

Blueprint for Success

The Code of Ethics Buyer Representation and Your Proposition

Continuing Education





Blueprint for Success: The Code of Ethics, Buyer Representation, and Your Value Proposition

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Course Objectives

At the End of This Course, You Will Be Able to:

- Recall the purpose of the NAR and the overall structure of the Code of Ethics and Standards of Practice
- Compare and contrast the Code of Ethics and Standards of Practice with general business codes of conduct
- Identify at least two aspirational concepts in the Preamble to the Code of Ethics
- Recall the professional standards enforcement process of the board or association when an ethics complaint is lodged

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Course Objectives

At the End of This Course, You Will Be Able to:

- Recall Code of Ethics Articles relating to duties to clients and customers
- Recall Code of Ethics Articles relating to duties to the public
- Recall Code of Ethics Articles relating to duties to REALTORS®
- Identify Standards of Practice in support of Article 1, and possible violations of Article 1

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Course Objectives

At the End of This Course, You Will Be Able to:

- Identify Standards of Practice in support of Article 3, and possible violations of Article 3
- Recall the ethics of buyer representation
- Recall how ethical conduct supports a REALTOR®'s value proposition
- Recall how to adapt real estate practices while living by the Code of Ethics

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The National Association of REALTORS® Code of Ethics: Preamble and Enforcement

Chapter Overview

Introduction

- Explore a brief overview of the Code's structure, and how the Code of Ethics and business ethics compare and contrast
- Review aspirational concepts presented in the Code's Preamble and the process for enforcing the code

Lesson Objectives

- Recall the purpose of the NAR and the overall structure of the Code of Ethics and Standards of Practice
- Compare and contrast the Code of Ethics and Standards of Practice with general business codes of conduct
- Identify at least two aspirational concepts in the Preamble to the Code of Ethics
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Overview of the National Association of Realtors®

Largest trade association in the U.S.
Established in 1908

Aim to enhance professionalism and ethical practices in real estate industry

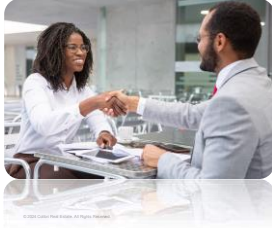
Code of Ethics

Adopting and abiding by Code is requirement of membership



6

The NAR Code of Ethics Compared to Business Codes of Ethics



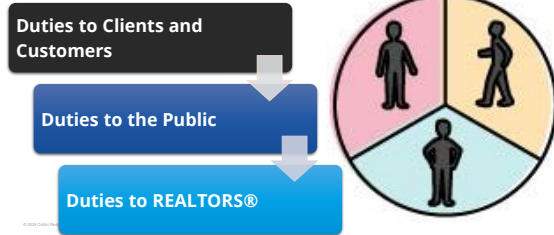
NAR Code of Ethics is specific set of guidelines designed for real estate professionals who are members of NAR

Business codes of ethics (corporate codes of conduct) broader and apply to wider range of professional conduct

Both serve as framework for ethical decision-making and behavior within respective contexts

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To Whom the Code Applies and the Code's Major Sections



8

How the Code Evolves



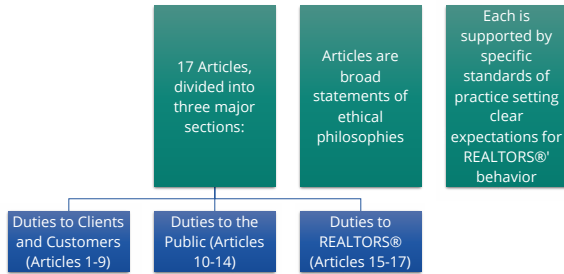
Regularly updated to remains relevant and continues to uphold highest standards of professionalism in real estate industry

Representation of key principles that guide REALTORS® in professional conduct

Adherence to the Code is requirement for all REALTORS®

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Structure of the Code



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Knowledge Check

Which of the following BEST describes the difference between an Article and a Standard of Practice in the Code of Ethics for real estate professionals?

- A. An Article is a specific rule that a REALTOR® must follow, while a Standard of Practice is a broad ethical philosophy.
- B. An Article is a broad statement of ethical philosophy, while a Standard of Practice is a specific rule that supports, interprets, and strengthens the Article.
- C. An Article and a Standard of Practice are the same thing, just different terms used interchangeably.
- D. An Article is a guideline for professional behavior, while a Standard of Practice is a legal requirement.

