



ETHICS in the Age of Disruption



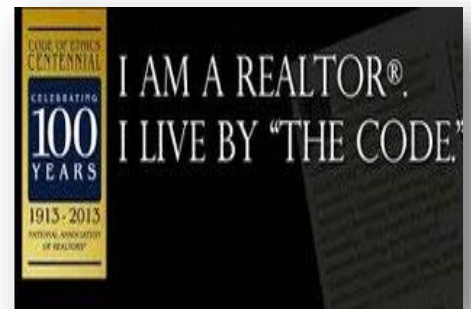
Student Notes

About the Code of Ethics Course

This course was created and designed to train and instruct REALTORS® on the practical application of the REALTOR® Code of Ethics and fulfills both a NCREC CE requirement and the REALTOR® Triennial Ethics Requirement.

Every three years the National Association of REALTORS® requires members to complete a REALTOR® Code of Ethics course in order to remain in good standing with their local, state and national associations. Courses that qualify and meet this requirement are offered by Associations. This course covers professional conduct, courtesies, business etiquette and real-life scenarios. REALTORS® are required to provide a valid certificate of course completion to their local association. The course must be one provided by a local, state or national REALTOR® Association.

The deadline for all REALTORS® to complete the mandatory Code of Ethics course is 12/31/2024 and every three-year period following that deadline.





About Superior School of Real Estate

Superior School of Real Estate is the premier real estate education partner in North Carolina. Founded by the legendary Bill Gallagher, Superior School's promise to its students is to focus on providing high quality instruction that is as entertaining as it is informative.

Superior has more DREI designated instructors than any other school in the country. Whether you are just getting started or a seasoned pro, Superior has you covered with high-quality North Carolina real estate courses, industry expertise and convenience.

Superior School of Real Estate owns this course, created with NAR ethics course requirements. We are pleased to bring you this course!

Student Notes

North Carolina Real Estate Commission

Continuing Education

Student Information Sheet

READ IMMEDIATELY UPON CHECKING IN

Basic CE Requirement (21 NCAC 58A.1702)

The CE requirement to maintain a license on active status is **eight (8) classroom hours per year** (each license period) consisting of the four (4) hour Real Estate Update course (mandatory for all licensees) and a four (4) hour elective. The content of the Update course changes each year.

Important Points to Note

- ☐ Newly licensed licensees do NOT need to take any CE prior to their **first license renewal** but must satisfy the CE requirement prior to their **second license renewal**.
- ☐ A course may not be taken for CE credit twice in the same license period. Make sure you have not already taken this course during the current license period.
- ☐ If your license is **inactive**, you should check with the Commission to ascertain the amount of CE you need to activate your license.

Attendance Requirement

In order to receive CE credit for a course, students must attend the entire scheduled class session. Sponsors and instructors may, on an individual basis, excuse a student for good reason for up to 10% of the scheduled class session (20 minutes for a 4 hour class session); however, a student must attend a minimum of 90% of the scheduled class session in order to receive a course completion certificate and CE credit. No exceptions to the 90% attendance requirement are permitted for any reason.

Student Participation Requirement

To help assure that the mandatory continuing education program will be one of high quality, students comply with the student participation guidelines that are set forth in the Superior School of Real Estate Policies and Procedures Document. Those include the following:

Instructors will specify the appropriate use of laptops and electronic devices. Cell phones must be silenced during class time and utilization of such devices will occur at one of the course breaks. Students are expected to conduct themselves in a manner which does not disrupt the class or other students. Visiting social media networking sites, checking email, or otherwise performing non-class related activities is considered a disruption to the classroom and is not acceptable student conduct. Students are expected to be engaged and participate in classroom activities as directed by the instructor.

Course Completion Reporting

Sponsors are responsible for reporting course completion information to the Commission via the Internet within **7 days of course completion**. Licensees are responsible for assuring that the real estate license number that they provide to the course sponsor is correct.

Licensees may address comments/complaints about courses, instructors, and/or sponsors to:

Continuing Education Officer
North Carolina Real Estate Commission
P.O. Box 17100
Raleigh, North Carolina 27619-7100

Certificates of Course Completion

Course sponsors will provide each licensee who satisfactorily completes an approved CE course a Certificate of Completion on a form prescribed by the Commission within 15 calendar days following a course. The certificate should be retained as the licensee's personal record of course completion. **It should not be submitted to the Commission unless the Commission specifically requests it.**

Please avoid calling the Commission office to verify the crediting of continuing education credit hours to your license record unless you believe that an error has been made. Please use our website to verify that your credit hours have been reported. Your cooperation in this regard will be especially needed during the May 15 - June30 period each year.

About the Author & Producer of this Course

Producer, Len Elder, JD, DREI, CDEI, REALTOR®



Len Elder, JD, DREI, CDEI, REALTOR® has accumulated over 40,000 hours of live classroom presentations and teaching, Len has excelled to the top of his field and is recognized nationally as an author, speaker, course developer and a Distinguished Real Estate Instructor (DREI) by the national Real Estate Educators Association.

With a B.A. degree in Speech Communications & Broadcasting and a law degree from Capital University, Len brings a multi-disciplinary approach into the classroom. His professional life spans the private practice of law, the mortgage banking industry, the real estate profession, and the educational profession. He has served on numerous committees. Len is the 2018 North Carolina Real Estate Instructor of the Year, author of the national 2018 Course of the Year and holds several other awards. More than anything else, Len believes that real estate education ought to have real value, be engaging and help real estate professionals in their careers.

Len is a long-standing member of the National Association of REALTORS®. He has spoken at the REALTOR® national convention and over the years has taught several thousand hours of courses that focus on the REALTOR® Code of Ethics. In 2018 Len created a REALTOR® Code of Ethics course entitled “Drama and the Code.” That previous course was recognized and awarded “Classroom Program of the Year,” by the National Real Estate Educators Association.

We are confident you will enjoy Len’s course written for Superior School of Real Estate entitled “Ethics in the Age of Disruption.”

Why This Course Was Written

At present the real estate industry is experiencing an Age of Disruption. There are massive technology changes that make the world in which real estate professionals practice much different than it was only a few short years ago.

The technology involves an avalanche of advertising and marketing on social media sites from Facebook to twitter. It involves the concepts of syndication and the marketing of properties across hundreds of listing databases and the dissemination of information to consumers at a record pace.

New business models are challenging the fundamental way that real estate transactions have frequently been conducted and in opposition to the role that real estate professionals previously played. Nobu Hata, National speaker and Director of Industry Outreach and Engagement Strategy for the National Association of REALTORS® has said the following:



Right now, agents are trying new concepts without regard to the REALTOR® Code of Ethics and the various rules and regulations which govern the industry. They are begging for forgiveness rather than seeking permission.

What if, the real question posed by iBuyer companies was “How much would a consumer pay to avoid a real estate agent?” And what if the answer that consumers were providing was “A lot”.

In this Age of Disruption where there are so many challenges to the professionalism of real estate licensees, our only hope as a profession rest on how well we fulfill fiduciary duties, our adherence to the REALTOR® Code of Ethics and the elevation of professionalism. This course was written to place the REALTOR® Code of Ethics in a contemporary light and to empower agents to use the Code in order to battle the current challenges they face.

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APPENDIX – REALTOR® Code of Ethics



INTRODUCTION

The Code and Disruption

Preparedness

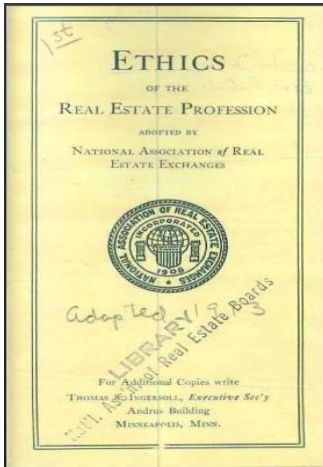
Origin of the Code

In the 1800's real estate was host to the Gilded Age of schemes. No professional licensure or regulatory agencies existed regarding real estate. Most of the regulatory commissions, departments of real estate and licensing entities that we have today were not created until the 1950's or 1960's.

These were the times of the infamous Boss Tweed. William Magear Tweed (1823-1878) was an American politician who acted as the boss of Tammany Hall, the democratic political machine in New York City. Through graft and corruption, Boss Tweed became the third largest landowner in New York City. He defrauded thousands of real estate owners and cost the city of New York millions of dollars. In political cartoons he was often depicted as the "vulture of real estate."

George Washington Plunkitt also operated within the framework of Tammany Hall and was heavily involved in corruption and graft involving politics and real estate. He is best known for his quote, "I seen my opportunities and I took 'em." Throughout his career, he defended his actions as a distinction between dishonest graft where you work only for your own interests and honest graft where you work for your interests and the interests of your friends.

Throughout the late 1800's and early 1900's commentary and exposure of the graft and corruption was made public by journalists and political cartoonists. In 1904 Lincoln Steffens published the Shame of Cities, a collection of articles for McClure's magazine that detailed the corruption across several major U.S. cities. At the same time, Thomas Nast, a cartoonist for Harper's Weekly brought attention to the abuse and created a major campaign that exposed Tammany Hall.



It was within this context that eleven leading members first met in Chicago on May 12, 1908 to form the National Association of Real Estate Exchanges (which would later become the National Association of REALTORS®) with 120 founding members. It consisted of 18 boards and one state association. Its founding objective was “to unite the real estate men of America for the purpose of effectively exerting a combined influence upon matters affecting real estate interests.” The goal was to create a code of conduct that elevated real estate from a self-serving business into a trusted profession.

