



NATIONAL REAL ESTATE
ETHICS DAY
#NationalEthicsDay

REALTOR® Code of Ethics

Conversion Using the CODE

with Leigh Brown

3 Hours

Responsibilities of Students

- All students will exemplify the REALTOR® reputation through their conduct at all times.
- All students will document their participation appropriately, providing their full legal name, license number, and time in and out times on the sign-in sheet in order to receive credit.
- All students will comply with local sponsor policies and procedures.
- All students will refrain from any discussion that is or may be construed as being anti-trust in nature.
- All students must be honest and forthright in their participation in any course. Students will be receptive to the material and participate in all course activities, including but not limited to, discussions, case studies, quizzes, tests or other evaluations for the duration of the course.
- A student shall not impair, interfere with, or obstruct the orderly conduct and learning environment provided by Leigh Brown, local board sponsor, the students, faculty members, or invited guests.

This includes, but is not limited to:

1. Committing or threatening to commit any act of violence.
2. Threatening the health, safety or welfare of another.
3. Acting recklessly.
4. Invading the privacy of others.
5. Interfering with a faculty or staff member in the performance of his or her duty.
6. Making, exhibiting or producing any inappropriate, loud or disruptive behavior.
7. The use of portable computers, cellular telephones, portable personal music devices if such use disrupts others in the course.
8. The use of portable computers, cellular telephone, portable personal music devices is prohibited during end of course examinations. These devices must be turned off and placed inside a purse, briefcase or backpack during the duration of the examination.
9. No student shall provide false or misleading information to the instructor, local board staff, or on official course documents.
10. No student shall misuse any Leigh Thomas Brown, Inc. or local board materials, service, property or resource.

Course Description

Understanding the Code of Ethics and its requirements makes us better REALTOR®. This course will walk REALTORS® through the articles of the Code with emphasis on the most misunderstood and/or are most violated. Includes all of the new changes to the 2021 Code of Ethics and Standards of Practice of the National Association of REALTORS®. Bringing the very best presentation to our buyer and seller clients is our number one goal and following the Code can help you do that. This course provides REALTORS® with a reliable reference for guidance in dealing with complex situations in today's day to day practice of real estate.

Objectives

Upon completion of "REALTOR® Code of Ethics: Conversion Using The CODE" course, participants will be able to:

1. Briefly describe the history of the Code of Ethics as it relates to its origins, its influence on state licensing laws and its establishment of arbitration as the monetary dispute resolution process between REALTORS®.
2. Identify concepts in the Preamble to the Code of Ethics, including concepts such as the wide distribution of land ownership, highest and best use of the land, principles of competency, fairness and high integrity and the concept of adherence to the Code regardless of an inducement of profit and/or an instruction from clients to the contrary.
3. Identify the Golden Rule as one of the foundations upon which the Code of Ethics is built.
4. List the major categories of Articles in the Code (Duties to Clients and Customers, Duties to the Public and Duties to REALTORS®).
5. Describe the structure of the Code and its supporting materials (Articles, Standards of Practice and Case Interpretations).
6. List Articles of the Code which are commonly the subject of complaints.
7. Describe the concepts of these commonly cited Articles of the Code, including Articles 1, 2, 9, 12, and 16.
8. Explains Standard of Practice 10-5 in a way that makes folks understand it's about improvement, not about purge.
9. Given case studies, fact scenarios or similar interactive learning methods, identify possible violations of the Code of Ethics, specifically related to the commonly cited Articles.
10. Describe the professional standards enforcement process of the association, including the distinction between an ethics complaint and an arbitration request, and the differences between the Grievance Committee and the Professional Standards Committee.

1. The History of The Code

- Before 1900 – Real estate practitioners were not licensed resulting in speculation, exploitation, and disorder.
- Caveat emptor governed transactions.
- 1908 – NAR was formed.
- 1913 – The Code of Ethics was officially adopted.
- The standards focused on service to the public and a commitment to professionalism.
- “Duties to Clients” and “Duties to other brokers” was included.

2. Aspirational Concepts of the Preamble to the Code

- 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

Important to Note:

- *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.*
- *The Preamble may not be the basis for disciplining a REALTOR®.*

3. The Structure of the Code

A. Three major sections

- Duties to Clients and Customers
- Duties to the Public
- Duties to REALTOR®

B. The Standards of Practice

- Support, interpret, and amplify the Articles under which they are stated.
- The “Official Case Interpretations” are specific fact situations that explain Articles and/or Standards of Practice.
- REALTORS® may not be found in violation of a Standard of Practice, only its foundational Article.

C. The Code’s 17 Articles are broad statements of ethical principles.

D. Important Note: Only violations of the Articles can result in disciplinary action.

4. How the Code Evolves

A. 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.

B. The NAR Interpretations and Procedures Subcommittee frequently make recommendations to the Professional Standards Committee about enhancements to professional standards procedures and to the Code of Ethics.

C. 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.

5. The Preamble

A. “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”

- Share with fellow REALTORS® a common responsibility.
- Strive to become and remain informed on issues affecting real estate.
- Willingly share the fruit of your experience and study with others.
- Identify and take steps to eliminate practices that damage or dishonor.

- Urge exclusive representation of clients.
- Do not attempt to gain any unfair advantage over competitors.
- Refrain from making unsolicited comments about other practitioners.
- If an opinion is sought about a competitor, the opinion should be offered in an objective, professional manner.
- The term REALTOR® stands for competency, fairness, high integrity, moral conduct in business relations.
- No inducement of profit and no instruction from clients can justify departure from these ideals.
- The Preamble cannot be the basis for disciplining a REALTOR®.

