for any residential construction or use.

The Fair Housing Act provides protection against the following discriminatory acts:

1. Refusing to sell lease, or rent.
2. Discrimination in terms or conditions of buying or renting housing.
3. "Blockbusting" for profit: persuading owners to sell or rent housing by telling that minority groups are moving into the neighborhood.
4. Denying that housing is available for inspection, sale or rent when it is available.
5. Denying or making terms conditions for home loans by commercial lenders, i.e. banks, savings and loan, and insurance companies.

6. Denying to anyone the sale of or participation in and real estate service such as broker's organizations, multiple listing services, rental agencies or other facilities related to the selling or renting of housing.

7. "Steering" influencing the location choice of purchase of a prospective buyer, i.e. offering advice on the racial composition of a neighborhood. Showing whites homes in all white areas for racial reasons, while showing blacks homes in intergraded or predominantly Black areas racial reasons, is Steering even though no racial terms are used.

The New Jersey Law

New Jersey's Civil Rights Law reiterates the Federal protections listed above, and includes additional ones. Discrimination is also prohibited based on ancestry or marital status. It is also unlawful to refuse to rent to a person because of objections to the person's source of income, presuming, of course, that it is legally obtained.

Housing discrimination laws affect everyone involved the broker, agent, seller, buyer, tenant, landlord and the owner

Exceptions to the Law

Civil Rights Act of 1866

No exceptions: No discrimination allowed on the basis of race in any housing or real estate transaction

1968 Fair Housing Act

1. If the Owner of a single family house wants to rent or sell a property, the property can be rented or sold to any one of the owner's choice, provided:

(a) discriminatory advertising is not used, (b) a broker is not used, and (c) within a two year period the owner can only sell or rent one house in which the owner was the most recent resident.

2. In owner-occupied multi-dwellings of two to four families, the owner can rent according to the owner's choice but discriminatory advertising is forbidden.

3. A religious organization can sell or rent a dwelling to persons of their choice as long as the dwelling is not used for commercial purposes.

4. There is no restriction on the rental of a unit in a dwelling or residential facility that is owned by bona fide private institution that is, a non-profit institution which receives no government aid.

N.J. Law Against Discrimination

1. There is no exception on the rental of the second apartment in a two-family house, or rooms in a one-family house in which one of the apartments is occupied by the owner. This exception does not apply if the house has now or was originally built or substantially improved with a government insured mortgage or order public funds.

2. There is no prohibition against refusing to sell, rent, sublease, or against advertising or recording a qualification as to sex for advertising or recording a qualification as to sex for any type of unit in a dwelling or residential facility which is planned exclusively for and occupied exclusively by, individuals of one sex to any individual of the opposite sex on the basis of sex, i.e., dormitories, women's homes, etc.

3. There is no restriction on the rental of a unit in a dwelling or residential facility that is owned by a bona fide private institution; that is, a non-profit institution which receives government aid.

PROFESSIONALISM IN REAL ESTATE PRACTICE

I hereby certify that I have read and understand the Code of Ethics and Standards of Practice of the NATIONAL ASSOCIATION OF REALTORS®

I acknowledge my personal responsibility to abide by the ethical obligations imposed by the Code of Ethics as a REALTOR® Member of the Board. If for any reason I choose not to hold membership in the Board. I nonetheless acknowledge that the REALTOR® principal with whom I am affiliated remains responsible for my conduct.

Regardless of my membership status (or lack thereof), I agree to review any question that I may have with regard to appropriate conduct with the REALTOR® with whom I am affiliated so that I can avoid any conduct inconsistent with the obligations established by the Code of Ethics. I further understand that even if I hold membership on my own account, the REALTOR® with whom I am associated is also responsible for my actions.

I have read, understand, and agree to abide by the obligations set forth in NAR's Code of Ethics and Standards of Practice.

Your Name (please print)

Signature

Date



Code of Ethics



NATIONAL ASSOCIATION OF REALTORS®

REALTORS'® Pledge of Performance and Service

The NATIONAL ASSOCIATION OF REALTORS® adopted the Code of Ethics in 1915, following the professions of medicine, law, and engineering.

REALTORS® are real estate professionals who have chosen to join the National Association and abide by its strict Code of Ethics.

What does this mean to you? It means that any REALTOR® with whom you work has voluntarily agreed to abide by a Code of Ethics, based on professionalism and protection of the public.

REALTORS® are subject to disciplinary action and sanctions if they violate the duties imposed by the Code of Ethics.

The Code of Ethics is a detailed document that spells out the professional responsibilities of every REALTOR®.

Do not hesitate to ask a REALTOR® for a copy of the Code, including the Standards of Practice. The Code is your assurance of dealing with a professional who has your best interests in mind.

The Code of Ethics consists of seventeen Articles and related Standards of Practice. The basic principles of the Code are summarized below.

Please note that the following is not a substitute for the Code, but simply a general overview of the Code's key principles. For additional information about the Code of Ethics and its enforcement, speak with a REALTOR® or contact the local association of REALTORS® nearest you.

Duties to Clients and Customers

Article 1

REALTORS® protect and promote their clients' interests while treating all parties honestly.

Article 2

REALTORS® refrain from exaggeration, misrepresentation, or concealment of pertinent facts related to property or transactions.

Article 3

REALTORS® cooperate with other real estate professionals to advance their clients' best interests.

Article 4

When buying or selling on their own account or for their families or firms, REALTORS® make their true position or interest known.

Article 5

REALTORS® do not provide professional services where they have any present or contemplated interest in property without disclosing that interest to all affected parties.

Article 6

REALTORS® disclose any fee or financial benefit they may receive from recommending related real estate products or services.

Article 7

REALTORS® receive compensation from only one party, except where they make full disclosure and receive informed consent from their client.

Article 8

REALTORS® keep entrusted funds of clients and customers in a separate escrow account.

Article 9

REALTORS® make sure that contract details are spelled out in writing and that parties receive copies.

Duties to the Public

Article 10

REALTORS® give equal professional service to all clients and customers irrespective of race, color, religion, sex, handicap, familial status, or national origin.