In 1913, the first Code of Ethics was written to help elevate real estate professionalism. Today we often look at the Code of Ethics as a set of rules, obligations, and regulatory framework which if we do not follow can result in disciplinary action and civil liability. That viewpoint provides us a very narrow interpretation of the Code of Ethics and can prevent us from understanding its true value in protecting and promoting the interests of clients and the public. We sometimes fail to recognize the importance of the Code in building the trusted relationships that underlie and help define our profession. The Code of Ethics was not written to simply be a set of rules and regulations that REALTORS® were required to follow in order to avoid disciplinary action.

The first Board of Directors set out on a mission to help define why the public held certain professions in higher esteem than others. Collectively they wrote a set of instructions that outlined the conduct and activities that would positively add to the public's perception of real estate practitioners. The Code was intended to provide insight and guidance as to how real estate professionals could enhance an image which was tarnished at the time. Rather than a set of regulatory rules, the Code was the guide by which we could improve our professionalism and build a better image in the eyes of the public.

Student Notes

The Preamble to the Code of Ethics

CODE OF ETHICS and STANDARDS OF PRACTICE of the NATIONAL ASSOCIATION OF REALTORS®

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 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 of its integrity and honor. 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 can ever justify departure from this ideal.

Student Notes


Where Are We Today

Today the real estate profession is facing as much disruption as existed in the late 1800's and early 1900's. It just appears in a different form. The heavy use of technology and social media has made real estate professionals and their conduct more visible to the public. New business models challenge existing ways of doing business and are providing alternatives to consumers from the traditional role of client relationships and interaction with real estate professionals. The avalanche of information available to consumers on hundreds of listing databases means that real estate professionals are no longer the guardians of information. Growing concerns exist regarding the professionalism of real estate licensees.

With all these changes, real estate professionals must rethink their approaches to the practice of real estate. The best defenses that real estate licensees have in this age of disruption to distinguish themselves and provide value is more attention to fiduciary duties, the REALTOR® Code of Ethics and increased professionalism. Such attention increases trust.



Professionalism and Trust



**Case
Study
#1**

**How do you
elevate
professionalism
and trust on
Day #1**

Student Notes

The National Association of REALTORS® has reduced the Code of Ethics to a single page for use with consumers. The Code is reframed from what it means to real estate professionals to what it means to the public. Entitled the REALTORS® Pledge of Performance and Service these documents are available for REALTORS® at NAR.REALTOR.

Student Notes

Your REALTOR® Code of Ethics Roadmap

Duties to Clients & Customers

Article 1 – Protect & Promote the Interests of Clients

Article 2 – Present Accurate Facts

Article 3 – Co-operate with Other Brokers

Article 4 – Disclose Conflicts of Interest

Article 5 – Disclose Interests in the Property

Article 6 – Don't Accept Compensation without Consent

Article 7 – Don't Represent Multiple Parties without Consent

Article 8 – Keep Client Monies Separate

Article 9 – Get All Agreements in Writing

Duties to the Public

Article 10 – Don't Discriminate

Article 11 – Act in the Area of Your Expertise

Article 12 – Be Honest & Truthful in All Advertising & Marketing

Article 13 – Don't Engage in the Unauthorized Practice of Law

Article 14 – Cooperate with Disciplinary Actions

Duties to REALTORS®

Article 15 – Don't Make Reckless or False Statements About Others

Article 16 – Don't Interfere in Other's Agency Relationships

Article 17 – Mediate or Arbitrate Disputes



Module 1

Professional Conduct Tsunamis

An Overview

Student Notes

The practice of real estate today looks nothing like it did even a few short years ago. The advent and use of technology are everywhere. The profession now involves technology at every turn. Today's typical transactions are likely to include all the following scenarios:

- ☐ Agents regularly posting information on social media sites
- ☐ Sellers who want pricing consistent with their Zestimate
- ☐ A seller who is considering selling to an iBuyer company
- ☐ A buyer who is buying a residence with the intention of renting it out on an AirBNB site



You will not find the words “social media,” “Facebook,” “twitter” or “syndication” “Zestimate,” “iBuyer” or “AirBNB” anywhere within the REALTOR® Code of Ethics. However, it would be a mistake to believe that the Code does not speak to or address these issues. Learning how to apply the provisions of the REALTOR® Code of Ethics to these waves of change is an important lesson in this course.

Advertising on Social Media

September 18 at 5:37 PM · 🌐

Want to get your house sold quick for Top Dollar 🏡? Call me today 📞

KEEPINGCURRENTMATTERS.COM
4 Tips to Sell Your Home Faster
Since June of last year, we have seen an increase in the inventory of homes...

Case Study #2

What provisions of the Code of Ethics might this ad violate?

Student Notes

The provisions of Article 12 of the Code of Ethics state that:

“REALTORS® shall assure their status as real estate professionals is readily apparent in their advertising, marketing, and other representations.

When violations of the REALTOR® Code of Ethics are charged against REALTORS® only the actual Article itself is cited. The Code also contains standards of practice (SOP) that add additional insight and detail to the Article. A REALTOR® is never cited for violating an SOP, they are cited for violating the Article which is supported by the Standards of Practice.

Standard of Practice 12-5 of the Code of Ethics states that:

“REALTORS® shall not advertise...without disclosing the name of the REALTORS® firm.

Student Notes



Case Study #3

Do the words “sold quick” and “for Top Dollar” violate the Code of Ethics?

Student Notes

The provisions of Standard of Practice 1-3 state:

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

The provisions of Standard of Practice 1-4 state:

“REALTORS® when seeking to become a representative shall not mislead as to savings or benefits that might be realized through the use of the REALTORS® services.”



Case Study #4

What provisions of the Code does this website violate?

Student Notes

The provisions of Standard of Practice 12-9 state:

“REALTOR® firm websites shall disclose the firm’s name and state of licensure in a reasonable and apparent manner.”

Student Notes

The provisions of Standard of Practice 12-5 state:

“...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 the display with all required disclosures.”



Student Notes

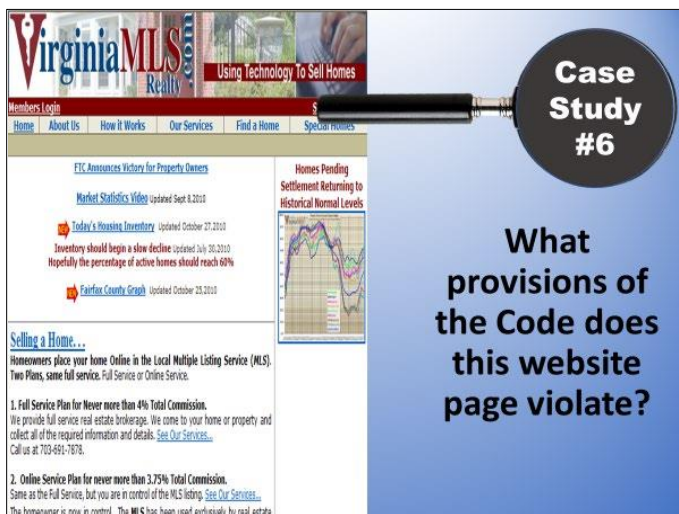
The provisions of Standard of Practice 1-9 state:

“REALTORS® shall not knowingly...reveal confidential information of clients.”

Real estate professionals should know to never share personal, financial, and motivational information regarding their clients. Such protections are necessary to fulfill the fiduciary duty that licensees have to their clients. Yet on social media, such sharing of information happens far too frequently. How many times have you seen posts on Facebook containing any of the following?

- ☐ Congratulations to...for being the new owners at...
- ☐ I wrote an offer today on a property at...
- ☐ We are negotiating on...
- ☐ Off to show my buyers a property at...

Marketing and promoting business on social media is important today. The moment however, that licensees begin typing in the names of their clients, a specific address under negotiation or one which their buyer may be interested in purchasing, licensees are sharing information that should be kept confidential.



Student Notes

The provisions of Standard of Practice 12-10 state:

**“the URLs and domain names they use prohibit REALTORS® from:
Engaging in deceptive framing, manipulating content, deceptively using metatags and keywords to divert traffic, misleading consumers with images...”**

The provisions of Standard of Practice 12-12 state:

“REALTORS® shall not: use URLs or domain names that represent less than a true picture, or register URLs or domain names which, if used, would present less than a true picture.

Ethics Demands Reasonable Competence

The REALTOR® Code of Ethics demands that real estate professionals act with reasonable competence. The services that are provided to consumers are expected to meet the standards of the profession. Reasonable competence is a fluid and fluctuating standard that is determined by statutes, rules, court cases and the state of the industry.

The provisions of Article 11 of the Code state:

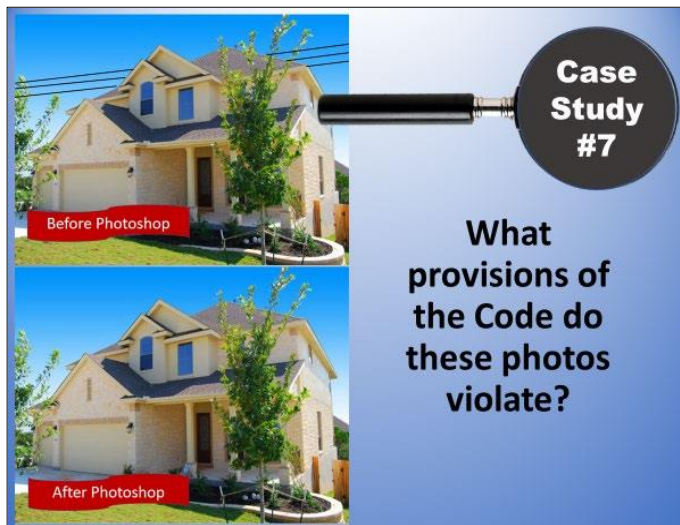
“The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines which they engage.”