6. Article 1 – The Honest Messenger

A. “When representing a buyer, seller, 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”

- REALTORS® may represent the seller and buyer in the same transaction only after full disclosure to and with informed consent of both parties.
- REALTORS® shall submit offers/counter-offers objectively and as quickly as possible.
- When acting as listing brokers, REALTORS® shall continue to submit to the seller all offers/counter-offers until closing.
- REALTORS® may represent the seller and buyer in the same transaction only after full disclosure to and with informed consent of both parties.
- REALTORS® shall submit offers/counter-offers objectively and as quickly as possible.
- When acting as listing brokers, REALTORS® shall continue to submit to the seller all offers/counter-offers until closing.
- The duties imposed by the Code of Ethics encompass all real estate-related activities.
- REALTORS® in attempting to secure a listing, shall not deliberately mislead the owner as to market value.
- REALTORS® when seeking to become a buyer representative, shall not mislead as to savings or other benefits that might be realized through use of the REALTOR®’s services.
- REALTORS®, acting as agents 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.

- The obligation of REALTORS® to preserve confidential information provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships.
- REALTOR®S®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property.
- REALTORS® shall not use, or permit or enable others to use, listed or managed property on terms or conditions other than those authorized by the owner or seller.

B. Case Study 1-17

Case #1-17: Listing Property at Excessive Price

(Originally Case #2-3. Revised and transferred to Article 7 as Case #7-21 May, 1988. Transferred to Article 1 November, 1994.)

Mr. A was about to retire and move to a warmer climate, and had discussed the sale of his house with a number of brokers. He dropped in on REALTOR® B to discuss the matter and said that various brokers had told him he should expect to sell the property at from \$150,000 to \$158,000. "Oh, that sounds low to me," said REALTOR® B, "property moves well in that neighborhood and I recall that your house is in good shape and well landscaped. Give us an exclusive on it at \$168,000 and we'll make a strong effort to get you what your property is really worth." REALTOR® B got the listing.

He advertised the property, held it open on weekends, had many inquiries about it, and showed numerous prospective buyers through it for a few weeks, but received no offers. When activity slowed, and the client became concerned, REALTOR® B was reassuring. "We'll just keep plugging till the right buyer comes along," he said. When the 90-day exclusive expired, REALTOR® B asked for a renewal. He told the client that new houses coming on the market were adversely affecting the market on resales of existing houses, and recommended lowering the price to \$158,900. Client A ruefully agreed, but the lowered price did not materially increase buyer interest in the property. As the term of the 90-day extension of the listing neared, REALTOR® B brought Client A an offer of \$150,000 and strongly recommended that it be accepted. But the client objected. "You told me it was worth about \$168,000 and sooner or later the right buyer would pay that price. Meanwhile similar houses in the neighborhood have been selling within 30 to 60 days at around \$156,000."

"I know," REALTOR® B said, "but six months ago we had a stronger market and were at the

most favorable time of the year and \$168,000 was not an out-of-line price at that time. But now we're in the slow time of the year and the market is off. All things considered, I think the \$150,000 offer in hand is a good one. I doubt that a better one will come along."

Client A accepted the offer and complained against REALTOR® B to the local Board of REALTORS®, charging REALTOR® B with misinforming him as to fair market value apparently as a means of obtaining the listing of his property.

At the hearing, the facts as set out above were not disputed. Questioning developed the additional fact that at the time of the original listing REALTOR® B had not gone through the house to make a systematic appraisal of opinion of value, and that his recommended offering price was not based on a systematic review of sales in the neighborhood. Members of the Hearing Panel pointed out that the neighborhood in question was a development of houses, basically the same in size and quality, that had been put on the market about 10 years earlier at prices varying from \$145,000 to \$150,000; that good location and land development practices had maintained a good market for resales, but there was no indication that any property in the immediate neighborhood had been resold for as high as \$160,000. When told that circumstances tended to bear out the complainant's charge that REALTOR® B's recommended price was a stratagem to obtain the listing, REALTOR® B's defense was that he felt he had a right to take an optimistic view of the market.

It was concluded that REALTOR® B was in violation of Article 1 of the Code of Ethics.

- Seller interviewed multiple agents, and was told a price of \$150,000-\$158,000.
- REALTOR® B told him \$168,000.
- Price adjustments happen, days on market growing.
- Offer for \$150,000 at 6 months on market.

C. Guilty or Not Guilty?

D. Case Study 1-19

Case #1-19: Knowledge of Proposed Legislation

(Originally Case #2-5. Revised and transferred to Article 7 as Case #7-23 May, 1988. Transferred to Article 1 November, 1994.)

REALTOR® A received a letter from the ABC College in another city stating that one of its old graduates in REALTOR® A's city had willed a vacant property in that community to the college. The letter explained that the college had no use for the property, and wanted REALTOR® A to

sell it at its fair market value. The proceeds would go to the endowment fund of the college. REALTOR® A suggested a price for the property, an exclusive listing contract was executed, and in less than a month the lot was sold and settlement made with the college. Two weeks later, a trustee of the college, who handled its investments, filed a complaint against REALTOR® A charging negligence in knowledge of proposed local legislation which had resulted in sale of the property at approximately one-eighth of its fair market value. The Grievance Committee referred it for hearing before a panel of the Professional Standards Committee.

The Professional Standards Committee scheduled a hearing and notified REALTOR A and the college trustee to be present. The hearing developed these facts:

- (1) The client's property was in an area which had been approved for rezoning from residential to commercial use in a general revision of the local zoning map and ordinance that was in preparation.
- (2) Although specific sections of the revisions, including the section involving the lot in question, had been tentatively approved, final approval had not been given to the complete revision at the time of the sale, but this action had been taken a few days following the sale. For several months prior to the sale there had been a public notice of the proposal to rezone affixed to a sign near one corner of the property.
- (3) In his one inspection of the property, REALTOR® A had not noticed the sign.
- (4) Other sales in the rezoned area substantiated the client's belief that the shift to commercial zoning supported a value at approximately eight times the price received for the lot.

REALTOR® A's defense was that the ordinance putting the rezoning into effect had not been enacted at the date of his sale of the client's property, and that he had no knowledge at the time of the rezoning proposal.