Article 11

REALTORS® are knowledgeable and competent in the fields of practice in which they engage or they get assistance from a knowledgeable professional, or disclose any lack of expertise to their client.

Article 12

REALTORS® paint a true picture in their advertising and in other public representations.

Article 13

REALTORS® do not engage in the unauthorized practice of law.

Article 14

REALTORS® willingly participate in ethics investigations and enforcement actions.

Duties to REALTORS®

Article 15

REALTORS® make only truthful, objective comments about other real estate professionals.

Article 16

Respect the exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with their clients.

Article 17

REALTORS® arbitrate financial disagreements with other REALTORS® and with their clients.

THE HUNTERDON/SOMERSET ASSOCIATION OF REALTORS®, INC.

3461 Route 22 East
Building B
Branchburg, N.J. 08876
PHONE: (908) 725-3117
Fax: (908) 725-2466
Website: www.hsar.com

I AM A REALTOR®

*****I Pledge Myself*****

**To protect the individual right of real estate ownership and to
widen the opportunity to enjoy it;**

To be honorable and honest in all dealings;

**To seek better to represent my clients
by building my knowledge and competence;**

To act fairly towards all in the spirit of the Golden Rule;

To serve well my community, and through it, my country;

**To observe the REALTOR® Code of Ethics
and conform my conduct to its lofty ideals.**

Your Name (please print)

Signature

Date

REALTOR® is a registered collective membership mark which may be used
only by real estate professionals who are members of the NATIONAL
ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

Pathways to Professionalism

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

Respect for the Public

1. Follow the "Golden Rule"—Do unto others as you would have them do unto you.
2. Respond promptly to inquiries and requests for information.
3. Schedule appointments and showings as far in advance as possible.
4. Call if you are delayed or must cancel an appointment or showing.
5. If a prospective buyer decides not to view an occupied home, promptly explain the situation to the listing broker or the occupant.
6. Communicate with all parties in a timely fashion.
7. When entering a property, ensure that unexpected situations, such as pets, are handled appropriately.
8. Leave your business card if not prohibited by local rules.
9. Never criticize property in the presence of the occupant.
10. Inform occupants that you are leaving after showings.
11. When showing an occupied home, always ring the doorbell or knock—and announce yourself loudly—before entering. Knock and announce yourself loudly before entering any closed room.
12. Present a professional appearance at all times; dress appropriately and drive a clean car.
13. If occupants are home during showings, ask their permission before using the telephone or bathroom.
14. Encourage the clients of other brokers to direct questions to their agent or representative.
15. Communicate clearly; don't use jargon or slang that may not be readily understood.
16. Be aware of and respect cultural differences.
17. Show courtesy and respect to everyone.
18. Be aware of—and meet—all deadlines.
19. Promise only what you can deliver—and keep your promises.
20. Identify your REALTOR® and your professional status in contacts with the public.
21. Do not tell people what you think—tell them what you know.

Respect for Property

1. Be responsible for everyone you allow to enter listed property.
2. Never allow buyers to enter listed property unaccompanied.
3. When showing property, keep all members of the group together.
4. Never allow unaccompanied access to property without permission.
5. Enter property only with permission even if you have a lockbox key or combination.
6. When the occupant is absent, leave the property as you found it (lights, heating, cooling, drapes, etc.). If you think something is amiss (e.g., vandalism) contact the listing broker immediately.
7. Be considerate of the seller's property. Do not allow anyone to eat, drink, smoke, dispose of trash, use bathing or sleeping facilities, or bring pets. Leave the house as you found it unless instructed otherwise.
8. Use sidewalks; if weather is bad, take off shoes and boots inside property.
9. Respect sellers' instructions about photographing or videographing their properties' interiors or exteriors.

Respect for Peers

1. Identify your REALTOR® and professional status in all contacts with other REALTORS®.
2. Respond to other agents' calls, faxes, and e-mails promptly and courteously.
3. Be aware that large electronic files with attachments or lengthy faxes may be a burden on recipients.
4. Notify the listing broker if there appears to be inaccurate information on the listing.
5. Share important information about a property, including the presence of pets, security systems, and whether sellers will be present during the showing.
6. Show courtesy, trust, and respect to other real estate professionals.
7. Avoid the inappropriate use of endearments or other denigrating language.
8. Do not prospect at other REALTORS®' open houses or similar events.
9. Return keys promptly.
10. Carefully replace keys in the lockbox after showings.
11. To be successful in the business, mutual respect is essential.
12. Real estate is a reputation business. What you do today may affect your reputation—and business—for years to come.

Code of Ethics and Standards of Practice

of the NATIONAL ASSOCIATION OF REALTORS®

Effective January 1, 2018

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

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

Preamble

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

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

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

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

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

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

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

Duties to Clients and Customers

Article 1

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

• Standard of Practice 1-1

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

• Standard of Practice 1-2

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

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

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

• Standard of Practice 1-3

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

• Standard of Practice 1-4

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

• Standard of Practice 1-5

REALTORS® may represent the seller/landlord and buyer/tenant in the

same transaction only after full disclosure to and with informed consent of both parties. *(Adopted 1/93)*

• **Standard of Practice 1-6**

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

• **Standard of Practice 1-7**

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

• **Standard of Practice 1-8**

REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. REALTORS®, acting as agents or brokers of buyers/tenants, shall recommend that buyers/tenants obtain the advice of legal counsel if there is a question as to whether a pre-existing contract has been terminated. *(Adopted 1/93, Amended 1/99)*

• **Standard of Practice 1-9**

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

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

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

• **Standard of Practice 1-10**

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

• **Standard of Practice 1-11**

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

• **Standard of Practice 1-12**

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

- 1) the REALTOR®'s company policies regarding cooperation and the amount(s) of any compensation that will be offered to subagents, buyer/tenant agents, and/or brokers acting in legally recognized non-agency capacities;

- 2) the fact that buyer/tenant agents or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and

- 3) any potential for listing brokers to act as disclosed dual agents, e.g., buyer/tenant agents. *(Adopted 1/93, Renumbered 1/98, Amended 1/03)*