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Knowledge Check

Which of the following BEST describes the difference between an Article and a Standard of Practice in the Code of Ethics for real estate professionals?

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- D. An Article is a guideline for professional behavior, while a Standard of Practice is a legal requirement.

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Code Violations

If ethical violation, complaint will involve the Article the member allegedly violated

Standards of Practice may be used when discussing violation, but is the Article that is the subject of the complaint, not the Standard of Practice

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Knowledge Check

REALTOR® Avery has an ethical complaint filed against him. When referencing the Code of Ethics, what number is the subject of the complaint?

- A. The Article number
- B. The Standard of Practice number
- C. The statute number

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Knowledge Check

REALTOR® Avery has an ethical complaint filed against him. When referencing the Code of Ethics, what number is the subject of the complaint?

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- B. The Standard of Practice number
- C. The statute number

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☰ Preamble to the Code of Ethics, 1 of 2

“Under all is the land. Upon its wise utilization and widely allocated ownership depend on 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.

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☰ Preamble to the Code of Ethics, 1 of 2

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.

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☰ Preamble to the Code of Ethics, 1 of 2

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)

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☰ Preamble to the Code of Ethics, 2 of 2

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.

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☰ Preamble to the Code of Ethics, 2 of 2

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.

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☰ Preamble to the Code of Ethics, 2 of 2

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."

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☰ Preamble to the Code of Ethics, 2 of 2

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.”

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☰ Aspirational Concepts of the Preamble

Contains several aspirational concepts that guide conduct of real estate professionals

Wise utilization and applying Golden Rule are often cited

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🔍 Knowledge Check

How does the Preamble to the Code of Ethics begin?

- A. *We, the People ...*
- B. *Article #1:*
- C. *Under all is the land.*
- D. *Real estate licensees owe certain duties.*

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Knowledge Check

How does the Preamble to the Code of Ethics begin?

- A. *We, the People ...*
- B. *Article #1:*
- C. *Under all is the land.*
- D. *Real estate licensees owe certain duties.*

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Eliminating Harmful Practices

Always act in manner that upholds integrity of the profession

Avoid any actions or behaviors that could be misleading, dishonest, or harmful

Must not take advantage of clients or public for personal gain

Recent litigation alleges public was misled by licensees and taken advantage of for licensees' personal gain, resulting in antitrust violations of price fixing



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Eliminating Harmful Practices

In several class action lawsuits:

Courts determined claims have merit and damages have been awarded

Antitrust element automatically tripled damages awarded

Several cases going through appeals process

Sellers alleged they must offer cooperative compensation if wanted properties shown by buyers' agents

Buyers alleged they were informed that agent's services were free and agents failed to disclose may have paid higher price for property to enable seller to cover buyer agent's commission

**NAR Settles;
Changes In Effect 8/17/2024**

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? Knowledge Check

What complaints did recent class action lawsuits allege against real estate professionals?

- A. Fraud
- B. Price fixing
- C. Theft

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? Knowledge Check

What complaints did recent class action lawsuits allege against real estate professionals?

- A. Fraud
- B. Price fixing
- C. Theft

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📄 Protecting Your Practice from Litigation



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☰ Cooperation and Exclusive Representation

Refers to duty of REALTORS® to cooperate when in client's best interest and represent best interests of clients above all others, including their own

A listing agreement specifies terms listing agent owes to seller while buyer agency agreement specifies duties agent owes to a buyer

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☰ Professional Standards Enforcement

Authority to enforce rests in local member boards and state associations through Grievance and Professional standards committees

Professional Standards Committee interprets the Code and establishes appropriate enforcement procedures

Violations of Article is subject to investigation and potential consequences



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☰ Investigating a Complaint

Enforcement process begins with complaint filed against REALTOR® to local association or board

Complaints reviewed by Grievance Committee, which determines merit

If committee finds potential violation, the case is referred to Professional Standards Committee

Professional Standards Committee is responsible for conducting thorough investigation

Accused REALTOR® is provided with opportunity to respond and present their case

Confidentiality is crucial to protect reputations of all parties involved



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? Required Poll Question Activity

Who or what entity initially receives an ethical complaint filed against a REALTOR®?

- A. The Professional Standards Committee
- B. The local association or board
- C. The managing broker

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? Required Poll Question Activity

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? Knowledge Check

Who or which entity initially reviews an ethical complaint filed against a REALTOR® to determine whether further investigation is required?