The Hearing Panel's conclusion was that REALTOR® A had violated Article 1 and was definitely deficient in his professional obligations in this instance; that before suggesting a price to his client he should have checked the property carefully enough to have seen the notice concerning a proposal for rezoning; and that as a REALTOR® Active in the area he should have been aware of the extensive changes that were being proposed in his city's zoning ordinance. Such knowledge was within his obligation under Article 1 to protect the best interests of his client.

Summary:

- REALTOR® A lists a lot for a college endowment, sells it.

- Two weeks after closing, new zoning is enacted which multiplies the property value by 8 times.
- Zoning notices had been issued publicly including signs at the property.
- REALTOR® A said the zoning had not been enacted at time
- of sale and he had no knowledge of the proposal

D. Guilty or Not Guilty?

7. Article 2 – Just the Facts, Ma’am

- A. Avoid exaggeration, misrepresentation and concealment of pertinent facts. Do not reveal facts that are confidential under the scope of your agency relationship.
- B. Case Study 2-4

Case #2-4: Obligation to Ascertain Pertinent Facts

(Revised Case #9-10 May, 1988. Transferred to Article 2 November, 1994.)

Shortly after REALTOR® A, the listing broker, closed the sale of a home to Buyer B, a complaint was received by the Board charging REALTOR® A with an alleged violation of Article 2 in that he had failed to disclose a substantial fact concerning the property. The charge indicated that the house was not connected to the city sanitary sewage system, but rather had a septic tank.

In a statement to the Board’s Grievance Committee, Buyer B stated that the subject was not discussed during his various conversations with REALTOR® A about the house. However, he pointed out that his own independent inquiries had revealed that the street on which the house was located was “sewered” and he naturally assumed the house was connected. He had since determined that every other house on the street for several blocks in both directions was connected. He stated that REALTOR® A, in not having disclosed this exceptional situation, had failed to disclose a pertinent fact.

REALTOR® A’s defense in a hearing before a Hearing Panel of the Professional Standards Committee was:

that he did not know this particular house was not connected with the sewer; that in advertising the house, he had not represented it as being connected; that at no time, as Buyer B conceded, had he orally stated that the house was connected; that it was common knowledge that most, if not all, of the houses in the area were connected to the sewer; and that the seller, in response to REALTOR® A’s questions at the time the listing was entered into, had stated that the house was connected to the sewer.

The panel determined that the absence of a sewer connection in an area where other houses were connected was a substantial and pertinent fact in the transaction; but that the fact that the house was not connected to the sewer was not possible to determine in the course of a visual inspection and, further, that REALTOR® A had made appropriate inquiries of the seller and was entitled to rely on the representations of the seller. The panel concluded that REALTOR® A was not in violation of Article 2.

Summary:

- Buyer B files complaint against REALTOR® A for failure to disclose that a house was not on sewer but was on septic.
- Buyer B files complaint against REALTOR® A for failure to disclose that a house was not on sewer but was on septic.
- Buyer B files complaint against REALTOR® A for failure to disclose that a house was not on sewer but was on septic.

C. Guilty or Not Guilty?

8. Article 3 – Can’t We All Get Along

- A. Cooperate with other real estate professionals to advance your client’s best interests.
- B. Case Study 3-1

Case #3-1: Rules of MLS May Not Circumvent Code

(Revised Case #22-1 May, 1988. Transferred to Article 3 November, 1994. Revised May, 2017.)

REALTOR® A complained to his Association of REALTORS® that procedures in the Association’s Multiple Listing Service permitted REALTORS® participating in the Service to evade their obligations under Article 3 of the Code of Ethics. His specific complaint was that, as exclusive agent of Client B, he had filed the client’s property in the Multiple Listing Service. Other REALTORS® participating in the Multiple Listing Service had contacted Client B directly to make appointments to show the property and to transmit offers to purchase it, without his, REALTOR® A’s, knowledge or consent. When he objected to this conduct, the officers of the Multiple Listing Service had cited the MLS rule that held that placing property in the Service had the effect of listing the property with the MLS, and authorized the MLS to refer it to other Participants as subagents, who were then free to transmit offers directly to the client. REALTOR® A’s complaint emphasized that his objection was primarily to the rule of the Multiple Listing Service.

The complaint was referred to the Directors of the Association of REALTORS® which asked

the Chairperson of the Association's Multiple Listing Committee to attend a special Directors' meeting on the subject. At the meeting, it was pointed out that the contested rule of the Multiple Listing Service, which had not been submitted to the Board of Directors for approval, was in conflict with Article 3 of the Code of Ethics, and with the nature and purpose of the MLS itself, since the MLS did not provide brokerage services and could not function as an agent of sellers. The Multiple Listing Service was directed to rescind all procedural rules that permitted the Service or any of its Participants to intrude upon the agency status of any REALTOR® holding an exclusive listing.

Summary:

- REALTOR® A had seller receiving showing calls and offers directly from other REALTORS® as participant sub-agents in MLS.
- MLS said the effect of listing the property in MLS authorized the MLS to refer to other Participants as subagents.

C. Guilty or not Guilty

9. Article 4 – Secret Secrets Are No Fun

- A. When buying or selling, make your position in the transaction or interest known.
- B. Case Study 4-4

Case #4-4: Responsibility for Subordinates

(Revised Case #13-6 May, 1988. Transferred to Article 4 November, 1994. Revised November, 2001 and November, 2017.)

REALTOR® B, a sales Associate in REALTOR® A's office, exclusively listed a suburban house and subsequently convinced the seller to accept \$60,000 less than the listed price. Several weeks after the transfer of title, the seller filed a written complaint with the Association, charging REALTOR® B with a violation of Article 4 in that REALTOR® B had sold the property to his mother without disclosing this relationship to his client, the seller, and that REALTOR® B got the price reduced for his mother's benefit.

The complaint was reviewed by the Grievance Committee which, with the complainant's concurrence, named REALTOR® A as an additional respondent.