• **Standard of Practice 1-13**

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

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

• **Standard of Practice 1-14**

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

• **Standard of Practice 1-15**

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

• **Standard of Practice 1-16**

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

Article 2

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

• **Standard of Practice 2-1**

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

• **Standard of Practice 2-2**

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

• **Standard of Practice 2-3**

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

• **Standard of Practice 2-4**

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

• **Standard of Practice 2-5**

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

Article 3

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

• Standard of Practice 3-1

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

• Standard of Practice 3-2

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

• Standard of Practice 3-3

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

• Standard of Practice 3-4

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

• Standard of Practice 3-5

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

• Standard of Practice 3-6

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

• Standard of Practice 3-7

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

• Standard of Practice 3-8

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

• Standard of Practice 3-9

REALTORS® shall not provide access to listed property on terms

other than those established by the owner or the listing broker. *(Adopted 1/10)*

• Standard of Practice 3-10

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

Article 4

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

• Standard of Practice 4-1

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

Article 5

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

Article 6

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

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

• Standard of Practice 6-1

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

Article 7

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

Article 8

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

Article 9

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

• **Standard of Practice 9-1**

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

• **Standard of Practice 9-2**

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

Duties to the Public

Article 10

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

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

• **Standard of Practice 10-1**

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

• **Standard of Practice 10-2**

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

• **Standard of Practice 10-3**

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

• **Standard of Practice 10-4**

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

Article 11

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are

reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

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

• **Standard of Practice 11-1**

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

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

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

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

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

• **Standard of Practice 11-2**

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

• **Standard of Practice 11-3**

When REALTORS® provide consultative 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 consultative services, a separate compensation may be paid with prior agreement between the client and REALTOR®. *(Adopted 1/96)*

• **Standard of Practice 11-4**

The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly

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

Article 12

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

• Standard of Practice 12-1

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

• Standard of Practice 12-2

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

• Standard of Practice 12-3

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

• Standard of Practice 12-4

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

• Standard of Practice 12-5

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

• Standard of Practice 12-6

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

• Standard of Practice 12-7

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

• Standard of Practice 12-8

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

• Standard of Practice 12-9

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

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

• Standard of Practice 12-10

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

- 1) engaging in deceptive or unauthorized framing of real estate brokerage websites;
- 2) manipulating (e.g., presenting content developed by others) listing and other content in any way that produces a deceptive or misleading result;
- 3) deceptively using metatags, keywords or other devices/methods to direct, drive, or divert Internet traffic; or
- 4) presenting content developed by others without either attribution or without permission; or
- 5) otherwise misleading consumers, including use of misleading images. *(Adopted 1/07, Amended 1/18)*

• Standard of Practice 12-11

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

• Standard of Practice 12-12

REALTORS® shall not:

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

• Standard of Practice 12-13

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

Article 13

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

Article 14

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

- **Standard of Practice 14-1**

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

- **Standard of Practice 14-2**

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

- **Standard of Practice 14-3**

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

- **Standard of Practice 14-4**

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

Duties to REALTORS®

Article 15

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

- **Standard of Practice 15-1**

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

- **Standard of Practice 15-2**

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

- **Standard of Practice 15-3**

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

Article 16

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

- **Standard of Practice 16-1**

Article 16 is not intended to prohibit aggressive or innovative business practices which are otherwise ethical and does not prohibit disagreements with other REALTORS® involving commission, fees,

compensation or other forms of payment or expenses. *(Adopted 1/93, Amended 1/95)*

- **Standard of Practice 16-2**

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

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

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

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

- **Standard of Practice 16-3**

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

- **Standard of Practice 16-4**

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

- **Standard of Practice 16-5**

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

• **Standard of Practice 16-6**

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

• **Standard of Practice 16-7**

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

• **Standard of Practice 16-8**

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

• **Standard of Practice 16-9**

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

• **Standard of Practice 16-10**

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

• **Standard of Practice 16-11**

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

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

• **Standard of Practice 16-12**

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

• **Standard of Practice 16-13**

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

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

• **Standard of Practice 16-14**

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

• **Standard of Practice 16-15**

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

• **Standard of Practice 16-16**

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

• **Standard of Practice 16-17**

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

• **Standard of Practice 16-18**

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

• **Standard of Practice 16-19**

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

• **Standard of Practice 16-20**

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

Article 17

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

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

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

• **Standard of Practice 17-1**

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

• **Standard of Practice 17-2**

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

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

• **Standard of Practice 17-3**

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

• **Standard of Practice 17-4**

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

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

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

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

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

• **Standard of Practice 17-5**

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

Explanatory Notes

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

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

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

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

The Code of Ethics: Our Promise of Professionalism

The REALTORS® Code of Ethics Quadrennial Member Education Program

Third Cycle

Participant's Guide



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Objectives

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

- identify key aspirational concepts found in the Preamble to the NATIONAL ASSOCIATION OF REALTORS® Code of Ethics
- describe "general business" ethics, and compare and contrast the REALTORS® Code of Ethics with business ethics, generally
- describe the concepts established in Articles 1, 2, 12, and 17 of the Code of Ethics
- identify possible violations of the Code of Ethics specifically related to the Articles cited above, after participating in interactive learning methods (case studies, quizzes, role plays, demonstrations, and group discussions about fact scenarios)
- describe the professional standards process for enforcing the Code of Ethics, including the duty to arbitrate
- identify critical elements of due process as they relate to Code enforcement
- identify factors considered by hearing panels in procuring cause disputes

Exercise: Ice-breaker

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

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

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

Part 1: History of the Code of Ethics

1. Pre-1900

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

2. NATIONAL ASSOCIATION OF REALTORS® Formed in 1908

- The Code of Ethics was adopted in 1913 to establish professional standards of conduct.
- The Code of Ethics was the first business ethical code, after those of medicine, engineering, and law.
 - Service to the public
 - Commitment to professionalism
- The original Code included "Duties to Clients" and "Duties to Other Brokers."

