

NAR Code of Ethics

2.5 hour class

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This class is designed to meet the 2.5 hour mandatory ethics training requirement of the National Association of REALTORS® and also gives two hours continuing education elective credit for license renewal.

The REALTOR® Code of Ethics

History and Background of the Code of Ethics

- National Association of REALTORS® was formed in 1908.
- No license laws were in place at the time.
- Real estate industry had a history of speculation, exploitation and disorder.
- The Code of Ethics was adopted in 1913 to establish a professional standard of conduct.
- The Code of Ethics formed the basis for many license laws and required arbitration of monetary disputes from its inception.

The Structure of the Code of Ethics

- The Preamble
- Major Sections of the Code
 - Duties to Clients and Customers
 - Duties to the Public
 - Duties to REALTORS®
- 17 Articles – broad statements of ethical principles.
- 70+ Standards of Practice – support, interpret and amplify the Articles under which they are stated.
- Case Interpretations – specific fact situations to which the Articles and/or Standards of Practice are applied.



Articles of the Code of Ethics

Article One: Clients Come First

Article Two: Disclose Property Facts

Article Three: Cooperation and Compensation

Article Four: Disclosure of Personal Interest

Article Five: Disclosure of Interest in Purchasing

Article Six: Disclosure of Rebates and Affiliations

Article Seven: Fees from More Than One Party

Article Eight: Trust Funds and Accounting

Article Nine: All Agreements in Writing

Article Ten:	Equal Treatment/Fair Housing
Article Eleven:	Professional Practice
Article Twelve:	Present A True Picture in Advertising
Article Thirteen:	Practicing Law without a License
Article Fourteen:	Submit to Hearings
Article Fifteen:	About Your Competitors
Article Sixteen:	“Stay Away from my Exclusive Client!”
Article Seventeen:	Agreement to Submit to Arbitration

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.

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 about competitors.	_____
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.	_____

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.

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 every 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 to the buyer client no later than the time the client decides to offer on the property.
 - A. True Discuss disclosing earlier
 - 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
 - B. That there is a \$1000 incentive for the in-house sale
 - 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. Show SOP 1-15

Case #16-13: Dealings Initiated by Another Broker's Client (Adopted May 1999.)

REALTOR® A, a residential broker, had recently listed a home. REALTOR® A's marketing campaign included "open houses" on several consecutive weekends.

One Sunday afternoon, Buyer B came to the open house. REALTOR® A introduced herself to Buyer B and asked whether Buyer B was working with another broker. Buyer B responded that he was, in fact, exclusively represented, but went on to add that he was quite familiar with the property, as it had been previously owned by a close personal friend. REALTOR® A told Buyer B that she would be happy to show Buyer B through the home, but reminded Buyer B that she represented the seller and not Buyer B.

After viewing the home, Buyer B indicated that he had pressing business travel plans, was seriously interested in the property, and requested REALTOR® A's assistance in preparing a purchase offer. REALTOR® A assisted Buyer B in filling out a standard form purchase contract, and later that day, presented the offer to the seller who accepted it.

REALTOR® A was subsequently charged with violating Article 16 for dealing and negotiating with a party who had an exclusive relationship with another REALTOR®.

At the hearing, REALTOR® A defended her actions, noting that she had told Buyer B that she was the seller's exclusive agent and, as such, would not and could not represent Buyer B's interests. She pointed out that it was only after Buyer B had insisted on writing a purchase offer without the assistance of his exclusive representative that REALTOR® A had agreed to do so. She concluded her defense by noting that Standard of Practice 16-13 authorizes dealings with the client of another broker in cases where those dealings are initiated by the client.

Review Standard of Practice 16-13 and note the key points