At the hearing, REALTOR® B stated that he saw nothing wrong in selling the property to his mother and that the seller would have accepted the contract at the reduced price, even if the buyer had not been REALTOR® B's mother. REALTOR® A stated that REALTOR® B was an

independent contractor licensed with him. REALTOR® A acknowledged that he was accountable under the Code for the actions of other REALTORS® and Associated with him but shared with the panel information on his firm's orientation program. He noted that he required each licensee joining his firm to complete association-sponsored Code training. In addition, he required everyone in his firm to read Professionalism in Real Estate Practice, and produced a form signed by REALTOR® B stating that he had carefully read and understood his personal obligation under the Code of Ethics.

The panel found that REALTOR® B should have made his relationship to the buyer, his mother, unmistakably clear to the seller. He should have disclosed in writing that the buyer was his mother so there would have been no misunderstanding.

The Hearing Panel found REALTOR® B in violation of Article 4.

The Hearing Panel noted that REALTORS® are not presumed to be in violation of the Code of Ethics in cases where REALTORS® Associated with them are found in violation. Rather, their culpability, if any, must be determined from the facts and circumstances of the case in question. It was the conclusion of the Hearing Panel that REALTOR® A had made reasonable efforts to ensure that REALTOR® B was familiar with the Code and its obligations, and that it would have been unreasonable to expect REALTOR® A to have known the purchaser was REALTOR® B's mother. Consequently, REALTOR® A was found not to have violated Article 4.

Summary:

- REALTOR® B was a sales associate in REALTOR® A's office.
- REALTOR® B listed a house and convinced seller to accept an offer \$60,000 less than list.
- Seller filed a complaint charging that REALTOR® B sold the property to his mother without disclosure of relationship.
- REALTOR® A acknowledged responsibility for subordinates and showed that he required COE training for all agents including a form signed indicating reading and understanding obligation.

C. Guilty or Not Guilty?

10. Article 5 – Tell ‘Em How You Feel

- A. Disclose present or contemplated interest in any property to all parties.
- B. Case Study 5-1

Case #5-1: Contemplated Interest in Property Appraised

(Reaffirmed Case #12-2 May, 1988. Transferred to Article 5 November, 1994. Revised May, 2018)

Seller A and Buyer B were negotiating the sale of an apartment building, but couldn't agree on the price. Finally, they agreed that each would engage an appraiser and they would accept the average of the two appraisals as a fair price. Seller A hired REALTOR® C, a licensed appraiser, and Buyer B hired REALTOR® D. Both REALTORS® were informed of the agreement of the principals. The two appraisal reports were submitted. The principals averaged the two valuations and made the transaction at the price determined.

Six months later, it came to the attention of Seller A that REALTOR® C was managing the building that he had appraised. Upon making further inquiries he learned that REALTOR® C for several years had managed five other buildings owned by Buyer B, and that he had been Buyer B's property manager at the time he accepted the appraisal assignment from Seller A.

At this point Seller A engaged REALTOR® E to make an appraisal of the building he had sold to Buyer B. REALTOR® E's valuation was approximately 30% higher than that arrived at six months earlier by REALTOR® C.

These facts were set out in a complaint against REALTOR® C made by Seller A to the local Board of REALTORS®. The complaint charged that since REALTOR® C was an agent of Buyer B; since he managed all of Buyer B's properties; since he had become manager of the property he had appraised for Seller A in connection with a sale to Buyer B; and since he had not disclosed his relationship to Buyer B, he had acted unethically, and in the interest of his major client had placed an excessively low valuation on the property he had appraised for Seller A.

At the hearing, Seller A also brought in a witness who stated that he had heard Buyer B say that he had made a good buy in purchasing Seller A's building because Seller A's appraiser was his (Buyer B's) property manager.

Buyer B, appearing as a witness for REALTOR® C, disputed this and protested that he had paid a fair price. He substantiated REALTOR® C's statement that management of the building formerly owned by Seller A was never discussed between them until after it had been purchased by Buyer B.

It was concluded by the Hearing Panel that whether or not management of the building was discussed between Buyer B and REALTOR® C prior to its purchase by Buyer B, REALTOR® C had a logically contemplated interest in it as a property manager in view of the fact that he had served as property manager for all other properties owned by Buyer B. In view of this contemplated interest, he was bound by the terms of Article 5 to disclose this interest to his appraisal client, Seller A. He had failed to do this, and so was found in violation of Article 5 of

the Code of Ethics.

Summary:

- Buyer and Seller negotiating an apartment building and could not agree on price.
- Each engaged separate REALTOR® for valuation and agreed to move forward at the average.
- Post-closing, seller learned that buyer's REALTOR® was engaged as property manager on the subject property and also managed other properties for same buyer.
- Seller accused REALTOR® of establishing lower value than market to benefit buyer and the management relationship.

C. Guilty or Not Guilty?

11. Article 6 – Side Dealing?

A. Avoid side deals without your client's informed consent.

B. Case Study 6-5

Case #6-5: Advertising Real Estate-Related Products and Services

(Adopted November, 2006. Revised November, 2017.)

REALTOR® X, a principal broker in the firm XY&Z, developed a robust, interactive website that he used both to publicize his firm and to serve the firm's clients and customers electronically. REALTOR® X maintained positive business relationships with providers of real estate-related products and services including financial institutions, title insurance companies, home inspectors, mortgage brokers, insurance agencies, appraisers, exterminators, decorators, landscapers, moving companies, and others. Given the volume of business REALTOR® X's firm handled, several of these companies purchased banner advertisements on the XY&Z website and some, including the Third National Bank, included links in their banner ads to their own websites.

Buyer B, who had earlier entered into an exclusive buyer representation agreement with XY&Z, received frequent e-mail reports from REALTOR® X about new properties coming onto the market. Hoping to purchase a home in the near future, he explored REALTOR® X's website to learn more about the home buying process and familiarize himself with the real estate-related products and services advertised there. Understanding that pre-qualifying for a mortgage would ensure he presented the strongest offer, Buyer B went to REALTOR® X's website and clicked on the Third National Bank's link. Once at the bank's website, he found a mortgage to his liking, completed the application process, and learned in a matter of days that he was qualified

for a mortgage loan.