3. Code of Ethics as Basis for Later-adopted License Laws

4. Code Requirements

Since its inception, the Code has required:

- Arbitration of contractual disputes between/among REALTORS®
- Respect for other brokers' exclusive relationships with clients
- Cooperation between members

Part 2: Business Ethics, NAR Code of Ethics, and Pathways to Professionalism

1. Business Ethics

- What are "business ethics?"
 - Industry codes and standards
 - Company policies and practices
 - Individual values
- Business ethics and legal standards
- Business ethics and the REALTORS® Code of Ethics

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

Part 2: Business Ethics, NAR Code of Ethics, and Pathways to Professionalism

2. Aspirational Concepts of the Preamble to the Code

Preamble

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

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

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

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

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

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

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

Part 2: Business Ethics, NAR Code of Ethics, and Pathways to Professionalism

2. Aspirational Concepts of the Preamble to the Code (continued)

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

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

Part 2: Business Ethics, NAR Code of Ethics, and Pathways to Professionalism

3. The Structure of the Code and How It Is Amended

- Three major sections
 - Duties to Clients and Customers
 - Duties to the Public
 - Duties to REALTORS®
- The Code's 17 Articles are broad statements of ethical principles
- **Important Note:** Only violations of the Articles can result in disciplinary action.
- The Standards of Practice support, interpret, and amplify the Articles under which they are stated
 - REALTORS® may not be found in violation of a Standard of Practice, only its foundational Article.
 - Standards of Practice may be cited in support of an alleged violation of an Article (such as a violation of Article 1, as interpreted by Standard of Practice 1-3).
- The "Official Case Interpretations" are specific fact situations that explain Articles and/or Standards of Practice
- How the Code evolves
 - When needed, amendments to the Code, the Standards of Practice, and the Official Interpretations are made at the NAR Midyear Meetings and the REALTORS® Conference and Expo.
 - The NAR Interpretations and Procedures Subcommittee frequently makes recommendations to the Professional Standards Committee about enhancements to professional standards procedures and to the Code of Ethics.
 - All proposed changes to the Code and to the policies and procedures by which the Code is enforced must be approved by the Board of Directors. Amendments to the 17 Articles must also be approved by the Delegate Body.

Part 2: Business Ethics, NAR Code of Ethics, and Pathways to Professionalism

4. The Code and the Law

- The Code must be reasonably and consistently construed with the law
- The Code imposes duties above and in addition to the duties imposed by law or regulation
- The Code restates certain fundamental legal principles (contract, agency, fair housing)

Part 2: Business Ethics, NAR Code of Ethics, and Pathways to Professionalism

5. Pathways to Professionalism

- Is a comprehensive list of service criteria for the industry and professional courtesies for REALTORS® to enhance their professional conduct.
- Three major sections
 - Respect for the public
 - Respect for property
 - Respect for peers

Part 2: Business Ethics, NAR Code of Ethics, and Pathways to Professionalism

Exercise: Pathways to Professionalism

Instructions: Break into groups and identify three areas in the "Pathways to Professionalism" document that relate to your market. Select a group spokesperson to summarize the group's discussion.

Pathways to Professionalism

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

Respect for the Public

1. Follow the "Golden Rule" -- Do unto others as you would have them do unto you.
 2. Respond promptly to inquiries and requests for information.
 3. Schedule appointments and showings as far in advance as possible.
 4. Call if you are delayed or must cancel an appointment or showing.
 5. If a prospective buyer decides not to view an occupied home, promptly explain the situation to the listing broker or the occupant.
 6. Communicate with all parties in a timely fashion.
 7. When entering a property, ensure that unexpected situations, such as pets, are handled appropriately.
 8. Leave your business card if not prohibited by local rules.
 9. Never criticize property in the presence of the occupant.
 10. Inform occupants that you are leaving after showings.
 11. When showing an occupied home, always ring the doorbell or knock -- and announce yourself loudly -- before entering. Knock and announce yourself loudly before entering any closed room.
 12. Present a professional appearance at all times; dress appropriately and drive a clean car.
 13. If occupants are home during showings, ask their permission before using the telephone or bathroom.
 14. Encourage the clients of other brokers to direct questions to their agent or representative.
 15. Communicate clearly; don't use jargon or slang that may not be readily understood.
 16. Be aware of and respect cultural differences.
 17. Show courtesy and respect to everyone.
 18. Be aware of -- and meet -- all deadlines.
 19. Promise only what you can deliver -- and keep your promises.
 20. Identify your REALTOR® and your professional status in contacts with the public.
 21. Do not tell people what you think -- tell them what you know.
- (continued)

Pathways to Professionalism (continued)

Respect for Property

1. Be responsible for everyone you allow to enter listed property.
2. Never allow buyers to enter listed property unaccompanied.
3. When showing property, keep all members of the group together.
4. Never allow unaccompanied access to property without permission.
5. Enter property only with permission even if you have a lockbox key or combination.
6. When the occupant is absent, leave the property as you found it (lights, heating, cooling, drapes, etc). If you think something is amiss (e.g. vandalism) contact the listing broker immediately.
7. Be considerate of the seller's property. Do not allow anyone to eat, drink, smoke, dispose of trash, use bathing or sleeping facilities, or bring pets. Leave the house as you found it unless instructed otherwise.
8. Use sidewalks; if weather is bad, take off shoes and boots inside property.

Respect for Peers

1. Identify your REALTOR® and professional status in all contacts with other REALTORS®.
2. Respond to other agents' calls, faxes, and e-mails promptly and courteously.
3. Be aware that large electronic files with attachments or lengthy faxes may be a burden on recipients.
4. Notify the listing broker if there appears to be inaccurate information on the listing.
5. Share important information about a property, including the presence of pets, security systems, and whether sellers will be present during the showing.
6. Show courtesy, trust, and respect to other real estate professionals.
7. Avoid the inappropriate use of endearments or other denigrating language.
8. Do not prospect at other REALTORS®' open houses or similar events.
9. Return keys promptly.
10. Carefully replace keys in the lockbox after showings.
11. To be successful in the business, mutual respect is essential.
12. Real estate is a reputation business. What you do today may affect your reputation -- and business -- for years to come.