- A. The Grievance Committee
- B. The local association or board
- C. The managing broker

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? Knowledge Check

Who or which entity initially reviews an ethical complaint filed against a REALTOR® to determine whether further investigation is required?

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- C. The managing broker

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? Knowledge Check

Who or which entity thoroughly investigates an alleged ethical violation?

- A. The local association or board
- B. The managing broker
- C. The Professional Standards Committee

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? Knowledge Check

Who or which entity thoroughly investigates an alleged ethical violation?

- A. The local association or board
- B. The managing broker
- C. The Professional Standards Committee

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Post-Investigational Process

Once investigation complete, proceeds to hearing if resolution can't be reached

Panel of peers from Professional Standards Committee listens to both sides during hearing

Decides whether violation occurred

Determines discipline if violation is found

Goal is not just punitive but also to educate and rehabilitate members

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Knowledge Check

Beyond enforcement, what is one purpose of an outcome of an ethical violation?

- A. Punishment
- B. Damage awards
- C. Education

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Knowledge Check

Beyond enforcement, what is one purpose of an outcome of an ethical violation?

- A. Punishment
- B. Damage awards
- C. Education

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? Knowledge Check

One purpose of an ethical investigation is to instill confidence and trust in the public for REALTORS®. Another purpose is to ensure that REALTORS® are treated

- A. swiftly.
- B. harshly.
- C. lightly.
- D. justly.

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? Knowledge Check

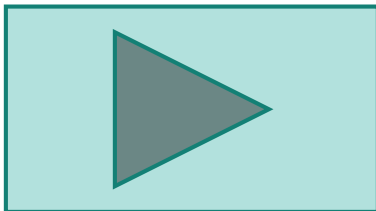
One purpose of an ethical investigation is to instill confidence and trust in the public for REALTORS®. Another purpose is to ensure that REALTORS® are treated

- A. swiftly.
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▶ A Complaint Is Received



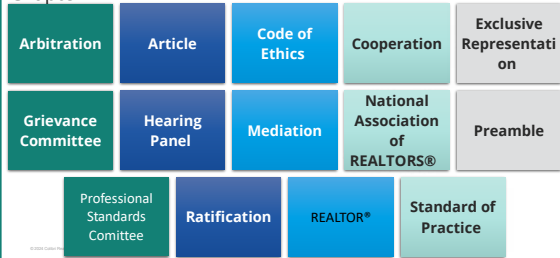
Start the Video to Follow Jacqui and Toni, Through the Complaint Resolution Process

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Key Terms

Chapter 1



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Summary

Chapter 1

- NAR Code of Ethics Realtor® Requirements
- NAR Code of Ethics vs. Business Codes of Ethics
- Code of Ethics Overview
- Preamble to the Code of Ethics Provisions
- Aspirational Concepts of the Preamble
- Lawsuit Protection Precautions
- Code of Ethics Complaint Process

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Summary

Chapter 1 (cont.)

- Grievance Committee Role in Complaint Process
- Professional Standards Committee Role in Complaint Process
- Confidentiality Aspects of Complaint Process
- Complaint Resolution Procedures
- Disciplinary Actions and Intentions
- Complaint Decision Ratification Process

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1

Duties to Clients, Customers, the Public, and REALTORS®

Chapter Overview

Introduction

- Discuss the three major sections of the Code of Ethics and Standards of Practice, each covering duties owed to specific groups; the first section applies to duties owed to clients and customers, the next covers duties to the public, and the third covers duties to other REALTORS®

Lesson Objectives

- Recall Code of Ethics Articles relating to duties to clients and customers
- Recall Code of Ethics Articles relating to duties to the public
- Recall Code of Ethics Articles relating to duties to REALTORS®

2

Article 1

Article 1
relates
to loyalty

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3

Article 2

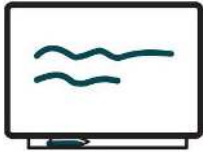
Article 2 relates to truthfulness, reasonable skill and care, disclosure, and confidentiality

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)

4

Article 2

EXAMPLE



REALTOR® Burt knowingly provided inaccurate information about a property's square footage to a potential buyer. This is a breach of Article 2, which prohibits exaggeration, misrepresentation, or concealment of pertinent facts related to the property or the transaction. Square footage is a significant and material detail that can influence a buyer's decision, and knowingly providing incorrect information about it would be considered a violation of the Code of Ethics.