In the meantime, Buyer B's property search proved fruitful. REALTOR® X and Buyer B visited a new listing on Hickory Street several times. Buyer B decided it met his needs and made an offer which was accepted by the seller.

A few weeks after the closing, Buyer B hosted a housewarming attended by his friend D, a website designer who had, coincidentally, been instrumental in developing REALTOR® X's website. Buyer B told D how helpful the information from REALTOR® X's website had been. "You know, don't you, that each time a visitor to REALTOR® X's website clicks on some of those links, REALTOR® X is paid a fee?", asked D. "I didn't know that," said Buyer B, "I thought the links were to products and services REALTOR® X was recommending."

Buyer B filed an ethics complaint against REALTOR® X alleging a violation of Article 6 for having recommended real estate products and services without disclosing the financial benefit or fee that REALTOR® X would receive for making the recommendation. At the hearing, REALTOR® X defended himself and his website, indicating that the advertisements for real estate-related products and services on his website were simply that, advertisements, and not recommendations or endorsements. He acknowledged that he collected a fee each time a visitor to his website clicked on certain links, regardless of whether the visitor chose to do business with the "linked to" entity or not. "In some instances I do recommend products and services to clients and to customers. In some instances I receive a financial benefit; in others I don't. But in any instance where I recommend a real estate-related product or service, I go out of my way to make it absolutely clear I am making a recommendation, and I spell out the basis for my recommendation. I also disclose, as required by the Code, the financial benefit or fee that I might receive. Those banner advertisements on my website are simply that, advertisements." The hearing panel agreed with REALTOR® X's rationale, concluding that the mere presence of real estate-related advertisements on REALTOR® X's website did not constitute a "recommendation" or "endorsement" of those products or services, and that the "click through" fee that REALTOR® X earned when visitors to his website linked to certain advertisers' sites was not the type of financial benefit or fee that must be disclosed under Article 6.

Summary:

- REALTOR® X offered banner advertisements on his website which resulted in fees to him when a visitor clicked through.
- Buyer B purchased a home with REALTOR® X and used a lender whose site he visited through the REALTOR® website.

- Click-through fees were undisclosed and Buyer filed complaint.

C. Guilty or Not Guilty?

12. Article 7 – Who’s Paying Whom?

- A. Accept compensation from only one party, except with full disclosure and informed consent.
- B. Case Study 7-1

Case #7-1: Acceptance of Compensation from Buyer and Seller

(Adopted as Case #8-3 May, 1988. Transferred to Article 7 November, 1994. Revised May, 2017.)

Buyer A engaged REALTOR® B to locate a small commercial property. Buyer A explained his exact specifications, indicating that he did not wish to compromise. They agreed that if REALTOR® B could locate such a property within Buyer A’s price range, he—the buyer—would pay a finder’s fee to REALTOR® B.

Two weeks later, REALTOR® B called Buyer A to advise that Seller C had just listed a property with him that met all of Buyer A’s specifications except that the listed price was a bit higher than Buyer A wanted to pay. Buyer A inspected the property and liked it, but said he would adhere to his original price range. REALTOR® B called Buyer A three days later to say that Seller C had agreed to sell at Buyer A’s price. The sale was made and REALTOR® B collected a commission from Seller C and a finder’s fee from Buyer A which was not disclosed to Seller C, REALTOR® B’s client.

Several weeks later, Seller C learned about the finder’s fee that REALTOR® B had collected from Buyer A and filed a complaint with the Association of REALTORS® charging REALTOR® B with unprofessional conduct. The complaint specified that when REALTOR® B had presented Buyer A’s offer at less than the listed price, he, the seller, was reluctant to accept it, but REALTOR® B had convinced him that the offer was a fair one and not likely to be improved upon in the current market; and that REALTOR® B had dwelt at length on certain disadvantageous features of the property in an attempt to promote acceptance of the offer. The complaint charged that REALTOR® B had actually been the agent of the buyer while holding himself out as the agent of the seller. Further, Seller C asserted that REALTOR® B had never mentioned that he was representing the buyer or intended to be compensated by the buyer.

At the hearing, REALTOR® B’s defense was that he had served both buyer and seller faithfully; that he had not accepted Seller C’s listing until after he had agreed to assist Buyer A in locating a property; and that in his judgment the listed price was excessive and the price actually paid was a fair price.

A Hearing Panel of the Association's Professional Standards Committee, which heard the complaint, concluded that REALTOR® B had acted in violation of Article 7 of the Code of Ethics. His efforts to represent the buyer and the seller at the same time, and the fact that he intended to be compensated by both parties, should have been fully disclosed to all parties in advance.

Summary:

- Buyer A engaged REALTOR® B to find a property meeting his specs.
- REALTOR® B listed Seller C's property, which met Buyer A's needs except for price.
- Seller C agreed to sell to Buyer A and REALTOR® B collected a buyer fee and seller fee.
- Seller C learned after closing that REALTOR® B was paid by the buyer and that he had convinced him to take a lower price.
- REALTOR® B said he had accepted Buyer A as client before Seller C and the price was fair.

C. Guilty or Not Guilty?

13. Article 8 – No Money Under the Mattress

A. Keep the funds of clients and customers in escrow.

B. Case Study 8-1

Case #8-1: Failure to Put Deposit in Separate Account

(Revised Case #18-1 May, 1988. Transferred to Article 8 November, 1994. Revised November, 2001. Revised May, 2017.)

REALTOR® A, a listing broker, obtained a signed offer to purchase, together with Buyer C's check for \$10,000 as an earnest money deposit. Buyer C's offer was subject to the sale of his current residence. REALTOR® A presented the offer to Seller B who accepted it. REALTOR® A then inadvertently deposited the earnest money check in his personal checking account. Since Buyer C's offer was contingent on the sale of his current home, Seller B's house remained on the market. A week later, REALTOR® A received another offer to purchase Seller B's house from another broker and presented it to the seller as a back-up offer. Buyer C was informed about this new offer and reluctantly concluded that he would be unable to waive the sale contingency in order to proceed with the purchase of Seller B's house. He then asked REALTOR® A for his \$10,000 check back. REALTOR® A explained that he had mistakenly deposited Buyer C's check in his personal bank account which had been attached since he received Buyer C's offer, and he was temporarily unable to refund the deposit to Buyer C.