Engaging in deceptive framing, manipulating content, deceptively using metatags and keywords to divert traffic, misleading consumers with images...”

What Does Reasonable Competence Look Like?

Student Notes

Practicing with reasonable competence regarding the REALTOR® Code of Ethics means more than just complying with the law or treating real estate as a business. The Code demands that REALTORS® treat real estate as a profession. It demands honesty, truthfulness in all aspects including the representations that are made by REALTORS®. Due to today's technology misrepresentations and omissions can occur in ways other than words.



Student Notes

Ethics Demands Professionalism

As real estate professionals it is time to take a closer look at how we appear to the public. Today we need to look no further than social media and the collective presence that is created in the public arena. If we try to put ourselves in the position of consumers, how would you perceive real estate professionals who post all the following on social media? How do these posts relate to the provisions of the REALTOR® Code of Ethics?

- ☐ Posts that demean or disparage other religions?
- ☐ Facebook ads that target gender, age, race or demographics?
- ☐ Posts that take political positions?
- ☐ Posts that take positions on controversial social issues?
- ☐ Posts that highlight wealth or money?
- ☐ Posts that deride or chide clients and consumers?

Student Notes

Recently, firms have begun to take action against agents who present themselves in a non-professional manner. Several agents across the country have been terminated for items posted on social media.

It would be incredibly unusual for consumers to find social media posts by doctors or lawyers that took political stances, ranted about controversial issues, bragged about their wealth or derided patients and clients. The real estate profession has been less cautious about such comments. The result is damaging to the way the public perceives the profession of real estate. If we are to abide by the Code of Ethics and remain professional in all that we do, then it is time to be more attentive to the way that we appear in the eyes of the public.

If we are facing a tsunami in terms of the eroding of professionalism in the industry, maybe, just maybe a large cause of that perception are the actions that each of us take.

Student Notes



Module 2

Consumers & Courtesy Tornadoes

Introduction to the Profiles

Student Notes

If we truly want to gain insight into the current state of ethics and professionalism through the eyes of the public, we should ask them directly what they think and find effective ways to deal with their concerns. That is exactly the task that has been undertaken by the National Association of REALTORS®.

Every year the National Association of REALTORS® sends out over 100,000 questionnaires to consumers that were involved in real estate transactions. The contact list is built based on public record filings and those who respond had to be involved in both the sale and the purchase of a home in that year. The results are collected by NAR's marketing and research department and published every year as the ***Profile of Home Buyers and Sellers***. The Profile contains a wealth of information.

By visiting the NAR website at NAR.REALTOR students can obtain the full Profile. There is a link to download just the highlights, but the full report complete with graphs, charts and insights can be purchased by NAR members for \$19.95.

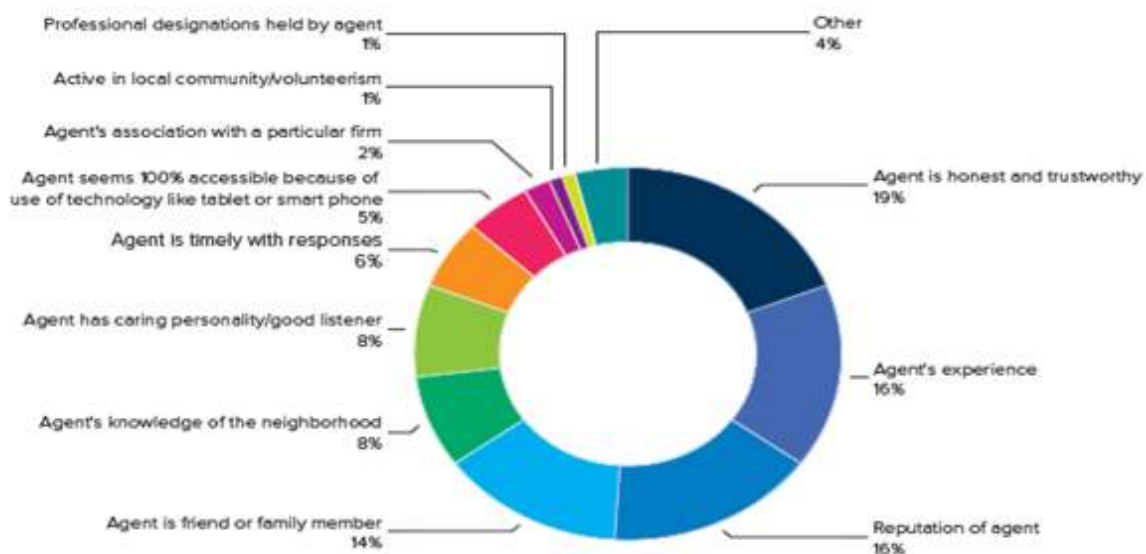
Student Notes

As real estate agents we sometimes hear that factors like the reputation of an agent's firm, the holding of professional designations or our specific knowledge of a neighborhood are the most important factors in how consumers choose a real estate professional. According to the Profile, nothing could be further from the truth.

When asked, "What was the most important factor when choosing an agent?" consumers responded that trust, reputation and experience outweighed everything else.

Trust, Experience & Reputation Outweigh Everything Else

Exhibit 4-16: Most Important Factors When Choosing an Agent
(Percentage Distribution)



When asked to rank the most important real estate agent skills and qualities a full 97% indicated that honesty and integrity ranked highest.

Only 64% of respondents were very satisfied with the selling process and 52% did not feel that they were provided with an adequate explanation of the negotiating of commission rates or fees.

CoreLogic which collects and distributes data to real estate professionals recently published their Image of Professionals survey. Their analysis starts with an analysis of why people hate real estate agents which concluded:



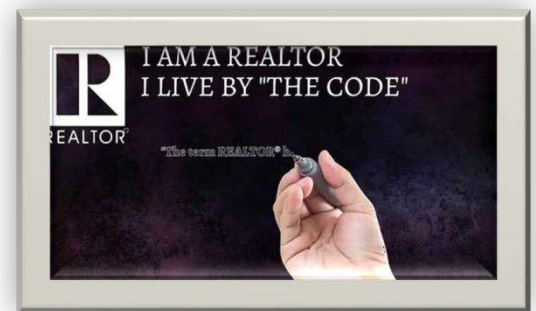
- ☐ Agents don't gain enough experience and knowledge to be true professionals in their industry.
- ☐ The agents seem too focused on money and their commissions.
- ☐ Agents don't know how to develop trust and relationships.
- ☐ Agents hound people for business.
- ☐ The process was more complicated and time consuming than clients thought.

The actual statistics from Core Logic's research are even more revealing:

- ☐ Only 9% of respondents claim real estate agents are trustworthy
- ☐ 1/3 expect to have a bad experience with a real estate agent
- ☐ Satisfaction with the agent declined 20% during the transaction
- ☐ 72% of agents don't share times on market with their client
- ☐ 49% did not show their recent sales
- ☐ 31% said they would not recommend their agent
- ☐ Nearly 20% were upset with their agent after the sale

Where's the Hope After the Storm?

With statistics such as these it is evident that the lack of professionalism and adherence to industry standards is harming the real estate profession. Such shortcomings make it difficult to build trust and impossible to elevate the perception of real estate professionals in the marketplace. The best way to change the direction of the industry and elevate real estate agents is to live by "The Code" that is required in order to maintain good standing as a REALTOR®.



The solution requires that real estate professionals engage in conduct which reflects an adherence to fiduciary duties. It demands that they follow a code of conduct as set forth in the REALTOR® Code of Ethics and that they constantly strive to elevate and display professionalism.

Increasing all of these elements requires providing consumers with an effective and meaningful way to resolve disputes and disagreements they may have with the real estate profession and the REALTORS® who serve it.

Dispute Resolution Options

In protecting and promoting the interests of the public it is critical that REALTOR®'s provide a method and manner of effectively and fairly dealing with disputes under the REALTOR® Code of Ethics. Let's face it, the typical consumer or REALTOR® who has a dispute with a member of the National Association of REALTORS® has three basic options if they feel aggrieved and want to seek remedy or redress:

1. **Contact a lawyer and pursue litigation**
2. **File a disciplinary action or complaint with the North Carolina Real Estate Commission**
3. **Utilize the dispute resolution methods set up by the National Association of REALTORS®**

Student Notes

Not all real estate licensees are subject to the REALTOR® Code of Ethics. Only REALTORS® are subject to the Code. They are held to the highest ethical standards as outlined by NAR's Code of Ethics and Standards of Practice. The Code of Ethics is designed to establish a public and professional consensus against which the practice and conduct of REALTORS® and REALTOR-ASSOCIATE®s may be judged. REALTORS® and REALTOR-ASSOCIATE®s in joining a Board signify their intention to abide by the Code and thereby enhance the public and professional image of themselves and all other REALTORS®. Adherence to the Code is the first great bond between REALTORS® and

REALTOR-ASSOCIATE®s throughout the country, and is an obligation voluntarily accepted by them to ensure high standards of professional conduct to serve the interests of their clients and customers. Each Board is responsible for enforcing the Code of Ethics pursuant to the Bylaws of the National Association. This duty must be discharged conscientiously and responsibly.