Part 3: Enforcement of the Code of Ethics

1. Background

- Associations of REALTORS® are responsible for enforcing the Code of Ethics. That obligation includes providing mediation services and conducting arbitration hearings.
- Only REALTOR® and REALTOR-ASSOCIATE® members are subject to the Code of Ethics. Associations in which REALTORS® hold membership and/or participate or access MLS have jurisdiction over those individuals to receive and resolve ethics complaints and arbitration requests.
- Associations do not determine whether law or real estate regulations have been violated. Those decisions can only be made by the regulatory authorities or courts.
- Often, difficulties between real estate professionals (whether REALTORS® or not) result from misunderstanding, miscommunication, or lack of adequate, ongoing communication.
- Open, constructive discussion often resolves questions or differences, diminishing the need for further action.

Part 3: Enforcement of the Code of Ethics

2. REALTOR® Dispute Resolution

If REALTORS® cannot settle disagreements between/among themselves, two options are available to them – (1) informal dispute resolution and (2) filing an ethics complaint and/or an arbitration request.

▪ Option #1: Informal Dispute Resolution

- **Ombudsman:** A voluntary process in ethics where the parties communicate with an ombudsman whose primary role is communication and conciliation, not adjudication. Ombudsmen do not determine whether ethics violations have occurred; rather they anticipate, identify, and help resolve misunderstandings and disagreements before they ripen into disputes and possible charges of unethical conduct.
- **Mediation:** A voluntary process through which the parties meet with a mediator who helps facilitate a mutually acceptable resolution.

▪ Option #2: Ethics Complaints and Arbitration Requests

- **Ethics:** Ask, "Is there a possible violation of the Code of Ethics?"
- **Arbitration:** Ask, "Is there an arbitrable issue – a monetary dispute?" (Typically a dispute over entitlement to cooperative commission in a transaction.)

Part 3: Enforcement of the Code of Ethics

3. Informal Dispute Resolution – Ombudsman Program

- Only available if offered as a service of the local association of REALTORS®.
- Voluntary on the part of REALTORS® and consumers.
- Associations have considerable latitude in developing criteria for serving as an ombudsman. Ombudsmen should be familiar with the Code of Ethics, state real estate regulations, and current real estate practices.
- REALTORS®, staff, and others may act as ombudsmen.
- Ombudsmen can:
 - field and respond to inquiries and complaints about real estate transactions, ethical practice, and Code enforcement issues
 - receive and respond to questions and complaints about members, solicit responses, and meet with the disputing parties
- Parties may decline to use ombudsmen services
- Ethics complaints resolved through an ombudsman are considered dismissed.
- Failure or refusal of a member to comply with the terms of a mutually agreed upon resolution permits the complaining party to file or re-file an ethics complaint. The filing deadline is the date when the matter was originally brought to the attention of the association.

Part 3: Enforcement of the Code of Ethics

4. Informal Dispute Resolution – Mediation Program

- Mediation is the preferred dispute resolution tool of the REALTOR® organization
- Voluntary
- Vehicle for creating a mutually acceptable resolution of disputes (instead of having a decision imposed by a hearing panel)
- Must be available to all REALTORS®
- Local association option: Mediation may be offered to disputants before or after a grievance committee's review of arbitration requests. If offered before, then mediation must be offered again after the grievance committee determines an arbitrable matter exists.
- Process
 - Disputing parties meet with a mediator appointed by the association.
 - Parties explain their issues and positions and have an opportunity to ask each other questions.
 - Mediators use a wide variety of techniques to move the parties toward a mutually acceptable resolution.
 - If an agreement is reached, then the parties put the agreement into a signed document expressing the terms, and no arbitration hearing is held.
- Mediation compared with arbitration

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

- Additional mediation resources: "Mediation – The Alternative for Win-Win" article by Bruce H. Aydt, ABR, ABRM, CRB, © Copyright 2001 and the "No Losers in Mediation" article, first published in the September/October 2001 issue of *Real Estate Business*.

Part 3: Enforcement of the Code of Ethics

5. Formal Dispute Resolution – Filing an Ethics Complaint

- Who can file a complaint?
- Grievance committee in ethics
 - A screening body comprised of members of the association.
 - Answers key question: “If the allegations in the complaint are taken as true on their face, is it possible a violation of the Code of Ethics occurred?”

Important Note: A grievance committee's review of an ethics complaint is not a hearing on the merits, but rather a preliminary review to determine if the complaint requires a hearing.

- Ethics hearing panel
 - Conducts full “due process” hearings, including sworn testimony, counsel, witnesses, and evidence.
 - Is comprised of members of an association's professional standards committee.
 - After a hearing, decides in executive session whether there has been a violation of the Code of Ethics. Violations of the Code must be supported by clear, strong, and convincing proof.
 - Must also determine the discipline (if any) to be imposed on the violator when a violation of the Code of Ethics has been found
- Authorized discipline and administrative processing fees
 - Letter of Warning
 - Letter of Reprimand
 - Education
 - Fine not to exceed \$5,000
 - Probation for one year or less
 - Suspension for not less than 30 days or more than one year
 - Expulsion from membership for one to three years
 - Suspension or termination of MLS privileges.
 - Administrative processing fee (if found in violation) not to exceed \$500
- The primary emphasis of discipline for an ethics violation is educational, to create a heightened awareness of and appreciation for the Code. More serious or repeated violations might lead to more severe forms of discipline.

Note: Administrative processing fees are not discipline. Fees should not to be assessed on a case-by-case basis, but consistently, subject to association policy.

Part 3: Enforcement of the Code of Ethics

6. Formal Dispute Resolution – Filing an Arbitration Request

- Authority to conduct arbitration is established in Article 17 of the Code of Ethics and in the state arbitration statute
- Article 17 establishes arbitration can occur when there are:
 - contractual disputes or specific non-contractual disputes (see Standard of Practice 17-4)
 - between REALTORS® (principals) associated with different firms
 - arising out of their relationship as REALTORS®

Note: Although less common, clients also may invoke mandatory arbitration against their REALTOR® (principal).