Buyer C filed a complaint with the Association of REALTORS®, which was received by the

Grievance Committee. The Grievance Committee concluded that the complaint warranted a hearing and referred it to the Professional Standards Committee. At the hearing, REALTOR® A explained that his bank account had been unexpectedly attached following the loss of a civil suit which he was appealing; that his deposit of Buyer C's check in his personal account was a simple error; that he was arranging for the prompt release of his account; and that everything would be straightened out in three or four days, which should not be of great inconvenience to Buyer C.

It was the conclusion of the Hearing Panel that REALTOR® A was in violation of Article 8 of the Code of Ethics for having failed to put Buyer C's earnest money deposit in a special account separate from his personal funds.

Summary:

- REALTOR® A as listing broker for Seller B presented a signed offer to purchase for Buyer C.
- \$10,000 EMD was depositing into REALTOR® A's personal checking account.
- Buyer C was unable to proceed and the contract was canceled.
- REALTOR® A was unable to return the funds because his personal bank account had been attached since receipt of offer.
- REALTOR® A said it was unexpected and should be straightened out in 3-4 days and not a great inconvenience to Buyer C.

C. Guilty or Not Guilty?

14. Article 9 – If It Ain't in Writing

A. Assure, whenever possible, that transactional details are in writing.

15. Article 10 – What You Do For One, You Do For All

A. Provide equal service to all clients and customers.

B. Case Study 10-2

Case #10-2: Denial of Equal Professional Service

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

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

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

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

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

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

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

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

Summary:

- REALTOR® B took Prospect C out to see houses near Northwest High School. Prospect C was married with 2 kids and a veteran.
- Prospect C referred REALTOR® B to Prospect D, who was also married with 2 kids and a veteran.

- REALTOR® B showed houses near the high school to Prospect C but showed houses elsewhere to Prospect.
- Prospect D asked about houses closer and REALTOR® B replied of no knowledge of anything else.

C. Guilty or Not Guilty?

D. Case Study 10-5

Case #10-5: Use of “Choose Your Neighbor” Form Letters as Part of a Marketing Campaign

(Adopted November, 1987. Revised November, 2013 and May, 2017.)

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

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

At the hearing, REALTOR® A defended his use of “Choose Your Neighbor” form letters by demonstrating that they were just one element of his marketing campaign, and were not an attempt to restrict access to the property on the basis of race, color, religion, sex, handicap, familial status, country of national origin, sexual orientation, or gender identity, as prohibited by Article 10. REALTOR® A produced copies of banner advertisements run on several websites, “OPEN HOUSE” information provided on Realtor.com, and a copy of the property’s MLS listing. REALTOR® A remarked, “In my experience, the current residents of a neighborhood often have friends or relatives who have said that they would love to live in the neighborhood. It just makes sense to me to include contacting these folks in any marketing campaign!”

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

Summary:

- Local fair housing group alleged that REALTOR® A was discriminatory in marketing by using a 'Choose Your Neighbor' form letter sent to current neighborhood.
- REALTOR® A defended the letters as just one part of a marketing campaign and were not an attempt to restrict access.

E. Guilty or Not Guilty?

16. Article 11 – Learn and Ask Before You Proclaim

- A. Be knowledgeable and competent in the fields of practice in which you ordinarily engage. Obtain assistance or disclose lack of experience if necessary.
- B. Case Study 11-1

Case #11-1: Appraiser's Competence for Assignment

(Revised May, 1988.)

REALTOR® A sold a light industrial property to Buyer B, a laundry operator. Several months later, Buyer B engaged REALTOR® A's services to appraise the property and to supply an appraisal report for use in possible merger with another laundry. REALTOR® A carried out this appraisal assignment and submitted his report. Buyer (now Client) B was dissatisfied with the report feeling that the valuation, in comparison with the market price that he had paid was excessively low. Client B then engaged an appraiser specializing in industrial property, and after receiving the second appraisal report, filed a complaint with the Board of REALTORS® charging REALTOR® A with incompetent and unprofessional service as an appraiser.

At the hearing, questioning established that REALTOR® A could cite no other industrial property appraisal he had made, and that his appraisal experience had been limited exclusively to residential property. The hearing also established that when the client proposed the appraisal, REALTOR® A had readily accepted the assignment and that he had at no time disclosed the extent and limitations of this appraisal experience with his client.

REALTOR® A was found by the Hearing Panel to be in violation of Article 11.

Summary:

- REALTOR® A sold a light industrial property to Buyer B.
- Post-closing, Buyer B requested an appraisal from REALTOR® A.
- Buyer B was dissatisfied with report and engaged an appraiser specializing in light industrial.

- REALTOR® A could cite no other industrial property appraisal work and did not disclose the extent and limitations of his experience.

C. Guilty or Not Guilty?

17. Article 12- How Old IS That Picture

- A. Present a true picture in your advertising and other public representations.
- B. Case Study 12-2

Case #12-2: Exaggeration in Advertising

(Reaffirmed Case #19-4 May, 1988. Transferred to Article 12 November, 1994. Revised November, 2001 and May, 2017.)

Prospect A noted REALTOR® B's advertisement on his website describing a home with five acres "about 20 miles from the city" giving directions to the "modern 3-bedroom home, well maintained, and set in a charmingly landscaped site."