Conscientious enforcement is essential if REALTORS® and REALTOR-ASSOCIATE®s are to be recognized as professionals subscribing to standards of business and ethical conduct higher than those required by law. This duty must be discharged responsibly because of the importance to REALTORS® and REALTOR-ASSOCIATE®s of their reputation and the esteem of their peers. (*Amended 4/96*) Membership in a Board of REALTORS® has been recognized by the courts as a valuable property right. Therefore, any action by a Board limiting or denying the rights and privileges of a member must be justified, not only substantively but also procedurally. It is for this reason that failure to accord due process to a REALTOR® accused of a violation of the Code of Ethics can result in the reversal of the Board's decision by the civil courts and can expose the Board and its officers and members to liability for monetary damages and other penalties.

Due process is not a difficult concept, however, it is an essential one. Due process means nothing more or less than the right to a full and fair hearing before an impartial tribunal with a full and complete knowledge of the charges made and with adequate opportunity to prepare a defense. While the concept of due process is not difficult, its application to specific situations involving enforcement of the Code of Ethics can be troublesome. Therefore, before taking any disciplinary action which may lead to diminution of a member's rights or privileges, it is strongly recommended that the Board's attorney be consulted. Counsel will bring to the proceedings an informed and objective view of the controversy. Moreover, counsel can assure that the due process provided satisfies the requirements of local law. Procedures outlined in the *Code of Ethics and Arbitration Manual* will satisfy most requirements of due process, but the individual differences in the laws of each state will require interpretation and possible supplementation of the process in individual states.

Student Notes

The Parties to Complaints

The Board or Association may hear and resolve complaints involving all the following:

- ☐ Client vs. REALTOR®
- ☐ REALTOR® vs. Client
- ☐ Customer vs. REALTOR®
- ☐ REALTOR® vs. Customer
- ☐ REALTOR® vs. REALTOR®
- ☐ Board vs. REALTOR®
- ☐ REALTOR® vs. Board



Different Types of Complaints

Two Different Types of Complaints

Ethics Complaints



Arbitration Requests



In exercising its responsibility for the enforcement of the Code of Ethics, it is particularly important for the Board to distinguish between controversies which are properly the subject of arbitration and controversies involving the Code of Ethics. The Code of Ethics must not be used as a club or lever to settle business disputes between REALTORS®. For this reason, in complaints involving both charges of unethical conduct and request for arbitration, the dual complaint must be severed and arbitration heard prior to hearing any ethics charges.

Ethics Complaints

A violation of the Code of Ethics involves an offense against the Board and its members generally, as distinguished from an arbitration hearing which involves a dispute among two or more members individually, arising from some common transaction involving the rendering of real estate services. For this reason, it is never

appropriate for a Board, in an ethics proceeding, to award money damages to another REALTOR®. An ethics proceeding has two essential purposes: education and vindication. It is educational in that it raises the consciousness of members to the meaning and significance of the Code. Many ethics violations occur inadvertently or through ignorance, and the hearing proceeding serves as an effective educational tool. In filing a charge of an alleged violation of the Code of Ethics by a REALTOR®, the charge shall read as an alleged violation of one or more Articles of the Code. A Standard of Practice may be cited only in support of the charge. The Preamble is aspirational. Articles 1 through 17 establish specific obligations for which REALTORS® may be disciplined.

Code of Ethics Violation Penalties

The Board has wide latitude in the sanctions which may be applied for violations of the Code of Ethics. It must, however, act responsibly in the application of these sanctions, attempting always to make the punishment commensurate with the offense. Recommendations of Ethics Hearing Panels may range from a mild Letter of Warning to termination of membership as follows in order of severity, provided that such actions are specifically authorized in the Professional Standards procedures of the Board's bylaws:

- (a) Letter of Warning with copy to be placed in member's file;
- (b) Letter of Reprimand with copy to be placed in member's file;
- (c) Requirement that the member attend the ethics portion of the Board Indoctrination Course or other appropriate course or seminar specified by the Hearing Panel which the respondent could reasonably attend, taking into consideration cost, location, and duration;
- (d) Appropriate and reasonable fine not to exceed \$15,000 (*Revised 5/13*);
- (d) Membership of individual suspended for a stated period of time not less than thirty (30) days or more than one (1) year, with automatic reinstatement of membership in good standing at the end of the specified period of suspension. The thirty (30) day minimum and one (1) year maximum do not apply where suspension is imposed for a remediable violation of a membership duty (e.g., failure to pay dues or fees or failure to complete educational requirements.) The Directors may order suspension unconditionally, or they may, at their

discretion, give the disciplined member the option of paying to the Board, within such time as the Directors shall designate, an assessment in an amount fixed by the Directors, which may not exceed \$15,000 and which can be utilized only once in any three (3) year period, in lieu of accepting suspension. But, if the conduct for which suspension is ordered consists of failure to submit a dispute to arbitration, the Directors may not permit the disciplined member to avoid suspension without submitting to the arbitration in addition to paying the assessment, unless in the meanwhile the dispute has been submitted to a court of law without any objection by any party that it should be arbitrated; *(Revised 11/13)*

(f) Expulsion of individual from membership with no reinstatement privilege for a specified period of one (1) to three (3) years, with reinstatement of membership to be by application only after the specified period of expulsion, on the merits of the application at the time received (decision should be written clearly articulating all intended consequences, including denial of MLS participatory or access privileges); *(Amended 4/96)*

(g) Suspension or termination of MLS rights and privileges may also be utilized. Suspension of MLS services may be no less than thirty (30) days nor more than one (1) year; termination of MLS services shall be for a stated period of one (1) to three (3) years; *(Revised 5/02)*

(h) REALTORS® who participate in MLS or otherwise access MLS information through any Board or Association in which they do not hold membership are subject to the Code of Ethics in that Board or Association on the same terms and conditions as Board members. Discipline that may be imposed may be the same as but shall not exceed the discipline that may be imposed on members. Boards entering into regional or reciprocal MLS agreements are encouraged to include provisions requiring signatory Boards to respect, to the extent feasible, decisions rendered by other Boards involving suspension or expulsion from membership or from MLS. *(Revised 4/96)*

(i) Members may also be required to cease or refrain from continued conduct deemed to be in violation of the Code or take affirmative steps to ensure compliance with the Code, within a time period to be determined by the hearing panel. Where discipline is imposed pursuant to this subsection, the decision should also include additional discipline (e.g., suspension or termination of membership) that will be imposed for failure to comply by the

date specified, and to continue to comply for a specified period not to exceed three (3) years from the date of required compliance. *(Adopted 05/14)*

Arbitration Complaints

Requests for arbitration are separate from Code of Ethics complaints. As mentioned earlier, they are usually disputes arising between the parties regarding the providing of some type of real estate services. Usually, the heart of most arbitration complaints is regarding fees. Often they are related to offers of cooperation within the Multiple Listing Service. One of the most common types of arbitrations that Boards may have to deal with involve the issue of procuring cause and the entitlement to fees from cooperating brokers.



In arbitration hearings the Hearing Panel does not usually get involved in Code of Ethics sanctions. In fact, if a Code of Ethics violation is in order it should be handled separately and pursued subsequent to the arbitration. In the arbitration the Hearing Panel has full authority to make an award in any manner which it determines is just and equitable based on the Findings of Fact.

There are a lot of resources, including the Code of Ethics and Arbitration Manual on the National Association of REALTORS® website. NAR.REALTOR.

Student Notes

The Role of the Grievance Committee



The first stage of dispute resolution is review of the filed Complaints by a Grievance Committee. The function of the Grievance Committee is clearly distinguishable from the function of the Professional Standards Committee. The Professional Standards Committee is similar to a court. The court adjudicates matters that come before it. The Professional Standards Committee makes decisions on matters involving ethics or arbitration. If the function of the Professional

Standards Committee is understood as similar to a court, the function of the Grievance Committee can then be understood as similar to that of the grand jury. A grand jury evaluates potentially criminal conduct to determine whether the evidence and testimony presented warrants indictment and trial.

In a similar manner, the Grievance Committee receives ethics complaints and arbitration requests to determine if, taken as true on their face, a hearing is to be warranted. The Grievance Committee makes only such preliminary evaluation as is necessary to make these decisions. While the Grievance Committee has meetings, it does not hold hearings, and it does not decide whether members have violated the Code of Ethics. The Grievance Committee does not mediate or arbitrate business disputes. Grievance Committees are encouraged to hold regularly scheduled meetings. Meetings should be called often enough to ensure timely review of ethics complaints and arbitration requests.

In evaluating ethics complaints, the Grievance Committee may require a written response from the respondent(s). In such instances the respondent(s) should be provided with a copy of the ethics complaint and advised that failure to respond may be the basis for a charge of having violated Article 14 of the Code of Ethics. ***(See Form #E-4, Grievance Committee Request for Information [Ethics Complaint] and Form #E-5, Response to Grievance Committee Request for Information.)***

In evaluating arbitration requests, the Grievance Committee may request a written response to the arbitration request from the respondent(s). ***(See Form #A-5,***

Grievance Committee Request for Information [Arbitration Request] and Form #A-6, Response to Grievance Committee Request for Information).

If no response is filed within the time allotted, the Grievance Committee shall make its determination as to whether an arbitration hearing should be scheduled based upon the information set forth in the arbitration request.