- Grievance committee in arbitration
 - Performs an initial screening function similar to its role in reviewing ethics complaints.
 - Asks key question: "If the claims in the request for arbitration are taken as true on their face, is the matter at issue related to a real estate transaction and properly arbitrable?" (Is there some basis on which an arbitration award could be based?)

Note: A grievance committee's review of an arbitration request is not a hearing on the merits, but rather a preliminary review to determine if a hearing is warranted.

- Arbitration hearing panel
 - Conducts full "due process" hearing, including sworn testimony, counsel, witnesses, and evidence.
 - Comprised of members of an association's professional standards committee.
 - After a hearing, decides in executive session who is entitled to an award, as demonstrated by a preponderance of the evidence.
- Payment of awards
 - Awards may be judicially enforced when not paid by the nonprevailing party.
 - Many associations require that when awards are not paid, an equivalent amount must be deposited with the association, pending review of the hearing process or during the pendency of any legal challenge.

Part 4: Concepts of Procuring Cause in Arbitration

1. NAR's Arbitration Guidelines

- Published in the *Code of Ethics and Arbitration Manual*.
- Guide hearing panels in resolving arbitrable issues.
- Focus primarily on "procuring cause," because that is the determiner of most disputes between brokers.

2. Key Factors in Procuring Cause Disputes

- There are no predetermined rules of entitlement.
- Hearing panels must consider the entire course of events.
- Events such as the first property showing, writing a successful offer, or an existing agency relationship with the buyer are not, in and of themselves, exclusive determiners of procuring cause/entitlement.
- *Black's Law Dictionary*, Fifth Edition, defines "procuring cause" as, "The proximate cause; the cause originating a series of events which, without break in their continuity, result in the accomplishment of the prime object."
- Or, as the Arkansas Supreme Court said: "It's not the squirrel that gathers the nuts, but the one who shakes the tree [who is entitled to be paid]."

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

1. Article 1

- Protect and promote your clients' interests.
- This obligation to your clients is primary.
- With that duty in mind, REALTORS® must also treat all parties honestly.
- Standard of Practice 1-2 defines key terms, including "client," "customer," "agent," and "broker".

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

Exercise: Article 1 Case Study (Based on Case Interpretation #1-26)

REALTOR® Leo is a sales associate with Done Right, REALTORS®. To promote Done Right's in-house listings, the firm's principals offer \$1,000 bonuses to the company's sales associates for each listing sold.

Dr. Newcomer, a recent transferee to the town, enters into a buyer's representation agreement with Done Right, REALTORS® through REALTOR® Leo.

Dr. Newcomer explains he has specific needs, foremost of which is that any home he purchases must be convenient for and readily accessible to Dr. Newcomer's spouse, who is physically challenged. "Part of my wife's physical conditioning program is swimming," says Dr. Newcomer. "So," he explains, "in addition to everything else, I am looking for a home with a pool or room to build a pool."

During the next few days, REALTOR® Leo shows Dr. Newcomer several properties in the Blackacre Subdivision, all of which are listed with Done Right, including one with an outdoor swimming pool. Not included among the properties shown to Dr. Newcomer are several similar homes in Blackacre that are listed with other firms, including one with an indoor pool.

After considering the properties he sees with REALTOR® Leo, Dr. Newcomer makes an offer on the home with the outdoor pool. His offer is accepted, and the transaction closes.

Several months later, REALTOR® Leo receives notice that an ethics complaint has been filed against him by Dr. Newcomer. From a colleague at the hospital who lives on the same block, Dr. Newcomer learned about the home with the indoor pool that REALTOR® Leo failed to show him when Dr. Newcomer was looking for just the right property. The complaint alleges that REALTOR® Leo put his own interests and those of Done Right ahead of Dr. Newcomer's interests by exclusively promoting Done Right's listings and by not telling Dr. Newcomer about the similarly priced property with the indoor pool. Dr. Newcomer also says in the complaint that he believes the unshown property suited his family's needs much better than the property he did purchase, because his wife would have been able to use the pool all year long. The complaint spells out that REALTOR® Leo received a bonus for selling one of Done Right's listings to Dr. Newcomer, and that Dr. Newcomer believes that REALTOR® Leo's failure to tell him about the house with the indoor pool was motivated by REALTOR® Leo's desire for the bonus.

During the hearing, REALTOR® Leo defends his actions, explaining that properties rarely meet all of a potential purchaser's desires, and that he made Dr. Newcomer aware of several properties that met most of his requirements, including one property with an outdoor pool. REALTOR® Leo goes on to say that Dr. Newcomer must have been satisfied, because he ultimately purchased that home. (Continued)

When questioned by the hearing panel, REALTOR® Leo acknowledges he knew about but did not show the house with the indoor pool to Dr. Newcomer. He concedes that a year-round, indoor pool was better suited to the family's needs than a seasonal, outdoor pool. He also admits that failing to tell Dr. Newcomer about the house with the indoor pool was, at least in part, motivated by the prospect of the bonus offered by his firm. "But," he also argues, "aside from the indoor pool, that house is no different than the one that Dr. Newcomer bought."

Questions

1. REALTOR® Leo's obligations under Article 1 call for him to (check all that apply):
 - A. find Dr. Newcomer a house that he is willing to buy
 - B. show Dr. Newcomer all properties that meet his specific needs and requirements, regardless of whether those properties are listed with Done Right, REALTORS® or another firm
 - C. subordinate his own interests to those of Dr. Newcomer
 - D. explain that he honestly believes other physical conditioning programs might be better than swimming for Dr. Newcomer's wife
2. Article 1 requires REALTOR® Leo to disclose the \$1,000 bonus at the time of entering into the exclusive buyer's representation agreement with Dr. Newcomer.
 - A. True
 - B. False
3. If a second offer was submitted for the property by another real estate office at the same time as Dr. Newcomer's offer was submitted, what disclosures to that cooperating broker, if any, would Done Right REALTORS® be required to make?
 - A. The existence of Dr. Newcomer's offer
 - A. That Dr. Newcomer's offer was obtained by another licensee within Done Right REALTORS®
 - C. The existence of Dr. Newcomer's offer and that it was obtained by another licensee within Done Right REALTORS®, but only if asked by the other cooperating broker and given approval to do so by the seller
 - D. There are no disclosure requirements for multiple offer situations

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

2. Article 2

- Avoid exaggeration, misrepresentation and concealment of pertinent facts about the property or the transaction
- But there is no obligation to discover latent defects, matters outside scope of license, or matters confidential under agency or non-agency relationships

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

Exercise: Article 2 Case Study (Based on Case Interpretation #2-7)

Homebuilder REALTOR® Dean shows one of his newly constructed houses to Buyer Bert. Bert sees some kind of construction beginning nearby, and asks REALTOR® Dean about it. "I really don't know," says REALTOR® Dean, "but I believe it's the attractive new shopping center planned for this area."