5

Article 2 Standards of Practice

Standard of Practice 2-1

REALTORS® only obligated to discover and disclose adverse factors within scope of expertise

Standard of Practice 2-4

REALTORS® shall not be parties to false consideration in any document unless obviously nominal amount

Standard of Practice 2-5

Disclosure requirement of Article 2 does not relate to factors that are considered "non-material" by law or don't require disclosure

6

? Knowledge Check

What is one of the primary focuses of Article 2?

- A. Loyalty
- B. Obedience
- C. Value
- D. Truthfulness

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? Knowledge Check

What is one of the primary focuses of Article 2?

- A. Loyalty
- B. Obedience
- C. Value
- D. Truthfulness

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Article 3

Article 3 is
all about
cooperation

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9

Article 4

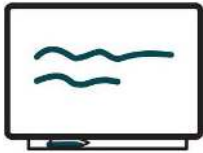
REALTORS® shall not acquire an interest in or buy or present offers from themselves, any member of their immediate families, their firms or any member thereof, or any entities in which they have any ownership interest, any real property without making their true position known to the owner or the owner's 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)



10

Article 4

EXAMPLE



REALTOR® Melanie presents an offer from her brother to a seller and fails to disclose their relationship. This is a violation of Article 4. The requirement to disclose personal interest is in place to ensure transparency in real estate transactions and to prevent conflicts of interest. REALTORS® must disclose familial connections to property being bought or sold when they are involved in the transaction.

11

Article 4 Standard of Practice

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)*

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? Knowledge Check

REALTOR® Janyce is a partner in a cleaning service with her sister. She recommends their cleaning service to her seller client who is preparing their house for the market. She tells her client that she is a partial owner but fails to make this disclosure in writing. Has Janyce violated Article 4?

- A. Yes
- B. No

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? Knowledge Check

REALTOR® Janyce is a partner in a cleaning service with her sister. She recommends their cleaning service to her seller client who is preparing their house for the market. She tells her client that she is a partial owner but fails to make this disclosure in writing. Has Janyce violated Article 4?

- A. Yes
- B. **No**

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Article 5

Article 5 requires disclosure of personal interest to all parties before providing professional services

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.

No Standards of Practice accompany Article 5

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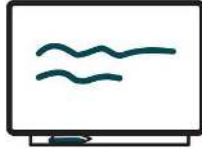
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Article 5

REALTOR® Niles owns shares in a real estate development company and, without disclosure, provides a comparative market analysis (CMA) on properties within that development to potential buyers. This is a violation of Article 5. This rule emphasizes the importance of transparency in real estate transactions, ensuring that all parties involved are fully informed about any potential conflicts of interest that may impact the REALTOR®'s objectivity in providing professional services.

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EXAMPLE



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Article 6

Article 6 has to do with disclosing sources of compensation and affiliated business arrangements

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

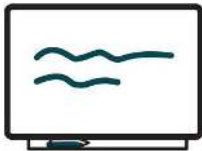
When recommending real estate products or services (e.g., homeowner's insurance, warranty programs, mortgage financing, title insurance, etc.), REALTORS® shall disclose to the client or customer to whom the recommendation is made any financial benefits or fees, other than real estate referral fees, the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

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Article 6

EXAMPLE

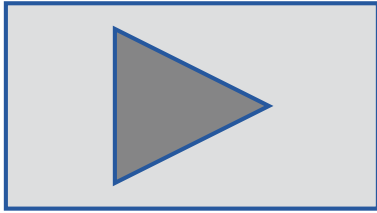


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REALTOR® Briana negotiates a home improvement contract on behalf of her client and receives a commission from the contractor without disclosing this financial arrangement to her client. This is a violation of Article 6.

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▶ Article 6



Start the Video to See an Example of How One Brokerage Exemplifies Article 6

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📄 Article 6

Standard of Practice 6-1

- Requires disclosure of personal interest when recommending services of another business or organization

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❓ Knowledge Check

REALTOR® Hymie recommends a landscaping company to his client and fails to disclose that he is a part owner in the company. This is a violation of Article 6.

- A. True
- B. False

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Knowledge Check

REALTOR® Hymie recommends a landscaping company to his client and fails to disclose that he is a part owner in the company. This is a violation of Article 6.

- A. True
- B. False

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Article 7

Article 7 specifically mentions compensation from more than one party

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)

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No Standards of Practice accompany Article 7

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Article 7

REALTOR® Shayna facilitates the sale of a property and negotiates compensation from both the seller and the buyer without disclosing this to either party or obtaining their informed consent. This is a breach of Article 7.