Grievance Committee's Review of an Ethics Complaint

Upon receipt of an ethics complaint from the Board Secretary, the Chairperson of the Grievance Committee shall review the complaint and any evidence and documentation attached. The Chairperson may assign one or more members of the Grievance Committee to review the complaint and to make any necessary evaluation. The member(s) may, if necessary, gather additional information on the matters complained of if additional information appears necessary to make a knowledgeable disposition of the complaint. The complaint shall be provided to the assigned members by the Board Secretary upon instruction from the Chairperson.

The reviewer(s), if appointed, shall complete the assignment promptly and prepare a report and recommendation for the Grievance Committee. After reviewing the report, the Chairperson shall schedule a meeting of the Grievance Committee and may instruct the Secretary to provide members of the Grievance Committee with copies of the case file including the reviewer's report, if any. At the option of the Board, such file may be sent to the Grievance Committee members prior to the meeting or may be distributed at the meeting. **(PPT SLIDE # 40)**

Factors Considered in Reviewing an Ethics Complaint

In reviewing an ethics complaint, the Grievance Committee shall consider the following:

- (1) Is the ethics complaint acceptable in form as received by the Committee? If not in proper form, the Chairperson may request that the Elected Secretary or the Executive Officer contact the complainant to advise that the complaint must be submitted in proper form.
- (2) Are all necessary parties named in the Complaint?

- (3) Was the Complaint filed within one hundred eighty days (180) days of the time that the alleged offense and facts relating to it could have been known by the complainant in the exercise of reasonable diligence or within 180 days after the conclusion of the transaction, whichever is later?
- (4) Is the respondent named in the Complaint a member of the Board and was the respondent a member of the Board at the time of the alleged offense?
- (5) Is litigation or any government agency investigation or other action pending related to the same transaction?
- (6) Is there any reason to conclude that the Board would be unable to provide an impartial Hearing Panel?
- (7) Are the specific Articles cited in the complaint appropriate in light of the facts provided? Should additional Articles be cited? Should certain Standards of Practice be cited in support of the Articles charged? Are any inappropriate Articles cited?
- (8) If the facts alleged in the complaint were taken as true on their face, is it possible that a violation of the Code of Ethics occurred?

The Grievance Committee after reviewing all relevant facts must make a determination as to the eventual disposition and further handling of the Complaint. The Grievance Committee may:

- 1. Dismiss the Complaint if it does not meet the above criteria, must give Notice to all parties and notify the parties of appeal rights;**
- 2. Refer the Complaint to Mediation**
- 3. Refer the Complaint to the Professional Standards Committee for Arbitration**

The Role & Purpose of Mediation



Ethics mediation is a process that may be adopted at the discretion of boards and associations. Ethics mediation will require adoption of these procedures (either verbatim or as amended locally) by action of the local board of directors (or as otherwise provided in the local bylaws).

The Chair of the Professional Standards Committee and/or the Board President will select one or more ethics mediators to act on behalf of the committee. Mediators should be thoroughly familiar with the Code of Ethics, state real estate regulations, and current real estate practice.

Complaints brought by the public or by other REALTORS® may be mediated under these procedures. Complaints brought by the Grievance Committee and complaints alleging a violation of the public trust (as defined in Article IV, Section 2 of the NAR Bylaws) may not be mediated.

The ethics mediation process can be initiated in two ways. First is through filing a written ethics complaint. Second, through a personal, telephone, or written inquiry or complaint generally alleging potentially unethical conduct but which (a) is not filed on the appropriate form or (b) is not specific as to which Article(s) may have been violated.

Where a written ethics complaint in the appropriate form is received, it will be reviewed by the Grievance Committee so a determination can be made whether a possible violation may have occurred or, alternatively, whether the complaint should be dismissed as not requiring a hearing. Where an informal inquiry or general letter of complaint that does not allege a potential violation of the public trust is received, it will not be reviewed by the Grievance Committee, but will be referred to an ethics mediator.

Persons inquiring about the process for filing ethics complaints will be advised that ethics mediation is available as an alternative to a formal ethics hearing provided that all parties agree to participate, and also be advised they may decline or withdraw from mediation and have their complaint considered at a formal ethics hearing.

Similarly, REALTORS® complained about have the right to decline or withdraw from mediation and to have complaints against them considered at a formal ethics hearing.

When either a written ethics complaint in the appropriate form is reviewed by the Grievance Committee and the Grievance Committee concludes that a hearing is warranted, or when a general letter of inquiry or complaint is received, and the matter(s) complained of do not involve a possible violation of the “public trust”, the materials received will be referred to the ethics mediator who will contact the parties to schedule a meeting at a mutually agreeable time. During the mediation session the mediator will encourage all parties to openly and candidly discuss all issues and concerns giving rise to the inquiry or complaint, and to develop a resolution acceptable to all of the parties. In the event the mediator concludes that a potential violation of the public trust may have occurred, the mediation process shall be immediately terminated, and the parties shall be advised of their right to pursue a formal ethics complaint; to pursue a complaint with any appropriate governmental or regulatory body; to pursue litigation; or to pursue any other available remedy.

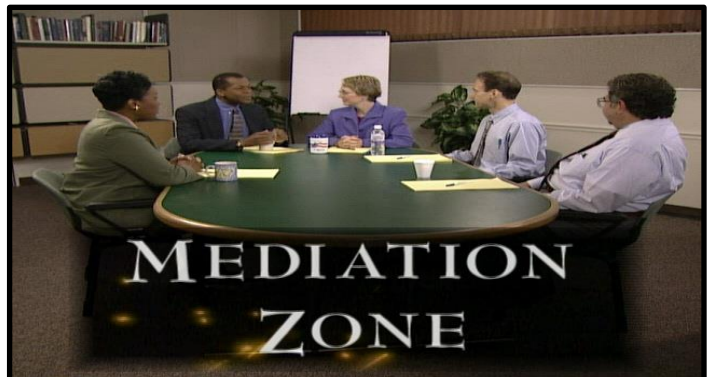
The mediator and the parties have considerable latitude in fashioning a mutually acceptable resolution. Resolutions can include, but are not limited to, payment of disputed funds, repairs or restoration of property, written or oral apology, or acknowledgement of a violation of the Code of Ethics. In cases where a REALTOR® acknowledges that the Code has been violated, that admission may be sufficient to resolve the matter or, alternatively, the parties may agree that discipline should be imposed. The discipline may, at the agreement of all parties, include any of the forms of discipline established in the *Code of Ethics and Arbitration Manual* and may also include payment of monies to the complainant or to a third party. Also, the parties may agree that the complainant will withdraw a complaint or agree not to file a formal, written ethics complaint in return for the respondent’s action or acknowledgement. Again, any discipline imposed must be agreed to by all of the parties.

Ethics mediators cannot refer concerns they have regarding the conduct of any party to mediation to the Grievance Committee, to the state real estate licensing authority or to any other regulatory body. This prohibition is intended to ensure impartiality and avoid the possible appearance of bias. Mediators are, however, authorized to refer concerns that the public trust may have been violated to the Grievance Committee.

Failure or refusal of a respondent to comply with the terms of any mutually agreed on resolution shall entitle the complaining party to resubmit the original complaint or, where a formal complaint in the appropriate form had not been filed, to file an ethics complaint. The time the matter was originally brought to the board or association's attention shall be considered the filing date for purposes of determining whether an ethics complaint is timely filed.

Guidelines for Mediators

The following guidelines are only suggestions for the mediation conference and are not intended to restrict the flexibility that is necessary for successful mediation. Failure to follow the guidelines does not affect an agreement otherwise acceptable to all parties.



At the mediation conference, the Mediator advises the parties that the purpose of the conference is to afford them a place to amicably resolve the dispute themselves and thus to avoid an inter-board arbitration hearing where they will have no control over the decision handed down by the arbitrators.

The Mediator may ask the complainant the nature of the dispute and/or what he/she is claiming, e.g. the dollar amount claimed and the basis for the claim. The Mediator may then ask the respondent why he/she feels the claim should be denied.

The Mediator encourages the parties to discuss the disputed matter(s) and executes control only as needed. Communication between the parties is vitally important and encouraged.

The Mediator may pull each party into a private discussion or caucus where he/she can note the strengths and weaknesses of each party's argument and discuss these with the parties.

The Mediator may also point out the alternative to a mediated settlement - arbitration - where the parties have no control over the amount of the award.

Student Notes



Issues of Procedure & Evidence in Arbitration

Part Ten of the Code of Ethics and Arbitration Manual details the procedures for conducting arbitration hearings. Traditionally, and pursuant to the procedures in the Manual, hearings have been conducted by panels of REALTOR[®] members of the Professional Standards Committee, with a panel chair appointed by the Chair of the committee.

Any of the following four (4) hearing officer options may be adopted locally to supplement the hearing procedures in the Manual. It is important to note that authorizing use of hearing officers supplements and is not a substitute for the Manual's arbitration hearing procedures.

Local boards/associations electing to implement the hearing officer concept in their arbitration processes will need to choose one of the following:

- 1) REALTOR[®] hearing officer(s) who chairs arbitration hearing panels of the Professional Standards Committee (either as an employee or as a volunteer).**
- 2) Staff hearing officer(s) who chairs arbitration hearing panels of the Professional Standards Committee.**
- 3) REALTOR[®] hearing officer(s) who sits alone and conducts arbitration hearings.**
- 4) Staff hearing officer(s) who sits alone and conducts arbitration hearings.**

Where a board/association routinely utilizes hearing officers (either REALTOR[®] or staff) sitting alone, complainants and respondents retain the right to have arbitration requests considered by a panel composed of members of the local Professional Standards Committee. Boards and associations have considerable latitude in establishing criteria that hearing officers must satisfy on an ongoing basis.