After visiting the property, Prospect A filed a complaint with the Association of REALTORS® complaining of the gross exaggeration contained in the advertisement, which had induced him to waste time and money in inspecting the property. The property, he said, was actually 36 miles from the city limits. Its wood-lath support for plaster, which was visible in many large breaks in the walls, indicated it to be 80 years old or more. There was no evidence of painting in recent years. Several windows were broken, half of the back steps were missing. The house was located at the end of a crude dirt road in a small cleared area that had become densely overgrown in weeds— a picture of extreme neglect.

REALTOR® B was notified of the charge of misleading advertising, and a hearing was held. REALTOR® B criticized the complainant for bringing the matter to the Association, pointing out that Prospect A had failed to mention that the property was priced at only \$90,000; that at such a price it was an exceptionally good buy to anyone looking for a small place with a few acres; that to get attention to such properties it was necessary to do a bit of "puffing" to attract attention in advertising; that as a matter of fact the general lines of the house were similar to many of modern design; that the house had been well enough maintained to be salvageable by anyone who would do a reasonable amount of work on it; and that, in his opinion, the site was truly "charming" in its rugged simplicity.

The Hearing Panel concluded that REALTOR® B had used gross exaggeration in his advertisement and was found in violation of Article 12 of the Code of Ethics.

Summary:

- Prospect A noted REALTOR® B's advertisement of a modern and charming home with 5 acres about 20 miles from the city.
- Prospect A visited the property and filed a complaint of gross exaggeration due to the property being 36 miles from the city, 80-years old, no paint, broken windows, etc.
- REALTOR® B defended the advertising as it was priced at an exceptional value.

C. Guilty or Not Guilty?

18. Article 13 – You're Not An Attorney (Unless You Are)

A. Do not engage in the unauthorized practice of law.

B. Case Study 13-1

Case #13-1: Preparation of Instrument Unrelated to Real Estate Transaction

(Reaffirmed Case #17-1 May, 1988. Transferred to Article 13 November, 1994. Revised November, 2001 and May, 2017.)

Client A dropped in to see his friend, REALTOR® B, who had recently provided professional services to Client A's company. Client A said the company was sending him on business to China; that the trip would involve a good deal of air travel in remote areas; and that he would like to leave a power of attorney with his wife while he was gone "just in case." He asked REALTOR® B if he would prepare a power of attorney for him and REALTOR® B said, "It's a simple document. I'll be glad to prepare one for you," and did.

This action came to the attention of the Grievance Committee of the Association of REALTORS®, which, after review, filed a complaint with the Association's Professional Standards Committee, charging REALTOR® B with a violation of Article 13 of the Code of Ethics.

REALTOR® B's defense was that he understood Client A's request to be essentially for a real estate service since from his general knowledge of Client A's personal affairs, he knew that Client A could have no reason for giving his wife a power of attorney except to put her in a position to act in real estate transactions. He contended that because his preparation of a legal document was directly related to real estate matters, he had rendered real estate, not legal, services to Client A.

It was the judgment of the Hearing Panel that REALTOR® B's defense was without merit; that by preparing the power of attorney, he had engaged in the practice of law in violation of Article 13 of the Code.

Summary:

- Client A visited his friend, REALTOR® B, and asked that he prepare a power of attorney for him.
- REALTOR® B did, 'it's just a simple document.'
- REALTOR® B's defense was that this was a real estate service as Client B was a recent client, and he knew that Client A could have no reason for a power of attorney for his wife except for real estate, so it was a real estate service and not a legal service.

C. Guilty or Not Guilty?

19. Article 14 – Go Pull A Switch

- A. Be a willing participant in Code enforcement procedures.
- B. Case Study 14-2

Case #14-2: Refusal to Submit Pertinent Facts

(Revised Case #15-2 May, 1988. Transferred to Article 14 November, 1994. Revised May, 2018.)

REALTOR® A was charged with a violation of the Code of Ethics. At the hearing, the complainant formally presented the charge and a considerable body of evidence to support it. Members of the panel questioned REALTOR® A on specific points. To each question he responded that he was not guilty of the charge, but that specific answers to the questions put to him could conceivably do him an injustice, and that he felt that he should not be required to answer questions in a situation that was unfair to him.

Further attempts to question REALTOR® A met with similar responses. The Chairperson reminded REALTOR® A that he was not before a court of law but a Committee of the Board in which his membership was based wholly upon his willingness to abide by its rules, which did not provide for a "Fifth Amendment" refuge from proper questions by members of the Hearing Panel. The Chairperson specifically directed REALTOR® A to respond to the hearing panel's questions, and REALTOR® A refused.

The Chairperson of the Hearing Panel advised REALTOR® A that, in light of his refusal to answer questions directed to him, the complaint was being amended to include a charge of a violation of Article 14. The Chairperson asked REALTOR® A if he wished to proceed with the hearing, or if he preferred to have the hearing postponed to a later date to provide him with an opportunity to prepare a defense against the additional charge. The Chairperson also asked if REALTOR® A agreed to go forward with the existing Hearing Panel or if he would ask for a new Hearing Panel. REALTOR® A requested a continuance to prepare his defense against the amended complaint.

that now included an alleged violation of Article 14, and agreed to go forward with the current Hearing Panel. The hearing was adjourned to a date certain to enable REALTOR® A to prepare his defense to the additional charge. The Chairperson advised REALTOR® A that he was required to attend the new hearing date and respond to questions put to him by the Hearing Panel.

One day prior to the new hearing date, REALTOR® A called the association and advised that he would not be attending the hearing because he objected to the nature of the Hearing Panel's questions and the fact that he was required to respond. The following day, the Chairperson noted REALTOR® A's absence, and the complainant was permitted to present their case. The hearing concluded and the Hearing Panel entered executive session.

In executive session, the Hearing Panel discussed REALTOR® A's behavior with respect to the alleged violation of Article 14. The Panel members discussed that respondents in ethics cases are not required to attend hearings, defend themselves, and answer questions absent a specific and direct request to do so in order to remain compliant with Article 14. In this instance, however, REALTOR® A had received a specific and direct request from the Panel to attend the new hearing date and answer questions, and his failure to do so constituted a violation of Article 14.