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EXAMPLE



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Article 8

Article 8 relates to the separation of trust funds

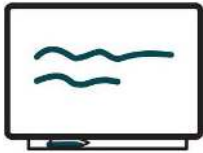
REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

No Standards of Practice accompany Article 8

25

Article 8

EXAMPLE



REALTOR® James deposits an earnest money check from a buyer into his personal checking account, intending to withdraw the funds and place them into the brokerage trust fund on the next business day. This is a violation of Article 8.

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Article 9

Article 9 requires contractual terms to be committed to writing "whenever possible"

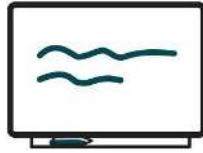
REALTORS®, for the protection of all parties, shall assure whenever possible that all agreements related to real estate transactions including, but not limited to, listing and representation agreements, purchase contracts, and leases are in writing in clear and understandable language expressing the 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)

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Article 9

REALTOR® Bijou negotiated contractual terms on behalf of her buyer client. She failed to get an agreement to extend the closing date by one week in writing. As such, her client risked losing their earnest money deposit due to a breach of contract. This violates Article 9 of the Code of Ethics.

EXAMPLE



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Article 9 Standards of Practice

Standard of Practice 9-1

Requires contractual agreements to be kept current through written extensions or amendments

Standard of Practice 9-2

If using electronic transaction management required to make reasonable effort to explain contractual terms before agreed to

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Knowledge Check

REALTOR® Kip carefully documented all terms of the agreement between the parties in writing, obtained the necessary signatures, and kept copies on hand of all documents. He failed to provide his client with a copy of one document. He complied with Article 9.

- A. True
- B. False

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Knowledge Check

REALTOR® Kip carefully documented all terms of the agreement between the parties in writing, obtained the necessary signatures, and kept copies on hand of all documents. He failed to provide his client with a copy of one document. He complied with Article 9.

- A. True
- B. **False**

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Article 10

Article 10
prohibits
discrimination
based on
protected class
status

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)

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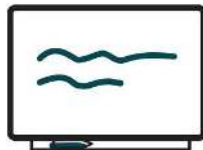
32

Article 10

REALTOR® Nan declines to work with a couple seeking to buy a home solely because they are a same-sex couple, a clear violation of Article 10. This article prohibits discrimination in the provision of professional services based on various protected characteristics, including sexual orientation.

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EXAMPLE



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Article 10 Standards of Practice

Standard of Practice 10-1

- When involved in the sale or lease of a residence, shall not volunteer information regarding the ethnic, racial, or religious composition of any neighborhood, nor engage in panic selling

Standard of Practice 10-2

- When not involved in the sale or lease of a residence, may provide demographic information related to property if it is deemed to be needed to assist with or complete transaction or assignment and is obtained from recognized, reliable, independent, and impartial source
- Source of information must be disclosed

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Article 10 Standards of Practice

Standard of Practice 10-3

Cannot create or share any statement or ad about selling or renting a property that shows preferences, restrictions, or discrimination based on protected class

Standard of Practice 10-4

Clarifies that "real estate employment practices" relate to employees and independent contractors providing real estate services and clerical and administrative staff who directly support them

Standard of Practice 10-5

Prohibits from using harassing speech, hate speech, or slurs about protected classes

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Article 10 Standards of Practice

NOTE



The prohibition against REALTORS® engaging in hate speech and harassment in Standard of Practice 10-5 has been widely accepted to include their personal social media posts

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Article 11

Article 11 requires REALTORS® to practice real estate with a level of reasonable competence expected of the activity

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.

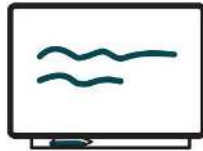
REALTORS® shall not undertake to provide specialized professional services concerning a type of property or service that is outside their field of competence unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the 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)

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Article 11

REALTOR® Jerry specializes in the Westwood neighborhood, so when a new strip mall is being built nearby, he would love to handle the leasing for commercial tenants. However, because he has no expertise in commercial transactions, doing so without expert assistance would be a violation of Article 11. Jerry could, however, partner with a broker who specializes in commercial leasing. It would be a way for him to gain some competence in this area.