At a minimum, hearing officers must be thoroughly familiar with the arbitration procedures outlined in the Code of Ethics and Arbitration Manual, state real estate regulations, and current real estate practice. Hearing officers may also be required to periodically complete procedural training determined locally (e.g. seminars conducted by state or national associations, “distance learning” programs, including the Professional Standards component of NAR’s Advanced Administrative Concepts program, etc.).

Since enforcement of the Code of Ethics (including dispute resolution pursuant to Article 17) is a duty of the local Professional Standards Committee, hearing officers will act on behalf of and under the supervision of the Professional Standards Committee.

The Burden of Proof

In any ethics hearing or other hearing convened to consider alleged violations of membership duties and in any arbitration hearing, the ultimate burden of proving that the Code of Ethics or other membership duty has been violated, or that an arbitration award should be issued to the requesting party, is at all times on complainants and parties requesting arbitration.

The standard of proof on which an arbitration hearing decision is based shall be a “preponderance of the evidence.” Preponderance of the evidence shall be defined as evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it; that is, evidence which as a whole shows that the facts sought to be proved are more probable than not. “Clear, strong, and convincing” shall be the standard of proof by which alleged violations of all membership duties, including violations of the Code of Ethics, are determined. Clear, strong, and convincing shall be defined as that measure or degree of proof which will produce a firm belief or conviction as to the allegations sought to be established.

Ethics Complaints

Clear, Strong & Convincing

Arbitration Requests

Preponderance of the Evidence

Student Notes

Administrative Time Frames—Arbitration Proceedings

Situation Timetable

Grievance

- ☐ Request filed 180 days
- ☐ Response required/# of days to submit Optional/15 days from mailing request to respondent if response solicited
- ☐ Appeal dismissal to Directors 20 days from mailing dismissal notice
- ☐ Appeal of mandatory vs. voluntary classification 20 days from receipt of decision

Hearing

- ☐ Notification to respondent of request 5 days from receipt of Grievance Committee's instruction
- ☐ Response required 15 days from mailing request to respondent
- ☐ Challenge forms 10 days to challenge from date forms mailed
- ☐ Panel named 15 days from mailing challenge forms
- ☐ Hearing notice 21 days before hearing
- ☐ Arbitration case to panel Board option
- ☐ Notice of witnesses and attorney 15 days before hearing to Board and other party

Procedural Review

- ☐ Request filed 20 days from mailing award
- ☐ Preliminary review Optional number of days
- ☐ Amendment received Within 10 days of notice
- ☐ Review held by Directors Next/special meeting giving not less than 10 days' notice

Student Notes



Module 3

Eruptions of Business Etiquette

The Evolution of Business Models

The real estate profession is currently experiencing an eruption of various business models which take different approaches to the practice of real estate and the providing of services to consumers. Dealing with these various models of business will require REALTORS® to increase the level of their professionalism, heighten the level of their services and deal with these issues consistent with the provisions of the REALTOR® Code of Ethics.

Student Notes

The provisions of Article 15 of the Code of Ethics state:

“REALTORS® shall not knowingly or recklessly make false or misleading statements about other real estate professionals, their businesses, or their practices.”

We should take note that the language of Article 15 does not simply say that REALTORS® should refrain from making such comments about other “REALTORS®.” Article 15 states that such comments should not be made about “other real estate professionals, their businesses, or their practices.” What some of us have failed to realize is that real estate professionals work for all the following:

- ☐ Zillow
- ☐ Redfin
- ☐ OpenDoor
- ☐ Knock
- ☐ Offer Pad



If REALTORS® realize this basic fact and are truly living by the Code of Ethics then negative comments and posting about these alternative business models would appear to be in violation of the spirit and the intent of the Code. We should be hesitant to adopt an us versus them mentality. Maybe our paradigm about alternative business models in the industry needs revision to achieve a more professional approach.

iBuyers & A Professional Ethical Approach

iBuyers are simply a different business model by which real estate professionals and real estate companies are approaching the home buying and selling process. It is not a new concept. For many years there have been brokerages in the market who promoted and utilized programs that offered consumers the option of having the brokerage purchase the home if the home did not sell within a certain time frame at a certain price. iBuyer companies are an extension and expansion of this concept.

The premises and concepts upon which these alternative business models are based include the following fundamental beliefs:

- ☐ The process of selling a home can be a lengthy and torturous process.
- ☐ The tough part for most consumers is the interim period between selling their current home and buying the next one.
- ☐ There are a lot of real estate commissions charged in the transactions.
- ☐ Consumers will place a premium value on speed and certainty.
- ☐ There should be a way to use investor money to accelerate the process, avoid the uncertainty and ease consumer pain points.

Therefore, iBuyer companies were formed using investment pools of money to capitalize on real estate transactions. There are already millions of dollars invested in such endeavors and venture capital companies like Softbank Group literally have billions of dollars to invest if the appropriate rate of return can be achieved.

Who Are the Major Players?



Student Notes

OpenDoor

- Founded 2014
- Bid on homes
- Purchase & Resale Immediately
- 2019 Home Purchase Budget 2.5 Billion
- Total fundraising of over \$a billion and \$1.5 billion in debt
- Expansion from 10 to 50 markets planned
- Has Raised Over \$1 Billion After 6 Rounds of Funding

Offerpad

- Offers Selling & Buying Experiences
- Selling Similar to OpenDoor
- Buyers Get Access Without a Licensee
- Fees Typically 7%
- New to Charlotte & Raleigh
- Limits on Types
 - Less than \$500,000
 - Not more than 1 acre
 - Newer than 1960

Side by Side Comparison

Selling to Offerpad		Traditional offer	
Offerpad offer	\$235,000	Sales price	\$235,000
Service fee	-\$17,625	6% agent commissions	-\$14,100
Seller concessions	-\$0	2% seller concessions	-\$4,700
Repairs requested by Offerpad	TBD	Market-ready improvements	TBD
Overlap ownership costs	-\$0	Overlap ownership costs (1%)	-\$2,350
Net cash to seller	\$217,375	Net cash to seller	\$213,850

Zillow

- iBuyer is called Zillow Homes
- Greatest Benefit is Initial Contact with the Seller Lead
- Zillow Offers is Purchasing Leads as a Premier Agent (Competing Against Licensees)
- 2017 Revenues for all Lines \$1.07 Billion
- Projections are that listing leads alone could equal all of Zillow's revenue

Student Notes

There are a lot of things to keep in mind when competing with and encountering these different business models in the market:

- ☐ They have yet to be tested by downturns in the market
- ☐ Raising money does not equal profit
- ☐ Raising money does not equal market share
- ☐ Structuring these transactions is more complicated than it sounds
- ☐ Consumers must still participate in a closing process
- ☐ Lenders and Fannie Mae aren't necessarily fans

There are industry experts that predict the iBuyer models could achieve as much as a 60% share of all sales and purchases in the next year. However, in the end the only thing that is truly going to matter is the consumer's voice. Consumers will be the ones to answer two fundamental questions:

1. Is the convenience worth the cost?
2. Is the service worth the cost?

Viewed with these two questions in mind real estate professionals rather than denigrate or bash these services, would be well advised to take a hard look at the services they provide and approach the iBuyer phenomenon with a stance that is more in line with Article 15 of the Code of Ethics. Former Brokerage Outreach Director at Zillow, Jay Thompson, makes this argument in a well written article for Inman News.

The Role of Expertise

"More than ever, sellers need the help of a professional real estate agent, especially when there is an iBuyer offer on the table. The implication is they can go it alone or use a professional. The way we see it consumers need professional help to make the right decision."

FORBES, March 6, 2019



Student Notes

Potential violations of Article 15 by REALTORS® on social media posts is not limited to their collective comments about iBuyer companies. Zillow is another real estate entity and model often under attack. Remember real estate professionals work with Zillow and for Zillow on a regular basis.



Student Notes

Imagine if a REALTOR® from one real estate company such as ABC Realty posted such comments about a competitive firm in their market. The reason that Article 15 prohibits the making of false or misleading statements about other real estate professionals is because such remarks are damaging the reputation and integrity of the industry.

Airbnb & Property Management Business Models

Beyond the realm of sales, alternative business models are also appearing in the area of property management. Airbnb has become an online marketplace for rental properties that includes 4 million properties worldwide and has over 600,000 listings in the U.S. The listings range from entire properties to simple rooms. The site charges commissions to host bookings and also receives anywhere between 6% to 12% from the guests who choose this form of rental.



