

Review and updates of the REALTOR® Code of Ethics

3 Ethics Credits

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General information about the Code of Ethics

Since 1913, the Code of Ethics has guided the obligations of now REALTORS. The Code is national, updated yearly, national in nature, enforced by the local Boards. Some concepts such as arbitration and cooperation have always been part of it. Associated with the rules of the Code of Ethics are enforcement procedures and penalties for non-compliance, which can be found in the NAR Professional Standards Manual

Structure of the REALTOR® Code of Ethics

- The objectives, goals and aspirations of the Code of Ethics are presented in the preamble, but none of those statements can be used as a basis of enforcement
- The preamble is followed by 17 Articles in 3 categories
- Most of the articles are then clarified with Standards of Practice which detail the various circumstances under which the article could apply
- To help in the enforcement process, NAR has also published a series of case interpretation, they illustrate how the articles have been interpreted.

Summary of the Articles

For more information, refer to the full copy of the Code of Ethics, which can be downloaded from NAR at <https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/the-code-of-ethics>

Duties to Clients and Customers

Article 1: Protect and promote the interest of your clients, be honest to all

Article 2: True representation

Article 3: Cooperate with no obligation to compensate

Article 4: Disclose your relationship/ your status when involved in a transaction

Article 5: Disclose any interest in real estate when providing services

Article 6: Disclose referral fees and/ or relationships when recommending related services/ products

Article 7: Disclose and obtain consent for dual compensation

Article 8: No commingling

Article 9: Get it in writing whenever possible

Duties to the Public

Article 10: No discrimination (race, color, religion, sex, sexual orientation, gender identity, handicap, familial status or national origin)

Article 11: Be competent

Article 12: Truth in advertising

Article 13: Do not practice law

Article 14: Participate in the enforcement process

Duties to REALTORS®

Article 15: Speak truthfully about other real estate professionals

Article 16: Respect existing relationships

Article 17: Mediate or arbitrate

Enforcement process

- The enforcement of the Code of Ethics is primarily addressed by the local Boards/ Associations.
- There are 4 different options to address complaints: formal and informal, for each ethics complaints or monetary disputes.
- Enforcement can only be done based on a violation of a specific article. Standards of practice or case interpretations can only be used as support.
- Both the Grievance and Professional Standards Committees are composed of volunteer members of the Board/Association.

Informal options:

The **ombudsman** serves as mediator for ethics complaints. The ombudsman's role is to communicate the concerns of one party to the other and seek a resolution so that a positive relationship between the parties can be restored.

Mediation is the informal option in the case of monetary dispute between REALTORS®.

Formal enforcement actions

Ethics complaint

For an ethics complaint, the complainant can file a complaint with the local board/ association. This will be reviewed by the Grievance Committee to confirm that it meets the enforcement requirements (timely filing, ie within 180 days, and an applicable article).

Provided all the elements are met, it will be forwarded to the Professional Standards Committee.

A hearing will be scheduled, the case heard and the committee will then decide based on the evidence submitted if there was indeed a violation of the Code of Ethics or not.

In case of a violation, the committee has the ability to impose specific penalties, such as:

- Letter of Warning or Reprimand
- Education
- Fine not to exceed \$15,000
- Probation or suspension
- Expulsion from membership
- Suspension or termination of MLS privileges

Arbitration

In case of a monetary dispute, the formal action would be to file for arbitration.

Note that when a monetary dispute arises between REALTORS, mediation or arbitration is required, filing a lawsuit is not permitted as per Article 17.

Again, the request will be reviewed by the Grievance Committee (180 days filing limit, monetary dispute, correct parties to the request), and if all requirements are met, the case is then forwarded to the Professional Standards Committee. The fact of the case will be reviewed, and based on the information submitted, the committee will award the commission to the party considered **procuring cause** of the transaction

Procuring cause:

Black's Law Dictionary, Fifth Edition:

"The proximate cause; the cause originating a series of events which, without break in their continuity, result in the accomplishment of the prime object."

Procuring Cause requires a detailed review of what happened, there are no rules of entitlement, no element by itself is sufficient to make a case.

To help, NAR has created an arbitration worksheet, which can be found at:

<https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/procuring-cause-arbitration-worksheet>