Summary:

- REALTOR® A was charged with a violation of the Code.
- Complainants formally presented charges and REALTOR® A was questioned.
- REALTOR® R pled the Fifth Amendment.

C. Guilty or Not Guilty?

20. Article 15 – If You Don't Have Something Nice to Say

- A. Ensure that your comments about other real estate professionals are truthful and not misleading.
- B. Case Study 15-2

Case #15-2: Intentional Misrepresentation of a Competitor's Business Practices

(Adopted Case #23-2 November, 1992. Transferred to Article 15 November, 1994. Revised November, 2001 and May, 2018.)

Following a round of golf early one morning, Homeowner A approached REALTOR® X. "We've outgrown our home and I want to list it with you," said Homeowner A. "I'm sorry," said REALTOR® X, "but I represent buyers exclusively." "Then how about REALTOR® Z?" asked

Homeowner A, “I’ve heard good things about him.” “I don’t know if I would do that,” said REALTOR® X, “while he does represent sellers, he doesn’t cooperate with other brokers and, as a result, sellers don’t get strong offers for their properties.”

Later that day, Homeowner A repeated REALTOR® X’s remarks to his wife who happened to be a close friend of REALTOR® Z’s wife. Within hours, REALTOR® Z had been made aware of REALTOR® X’s remarks to Homeowner A earlier in the day. REALTOR® Z filed a complaint against REALTOR® X charging him with making false and misleading statements. REALTOR® Z’s complaint was considered by the Grievance Committee which determined that an ethics hearing should be held.

At the hearing REALTOR® Z stated, “I have no idea what REALTOR® X was thinking about when he made his comments to Homeowner A. I always cooperate with other REALTORS®.” REALTOR® X replied, “That’s not so. Last year you had a listing in the MLS and I spent months working with the buyers that submitted a purchase offer. You didn’t pay me the offer of compensation, though; you paid another broker who stole my clients from me at the last minute, and all he did was submit the purchase offer.”

REALTOR® Z countered REALTOR® X’s statements, indicating he had made a blanket offer of compensation in the MLS, and that his refusal to pay REALTOR® X had nothing to do with him not cooperating with other brokers, but the fact that there was a procuring cause dispute at the end of the transaction. Upon questioning by panel members, REALTOR® X admitted he had no personal knowledge of any instance in which REALTOR® Z had refused to cooperate with any other broker, but assumed that his failure to pay the compensation REALTOR® X felt he had earned was likely how REALTOR® Z treated other brokers.

The Hearing Panel, in its deliberations, noted that cooperation and compensation are not synonymous. In fact, Standard of Practice 3-10 provided that 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. In that respect, the Hearing Panel felt REALTOR® Z had, in fact, cooperated with REALTOR® X. However, to characterize REALTOR® Z’s refusal to pay requested compensation because of a genuine commission dispute as a “refusal to cooperate”, and to make the assumption and subsequent statement that REALTOR® Z “did not cooperate with other brokers”, was false, misleading, and not based on factual information. Consequently, REALTOR® X was found in violation of Article 15.

Summary:

- REALTOR® X stated to Homeowner A that REALTOR® Z did not cooperate with buyer brokers

and thus provide adequate market exposure.

- The wives spoke, and REALTOR® Z found out and filed a complaint about false statements.
- REALTOR® X stated that his statement was factual based on a prior situation. REALTOR® Z responded that it was a sub-agency situation.

C. Guilty or Not Guilty?

21. Article 16 – Check For The Ring

- A. Respect the exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with their clients.
- B. Case Study 16-18

Case #16-18: Assumed Consent for Direct Contact

(Reaffirmed Case #22-2 May, 1988. Transferred to Article 3 November, 1994. Transferred to Article 16 November, 2001.)

REALTOR® A, who held an exclusive listing of Client B's property, invited REALTOR® C to cooperate with him. When REALTOR® C, shortly thereafter, received an offer to purchase the property and took it to REALTOR® A, the latter took REALTOR® C with him to present the offer to Client B, and negotiations for the sale were started. The next day, REALTOR® C called on Client B alone, recommended that he accept the offer which was at less than the listed price, and Client B agreed. The contract was signed and the sale was made.

These facts were detailed in a complaint by REALTOR® A to the Board of REALTORS® charging REALTOR® C with unethical conduct in violation of Article 16, having made his second contact with the client without his, REALTOR® A's, consent.

At the subsequent hearing, REALTOR® C defended his actions on the basis that since he had been invited to cooperate with REALTOR® A, and particularly since REALTOR® A had invited him to be present when his offer was presented to the seller, REALTOR® C had assumed that he had REALTOR® A's consent for subsequent direct contacts with Client B. He stated further that he had a good reason for going alone because in his first visit to the client, REALTOR® A had undertaken to present his, REALTOR® C's, offer without fully understanding it and had made an inept presentation. Questioning by members of the Hearing Panel revealed that there had been some important considerations that REALTOR® A had not understood or explained to the client.

The conclusion of the panel was that the consent of the listing broker required by Article 16, as interpreted by Standard of Practice 16-13, cannot be assumed, but must be expressed; and that

REALTOR® C had violated Article 16 by negotiating directly with REALTOR® A's client without REALTOR® A's consent.

Summary:

- REALTOR®A invited REALTOR®C to cooperate in the sale of Client B's listing. REALTOR®A and REALTOR®C presented the offer together.
- REALTOR®C called Client B the next day and recommended he accept the lower offer. Client B agreed.
- REALTOR®A filed a complaint charging REALTOR®C with contacting Client B without REALTOR® A's consent.
- REALTOR® C said that REALTOR® A had not presented the offer correctly so he had to go back.

C. Guilty or Not Guilty?

22. Article 17 – Arbitration

A. Arbitrate contractual and specific non-contractual disputes with other REALTORS® and with your clients.

23. Continue the Conversation

A. www.facebook.com/NationalCodeofEthicsDay

Case studies and personal stories used in this class CAN be switched out by the instructor on a case by case basis to ensure the content is current.