What Airbnb truly represents is the disintermediation of the hotel industry and the firing of property managers. It is yet another consumer empowered tool, just like the iBuyer companies. As an industry, real estate professionals should be focused on figuring out why these alternatives have become so popular and where have REALTORS® failed consumers that made these types of approaches attractive. Some of those reasons include:

- ☐ **Better value accommodation**
- ☐ **Huge ranges of price points**
- ☐ **Unique and unusual spaces**
- ☐ **Cost savings to both consumers and owners**
- ☐ **Convenience**

Many REALTORS® attended the most recent NAR National Conference in San Francisco and chose themselves to stay in Airbnb properties, only to walk down the street to the conference and complain about consumers choosing alternative business models throughout the real estate profession and demand that the leaders of our industry do something to stop these trends. As Jay Thompson suggested maybe rather than plead with leaders to address the problem, maybe we should be asking more personal questions about our own businesses such as:



- ☐ **Where are we failing to provide value?**
- ☐ **Are we offering consumers a range of price points and services?**
- ☐ **Are we focusing on their needs or our own?**
- ☐ **What can we do to lower consumer costs?**
- ☐ **How can we provide convenience more effectively than in the past?**

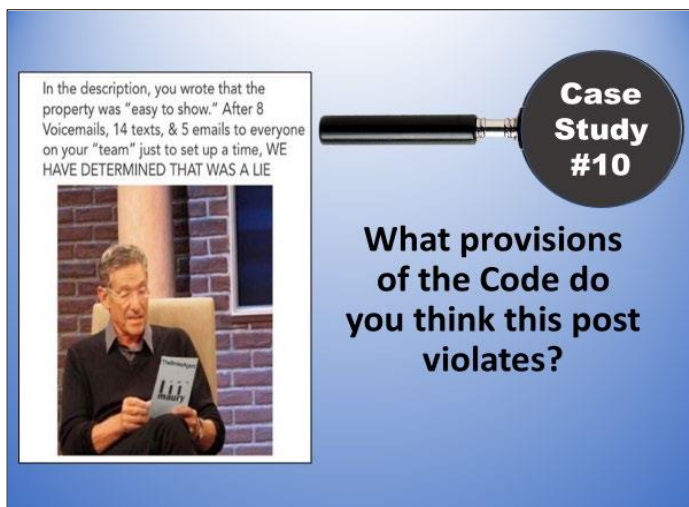
The Airbnb experiment requires additional knowledge and competence from real estate professionals when listing their own properties, helping consumers select properties that they can rent in this fashion and assisting clients in the use of Airbnb services. Just because the rentals of properties can occur on Airbnb sites, does not in

many states relieve the owner or the licensee from basic rental property requirements. Items that often get overlooked are:

- ☐ Tax consequence
- ☐ Insurance consequences
- ☐ HOA & zoning restrictions
- ☐ State rental law violations
- ☐ Mishandling of security deposits
- ☐ Safety issues such as smoke and carbon monoxide detectors

The Ethics of Relationships & Activities with Other Brokers

Throughout the REALTOR® Code of Ethics the importance of relationships between REALTORS® is addressed in several articles. Articles 15, 16 & 17 all deal with our duties to REALTORS®



In the description, you wrote that the property was "easy to show." After 8 Voicemails, 14 texts, & 5 emails to everyone on your "team" just to set up a time, WE HAVE DETERMINED THAT WAS A LIE

Case Study #10

What provisions of the Code do you think this post violates?

The graphic features a man in a suit sitting in a chair, holding a book. The background is a blue gradient with a magnifying glass icon over the text.

Student Notes

REALTORS® have obligations to not knowingly or recklessly make false statements. REALTORS® also have obligations to not take any action inconsistent with exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with clients.

The Commission Discussions

The Commission Discussions

Identity Hidden

Your opinion needed. If buyer's agent compensation posted in the MLS is significantly lower than the customary one, what do you do? Do you still take your buyers there? Do you negotiate it? Do you ask Buyers to compensate you? Any other ideas?

104 Comments

Like Comment

Case Study #11

What are the ramifications of a post of this Nature?

Student Notes

Two recently filed class-action antitrust lawsuits are now pending against the National Association of REALTORS®, several MLS's and several major real estate franchisors alleging that consumers have no ability to negotiate commissions with real estate professionals, that industry standards have been established and that policies of the association and its related MLS operations are in violation of federal anti-trust laws.

In *Moerhl v. National Association of REALTORS®*, Realogy Holdings, HomeServices of America, RE/MAX and Keller Williams, home sellers who listed their properties on several multiple listing services are claiming that NAR's MLS policies, which require all participants to cooperate with and compensate other participants, is a violation of antitrust law. The second lawsuit filed in the North District of Illinois by Sawbill Strategic alleges that NAR, Realogy, Home Services of America, RE/MAX and Keller Williams violated federal antitrust laws by requiring property sellers to pay the buyer's broker an inflated fee.

The claims are based in large part on the Sherman Antitrust Act which was created in 1890 and prohibits a conspiracy to fix prices and a conspiracy to boycott a competitor.

Also at issue in the cases are the MLS policies of requiring all brokers in a firm to belong to the Association in order to participate in MLS, limiting cooperating

compensation only to buyer's agents that agree to pay Association dues and some MLS policies which prohibit individual sole proprietor brokers from joining the MLS.

Any discussions regarding commissions, averages and the amounts charged should not be posted on social media sites, but there has been an avalanche of such postings. Even if the defendants in the lawsuits are not guilty of federal antitrust violations, many of the posts where agents have said all of the following probably are in violation:

- ☐ "I always charge the typical commission for my area."
- ☐ "I don't show properties which pay less than the average commission."
- ☐ "I don't have to work for anything other than what is common in my area."



The answer to elevating oneself professionally or ethically will always lie in the approach of delineating what you do best, how you approach this business, what you charge and the services you provide. Caution and warnings should always attach to any comments that REALTORS® may make about the business practices and operations of someone else. You can't build yourself up by tearing other people down.

Avoiding Eruptions Outside of Your Area of Expertise

Professional ethics and competence always demand that real estate professionals act within the area of their expertise. While many state licenses legally allow many REALTORS® to practice across an entire state and practice within any aspect of real estate, such a fact does not mean that they are necessarily competent to do so. REALTORS® should continually ask themselves two fundamental questions:

1. Do I have the necessary training and education to act regarding this topic?
2. Do I have the necessary experience, skill and care to deal with this area or issue?

Consider the number of times that you have seen real estate professionals post a legal or tax question in social media. One such recent post asked a question about suing a potential buyer for foundation problems. Although every real estate licensee is advised against providing legal or tax advice the post contained 29 comments from real estate professionals providing legal opinions based on the content of a five-line post.

The provisions of Article 11 of the Code state:

“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.”

Identity Hidden

Trying to rent a home ... got an applicant who verbally told me on the phone he has an emotional support animal ! The rental says no pets allowed but am I allowed to discriminate against an emotional support animal ? My guess is no ... but I asked what kind of animal and he says it doesn't matter ... thoughts ? Rules ?

5 173 Comments

[Redacted] The potential candidate' answer tells me he/she is a smart-ass wanna be...a legit pet owner will have no problem to tell you what they have. I see lots of Bit-bulls and similar aggressive breeds owners pushing this angle
Anyone, for \$90 on line can get a letter from a shrink they never talked to, spoke to or met, even from out of state:(

Like · Reply · 2d

[Redacted] Well private rentals a little tricky, my client rented her house for 4 years to a tenant with a cat and dog, apparently when she moved out, her dog and cat would pee everywhere , it went to her subfloor and she had to rip out everything, cost her thousands. She would never rent her house again with someone with pets!, she has a right to put in the listing no pets no smoking,

[Redacted] The Service dogs are not considered pets, but more like a medical aid/medication. The Emotional Support pet field is nuts; most cases are fake via a certificate on line. I wish the Feds would do something about it...

Like · Reply · 2d

Case Study #11

Lack of Knowledge About Basic Common Issues

Student Notes

New Developments & Changes

Article 3, at present, prohibits discrimination against a cooperating broker on the basis of any personal characteristic, including their membership in a protected class. This new standard of Practice highlights Article 3's prohibition on discrimination in order to reaffirm the National Association's commitment to diversity and a real estate industry free from the scourge of discrimination.

The language of the new proposed Standard of Practice to be included under Article 3 is proposed as follows:

REALTORS® may not refuse to cooperate on the basis of a broker's race, color, religion, sex, handicap, familial status, national origin, sexual orientation or gender identity.

There are also changes to Standard of Practice 12-2. The new provision will state:

Unless they are receiving no compensation from any source for their time or services REALTORS® may use the term "free" and similar terms in their advertising and in other representations only if they clearly and conspicuously disclose (a) by whom they are being, or expect to be paid (b) the amount of the payment or anticipated payment (c) any conditions associated with the payment, offered product or service and (d) any other terms relating to their compensation.

NAR's New Clear Cooperation Policy

To address a growing use of off-MLS listings, the National Association of Realtors® (NAR) Board of Directors voted 729-70 to approve a new rule affecting off-MLS listings, saying they must be submitted to the MLS within one business day after first marketing them to the public. The policy passed at the Board of Directors meeting on Monday. All MLSs must now adopt the policy before a May 1, 2020, deadline.

According to the committee's panelists, MLS Statement 8.0 does not prohibit brokers from taking office-exclusive listings, nor does it impede their ability to meet clients' privacy needs. It simply ensures that all buyers have fair access to the full range of residential listings. NAR doesn't want to overly regulate," says Jon Colie, vice president of MLS and industry relations for HomeServices of America and current chairman of the board for Mid-Atlantic regional Bright MLS. The policy doesn't eliminate private-office exclusives, "coming soon" listings, or even pocket listings, Colie says. Instead, it addresses what he called hybrids, meaning, "We're marketing it everywhere except the MLS."

Bill Lublin, broker-owner of Century 21 Philadelphia and a former chair of the committee, was among the majority of forum attendees who spoke in favor of the proposal, calling it a critical step in preserving cooperation in an increasingly fractionalized environment.