Following Buyer Bert's purchase of one of the houses, Buyer Bert learns that the "construction" actually is a bottling plant, and the area adjacent to it is zoned as "industrial". Buyer Bert files a complaint with the board of REALTORS, charging REALTOR Dean with unethical conduct for failing to disclose a pertinent fact. He says in his complaint that, had he known about the proximity of the new bottling plant when he first saw the house, he would not have purchased it.

During the ethics hearing, REALTOR® Dean's defense is that he honestly answered Bert's question, because at the time, he had no knowledge about what was being built. All he knew was that other developers were planning an extensive shopping center somewhere in the general area, so he simply ventured a guess. REALTOR® Dean goes on to say that, as indicated in Buyer Bert's testimony, he prefaced his response to Bert by saying he didn't know the answer to Bert's question.

Questions

1. Is REALTOR® Dean in violation of Article 2?
 - A. No, because he prefaced his response by clearly saying that he didn't know.
 - B. No, because Buyer Bert could have researched the new construction and zoning himself.
 - C. Yes, because REALTOR® Dean is obligated to discover and disclose adverse factors that are reasonably apparent to a licensed real estate professional.
 - D. Maybe, if the new construction was identified as a "non-material" fact in law or regulation.

2. How should REALTOR® Dean have responded when asked about the new construction?
 - A. Refer Bert to the developer.
 - B. Explain that although he didn't know the answer, he would research it and get back to Bert.
 - C. Say he didn't know the answer and leave it at that.
 - D. Advise Bert to wait and see if the construction is a shopping center or something else before submitting an offer.

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

3. Article 12

- Be honest and truthful in real estate communications.
- Present a "true picture" in your advertising, marketing, and other representations.
- Ensure that your status as a real estate professional is readily apparent in your advertising, marketing, and other representations.

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

Exercise: Article 12 Case Studies

Case #1 (Based on Case Interpretation #12-17)

A principal broker of Tech-friendly Realty, REALTOR® Bob is technologically savvy and constantly looking for ways to use the Internet to promote his firm and drive additional traffic to his website. Being an early adapter to the Internet he registered, but did not use, several domain names that incorporated or played on the names of many of his competitors and their firms, including Top Notch, REALTORS®.

REALTOR® Bob and his information technology vendor recently came to the conclusion that one way to drive traffic to Tech-friendly Realty's website is to take better advantage of the search engines commonly used by potential buyers and sellers. They determine that when potential buyers or sellers search on "real estate," "REALTORS®," or similar words, lists of related, registered domain names appear. So, REALTOR® Bob decides to activate some of the dormant domain names of his competitors, including the "topnotchREALTORS.com," and use them to point consumers to his own website.

In a matter of days, REALTOR® Bob learns that he had been charged with a violation of Article 12 of the Code of Ethics by the owner of Top Notch, REALTORS®, REALTOR® Sally, who alleges that REALTOR® Bob's use of the domain name "topnotchREALTORS.com" presents a false picture on the Internet to potential buyers and sellers.

During the hearing, REALTOR® Bob defends himself, by saying that in his opinion, using a domain name is not advertising or a representation to the public, but simply a convenient way for Internet users to find relevant Web sites. He goes on to say that, "When Web surfers reach my home page, there is no question, but that it's my site, because it clearly displays Tech-friendly Realty's name and status as a real estate firm." He goes on to say that, "These complaints are just a lot of sour grapes from dinosaurs who don't keep up with the times, and who don't realize that on the Internet, it's every man for himself."

Case #1 Questions

1. Which Standard of Practice applies to this situation?
 - A. Standard of Practice 12-9
 - B. Standard of Practice 12-10
 - C. Standard of Practice 12-11
 - D. Standard of Practice 12-12

2. Has REALTOR® Bob violated Article 12?
 - A. Yes.
 - B. No.
 - C. Only if using a domain name based on another firm's name is precluded by law or regulation.
 - D. It depends on the disclosures and any other information displayed on REALTOR® Bob's Web site.

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

Exercise: Article 12 Case Studies

Case #2 (Based on Case Interpretation #12-19)

REALTOR® Owen spots a dilapidated "For Sale" sign on an otherwise attractive wooded lot. He gets out of his car to look closer at the sign, and is barely able to discern REALTOR® Sloan's name, which he later uses to locate REALTOR® Sloan's company website on the Internet.

Later, when he has a chance to view REALTOR® Sloan's website, he sees detailed information about the lot. He sends an e-mail to REALTOR® Sloan, requesting lot dimensions and the property's asking price. Several days later, he receives a response that simply says, "That listing expired."

The day after receiving the e-mail from REALTOR® Sloan, REALTOR® Owen contacts another area broker, REALTOR® Caren, to see if the wooded lot is still available. REALTOR® Caren confirms her firm has had an exclusive listing on the property for the past six months. "That's funny," responds REALTOR® Owen, "REALTOR® Sloan has a 'For Sale' sign on the property and information about it on his website. I was under the impression he still has that listing."