"There's no fractionalized market that is not exclusive, and that is not who we are," Lublin said in a direct appeal to the committee prior to its vote. "I have had the honor of teaching real estate in many countries. They would open a vein to have the MLS that you are here to protect today."

Full text of MLS Statement 8.0

Within one (1) business day of marketing a property to the public, the listing broker must submit the listing to the MLS for cooperation with other MLS participants. Public marketing includes, but is not limited to, flyers displayed in windows, yard signs, digital marketing on public facing websites, brokerage website displays (including IDX and VOW), digital communications marketing (email blasts), multi-brokerage listing sharing networks, and applications available to the general public.

Student Notes

Module 4

Hurricanes Over North Carolina

REALTORS® who practice in North Carolina are required to comply with both the REALTOR® Code of Ethics and the statutes and rules of the State of North Carolina.

Student Notes

Advertising in Accordance with NC Rules & Statutes

Every real estate advertisement in North Carolina requires two fundamental parts. It is required that the ad be published with the consent of the broker-in-charge and also that the name of the broker or firm appear in each ad. These fundamental principles are contained in Rule A.0105 which provides as follows:

(a) Authority to Advertise.

- (1) A broker shall not advertise any brokerage service or the sale, purchase, exchange, rent, or lease of real estate for another or others without the consent of his or her broker-in-charge and without including in the advertisement the name of the firm or sole proprietorship with whom the broker is affiliated.**

Since it is clear that both the rules of the NC Real Estate Commission and the provisions of the NAR Code of Ethics extend beyond the traditional advertising in which brokers engaged, licensees should be cautious and prudent about including firm names on all social media and listing databases.

The Commission rule requires that the advertisement contain the name of the brokerage firm, not just a franchise name. Licensees should use the formal name of the brokerages with which they are affiliated according to NCREC records. Just uploading a logo for a major franchise does not provide the name of the brokerage.

Although the Code contains a limited “linkage exemption,” such an exemption only exists where the display of the firm name is not practical. The North Carolina Real Estate Commission rules DO NOT contain a linkage exception and the firm name needs to appear on websites and social media posts without the consumer needing to click anywhere in order to see the firm name.

All licensees should make certain that their brokerage names are appearing on the social media sites that they create.

Consent of the Broker-in-Charge

The consent of the broker-in-charge requirements in Rule A.105 is a reiteration of the duties and obligations of a broker-in-charge as set forth in Rule A.0110(g)(3) which states that:

(g) A designated BIC shall:

(3) be responsible for the conduct of advertising by or in the name of the firm at such office;

While it is not technically required that the broker-in-charge specifically review every single advertisement that is conducted in a real estate brokerage, the Commission's rule imposes full liability on the broker-in-charge for advertising issues. Therefore, at a minimum the BIC should have:

- ☐ Office policies that accurately reflect the rules and regulations
- ☐ A system or process for reviewing and approving advertisements
- ☐ Periodic review of the advertising that is being conducted by the firm's brokers
- ☐ A policy for maintaining accurate records and copies of advertising



**Current Issues Group
Discussion**

Student Notes

The Limits of Licensed Activity

craigslist

\$191,500, 5br, Beautiful NEW Home Now

Case Study #13

Is this legal?

Motivated private seller willing to pay \$1,000 referral fee to any person who refers a buyer.

Student Notes

It is important to understand where the authority of the NCREC begins and where it ends. In North Carolina, the Commission has authority over those engaged in real estate brokerage. The scope of that authority is defined by statute. §93A-1 provides in pertinent part that:

It shall be unlawful for any person, partnership, corporation, limited liability company, association, or other business entity in this state to act as a real estate broker, or directly or indirectly to engage or assume to engage in the business of real estate broker or to advertise or hold himself or herself or themselves out as engaging in or conducting such business without first obtaining a license issued by the North Carolina Real Estate Commission...

§93A-2(a) assists us in defining that further by providing that:

A real estate broker within the meaning of this chapter is any person, partnership, corporation, limited liability, association, or other business entity who for compensation or valuable consideration or promise thereof lists or offers to list, sells or offers to sell, buys or offers to buy, options or offers to auction (specifically not including a mere crier of sales), or negotiates the purchase or sale or exchange of real estate, or who leases or offers to lease, or who sells or offers to sell leases of whatever character, or rents or offers to rent any real estate for the improvement thereon, for others.

Even though individual owners are exempt when advertising or marketing their own property, they should be cautious about engaging in real estate brokerage activities. For example, private homeowners who advertise their homes for sale in Craigslist cannot offer a referral fee to any person who refers a buyer. The payment of such compensation by an unlicensed person to an unlicensed person would be in violation of the North Carolina statute regarding the providing of brokerage services.

Fiduciary Duties

Similar to the REALTOR® Code of Ethics, licensees in North Carolina are bound to fulfill obligations of fiduciary duties to clients and have professional obligations to customers. The requirements of North Carolina agency agreements and disclosure are set forth in Rule A.0104. The provisions of Rule A.104 include all of the following:

- ☐ Use of the Working with Real Estate Agents Publication
- ☐ Disclosure of Duties & Obligations
- ☐ Requirements of Dual & Designated Agency
- ☐ Requirements of Agency Employment Agreements



Because of the fiduciary duties owed in North Carolina to clients, licensees should also be aware that in North Carolina the representation of buyers on residential properties that the licensee owns is prohibited by Rule A.104(o):

A broker who is selling property in which the broker has an ownership interest shall not undertake to represent a buyer of that property except that a broker who is selling commercial real estate as defined by Rule .1802 of this Subchapter in which the broker has less than 25% ownership interest may represent the buyer of that property if the buyer consents to the representation after full written disclosure of the broker's ownership interest.



Current Issues Group Discussion

Student Notes

Competence

Acting competently is important enough that the 2019-2020 General Update Course and the Broker-in-Charge Update Course contain a substantial portion of material on the issue.



Current Issues Group Discussion

Student Notes



North Carolina Professionalism & Competence in Property Management

In North Carolina three separate statutes govern the rules for the conduct and practices of property management. These include:

- ☐ NC Residential Rental Agreements Act
- ☐ NC Security Deposit Act
- ☐ NC Vacation Rental Act

Because these laws are state statutes and not NC Commission Rules they must be followed by everyone who leases property in North Carolina.



Those who choose to promote and lease properties through Airbnb sites should do so in a manner that is consistent with state laws. If the property meets the definition of a vacation rental by being provided for recreation or leisure purposes for a period of less than 90 days the NC Vacation Rental Act requires:

- ☐ All security deposits to go into a trust account
- ☐ All deposits must be returned within 45 days
- ☐ All leases less than 90 days must be in writing
- ☐ Vacation rentals require all advance deposits to be held in trust until occupancy



Code of Ethics and Standards of Practice of the NATIONAL ASSOCIATION OF REALTORS®

Effective January 1, 2023

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. Upon the written request of a cooperating broker who submits an offer to the listing broker, the listing broker shall provide, as soon as practical, a written affirmation to the cooperating broker stating that the offer has been submitted to the seller/landlord, or a written notification that the seller/landlord has waived the obligation to have the offer presented. REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord. REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing purchase contract or lease. *(Amended 1/20)*

- **Standard of Practice 1-8**

REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. Upon the written request of the listing broker who submits a counter-offer to the buyer's tenant's broker, the buyer's/tenant's broker shall provide, as soon as practical, a written affirmation to the listing broker stating that the counter-offer has been submitted to the buyers/tenants, or a written notification that the buyers/tenants have waived the obligation to have the counter-offer presented. 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 1/22)*

- **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 seller. *(Adopted 1/10, Amended 1/23)*

- **Standard of Practice 3-10**

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

- **Standard of Practice 3-11**

REALTORS® may not refuse to cooperate on the basis of a broker's race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity. *(Adopted 1/20, Amended 1/23)*

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, disability, 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, disability, familial status, national origin, sexual orientation, or gender identity. *(Amended 1/23)*

REALTORS®, in their real estate employment practices, shall not discriminate against any person or persons on the basis of race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity. *(Amended 1/23)*

- **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, disability, familial status, national origin, sexual orientation, or gender identity. *(Adopted 1/94, Renumbered 1/05 and 1/06, Amended 1/23)*

- **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)*

- **Standard of Practice 10-5**

REALTORS® must not use harassing speech, hate speech, epithets, or slurs based on race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity. *(Adopted and effective November 13, 2020, Amended 1/23)*

Article 11

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

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

- **Standard of Practice 11-1**

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

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

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

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

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

● **Standard of Practice 11-2**

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

● **Standard of Practice 11-3**

When REALTORS® provide consultive services to clients which involve advice or counsel for a fee (not a commission), such advice shall be rendered in an objective manner and the fee shall not be contingent on the substance of the advice or counsel given. If brokerage or transaction services are to be provided in addition to consultive services, a separate compensation may be paid with prior agreement between the client and REALTOR®. (*Adopted 1/96*)

● **Standard of Practice 11-4**

The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly imposed by the Code of Ethics; and the duties imposed by law or regulation. (*Adopted 1/02*)

Article 12

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

- **Standard of Practice 12-1**

REALTORS® must not represent that their brokerage services to a client or customer are free or available at no cost to their clients, unless REALTOR® will receive no financial compensation from any source for those services. *(Amended 1/22)*

- **Standard of Practice 12-2**

(Deleted 1/20)

- **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.