Although the lot was out of REALTOR® Owen's price range, the "For Sale" sign and information on REALTOR® Sloan's website stayed on his mind. Finally, he contacted the local association of REALTORS® and filed an ethics complaint alleging that REALTOR® Sloan's "For Sale" sign and website information indicates that the property is listed with his firm, but this has not been the case for over six months. REALTOR® Owen writes that in his opinion, REALTOR® Sloan's conduct violates Article 12, because it does not present a "true picture" in a public representation and is advertising a property without authority, practices both prohibited by Article 12, as interpreted by Standard of Practice 12-4.

During the professional standards hearing, REALTOR® Sloan claims that failing to remove the "For Sale" sign simply was an oversight, and if anyone is to blame, it is his personal assistant, Brenda, who is responsible for removing signs and lockboxes from expired and sold listings. He says, "If you want to blame anyone, blame her, since she's supposed to bring back all of our 'For Sale' and 'Sold' signs." REALTOR® Sloan acknowledges that the stale listing information on his Web site continued to appear for more than six months after the listing expired, and compares this to finding outdated property information in an old newspaper advertisement. "It's possible," he points out, "that someone might come across a six-month-old newspaper with my listings in it, and those ads were true when I ran them. How can I control when and where someone will come across old newspaper ads, months or even years later?", he asks. "Besides," he adds, "REALTORS® have better things to do than constantly monitor their websites to make sure that everything is absolutely, positively up-to-the-minute. If we did that, none of us would have time to list or sell," he concludes.

Case #2 Questions

1. Is REALTOR® Sloan obligated to keep his company's listing information up to date on his firm's website?
 - A. Yes.
 - B. No.
 - C. Only if the same listing information does not also appear in a newspaper.

2. If he is obligated to keep his website current, then how long does REALTOR® Sloan have to remove outdated or expired property information from the website?
 - A. REALTORS®' websites must be immediately and continuously updated to avoid the inclusion of outdated and misleading information.
 - B. REALTORS® should use reasonable efforts to ensure information on their websites is current and accurate.
 - C. It depends on the multiple listing service's IDX and VOW Rules.
 - D. Both B and C.
 - E. REALTORS® are not obligated to update the information shown on their websites.

3. When he took the listing, REALTOR® Sloan received permission from the seller to post a sign on the property and to advertise it on his website. Such authority remains in effect even after the listing expires.
 - A. True
 - B. False

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

4. Article 17

- REALTORS® (principals) are required to arbitrate contractual and specific non-contractual disputes identified in Standard of Practice 17-4 that they have with REALTORS® (principals) in other firms.
- REALTORS®' clients may invoke mandatory arbitration with their REALTOR® (principal).
- REALTORS® are obligated to cause their firms to arbitrate.

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

Exercise: Article 17 Case Study (Based on Case Interpretation #17-1)

REALTORS® Linda and Amy participate in a cooperative transaction that results in a dispute over entitlement to compensation. Rather than request arbitration at the local association of REALTORS®, REALTOR® Linda instead files a lawsuit against REALTOR® Amy for the compensation she feels is owed to her. When REALTOR® Amy receives notification a lawsuit has been filed, she turns around and requests arbitration at the local association.

Because Linda and Amy are REALTOR® principals in different firms, the association's Grievance Committee classifies the arbitration as "mandatory" and schedules it for a hearing. REALTOR® Linda receives notice of the grievance committee's decision, but refuses to withdraw her lawsuit, so REALTOR® Amy then files an ethics complaint alleging that REALTOR® Amy has violated Article 17, as interpreted by Standard of Practice 17-1.

After receiving the complaint, the association schedules a hearing before the Board of Directors.

During that hearing, REALTOR® Amy presents evidence that she sought REALTOR® Linda's agreement to submit the dispute to arbitration. REALTOR® Linda defends her actions by asserting that under state law, REALTOR® associations have no authority to bar her access to the courts, or to require her to arbitrate disputes with other REALTORS®.

The Board of Directors acknowledges that REALTOR® Linda is correct about her legal rights and about the association's inability to prevent her from filing a lawsuit. That said, the Board of Directors points out the association is a voluntary organization whose members agree to assume certain obligations with respect to their relations with other REALTORS®. The board advises Linda that if she wishes to continue as a REALTOR® member, she is obligated to adhere to the Code's duty to arbitrate, as established in Article 17.

Questions

1. Does filing litigation against another REALTOR® over a contractual dispute always lead to a violation of Article 17?
 - A. Yes.
 - B. No, because everyone is entitled to file litigation.
 - C. It depends on whether: (1) a request for arbitration has been filed, (2) the grievance committee determines the matter to be arbitrable and of a mandatory nature, and (3) a separate ethics complaint alleging a charge of Article 17 has been filed.
 - D. Arbitration always is voluntary.

2. REALTORS® may be relieved of their obligation to arbitrate through the local association of REALTORS® when:
 - A. a grievance committee or a hearing panel find the matter to be too legally complex or the amount involved to be too large or too small
 - B. both parties voluntarily choose to litigate, rather than arbitrate
 - C. the arbitration is classified as "voluntary" by a grievance committee
 - D. the request for arbitration is filed after the filing deadline
 - E. All of the above.

3. Is failing to pay an arbitration award always a violation of Article 17?
 - A. Yes.
 - B. Only if a pattern of arbitrarily refusing to pay arbitration awards is established.
 - C. Yes, depending on whether the arbitration is mandatory or voluntary.
 - D. No, arbitration awards must be enforced through the courts.

Part 6: Conclusion

The REALTOR® Code of Ethics:

- protects the buying and selling public and the general public
- promotes a competitive real estate market place
- enhances the integrity of our profession
- is **our** promise of performance
- is **our** promise of professionalism

**HUNTERDON/SOMERSET ASSOCIATION OF REALTORS®
PROGRAM EVALUATION FORM**

Program name _____ Date _____

1. Please rate the Program:

excellent good fair poor

2. Please rate the location:

excellent good fair poor

3. Please rate the Meeting Room facilities

excellent good fair poor

4. Please rate the food and beverage, if any

excellent good fair poor

5. What did you like best about the program?

6. How do you think the program can be improved?

7. Do you have any suggestions for future seminars or events?

Please indicate your ideas for speakers, themes, or program content.