EXAMPLE



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Article 11 Standards of Education

Standard of Practice 11-1

- Requires knowledge and competence of property type and market when providing opinion of value
- Requires specific information to be provided when giving opinion

Standard of Practice 11-2

- Outside of an appraisal, Code of Ethics should interpreted and applied in accordance with standards of competence and practice that clients and public reasonably expect of real estate licensees to protect interests

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Article 11 Standards of Education

Standard of Practice 11-3

- When offering advisory services to clients and charging a fee (not commission), must give advice in fair and unbiased way, and fee should not depend on content of advice
- If client wants brokerage or transaction services along with advisory services, separate payment arrangement can be agreed upon in advance

Standard of Practice 11-4

- Requirement for competency relating to services contracted for between REALTORS® and clients and customers, duties imposed by the Code of Ethics, and duties imposed by law or regulation

40

? Required Poll Question Activity

Which Article in the NAR Code of Ethics prohibits discrimination?

- A. Article 10
- B. Article 11

41

? Required Poll Question Activity

Which Article in the NAR Code of Ethics prohibits discrimination?

- A. **Article 10**
- B. Article 11

42

Article 12

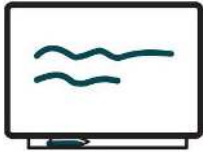
Article 12 relates to honest and truthful communication

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)

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Article 12

EXAMPLE



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REALTOR® Liza created an online listing for a property, describing it as having a breathtaking ocean view, spacious rooms, and high-end finishes, while in reality, the property had a limited ocean view only from the unfinished attic, smaller than average rooms, and lacked any high-end finishes. This misrepresentation in advertising violates the obligation to be honest and truthful in real estate communications as outlined in Article 12.

44

Article 12 Standards of Practice 12-1 Through 12-7

Standard of Practice 12-1

- Can't claim that brokerage services are free or cost-free to clients unless won't receive any compensation

Standard of Practice 12-3

- May offer premiums, prizes, discounts, or other incentives to encourage listing, selling, purchasing, or leasing, must be transparent and clear about terms and conditions of offer
- Must comply with state laws and ethical obligations

Standard of Practice 12-4

- May not offer for sale or lease, or advertise property without proper authorization
- If listing broker, must not quote price different from one agreed upon with seller

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Article 12 Standards of Practice 12-1 Through 12-7

Standard of Practice 12-5

- REALTORS® and affiliates must not advertise services or listed property without disclosing name of firm in reasonable and visible way

Standard of Practice 12-6

- When advertising unlisted real property for sale/lease with ownership interest, must disclose status as owners/landlords and REALTORS®

Standard of Practice 12-7

- Only REALTORS® who participated in transaction as listing or cooperating broker may claim to have "sold" property
- Cooperating broker may post "sold" sign before closing only with listing broker's consent

46

Article 12 Standards of Practice 12-8 Through 12-13

Standard of Practice 12-8

Must present accurate information on websites and make reasonable efforts to keep it current

Standard of Practice 12-9

Requires websites of REALTORS® and those of affiliated non-member licensees disclose firm's name and state(s) of licensure in reasonable and apparent manner

Standard of Practice 12-10

Requires truthful representation in online content and prohibits deceptive practices and misleading consumers

47

Article 12 Standards of Practice 12-8 Through 12-13

Standard of Practice 12-11

REALTORS® intending to share or sell consumer information collected online must disclose this possibility clearly

Standard of Practice 12-12

Can't use URLs or domain names that misrepresent true nature of services

Standard of Practice 12-13

Can only use and display professional designations, certifications, and credentials to which they are legitimately entitled

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Knowledge Check

If a licensee fails to indicate their status as a real estate professional when marketing the property, this violates the Code of Ethics.

- A. True
- B. False

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49

Knowledge Check

If a licensee fails to indicate their status as a real estate professional when marketing the property, this violates the Code of Ethics.

- A. True
- B. False

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50

Article 13

Article 13 prohibits the unauthorized practice of law

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.

No Standards of Practice for Article 13

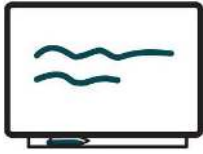
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Article 13

EXAMPLE



REALTOR® Fiona was faced with an unusual circumstance in a real estate transaction. None of her brokerage's transactional forms met the needs of her client, so she drafted a new contract borrowing some language from existing contracts and writing the rest herself. This is a violation of Article 13 and puts her license in legal jeopardy.

52

Article 14

Article 14 requires a REALTOR® to cooperate in a complaint investigation

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)

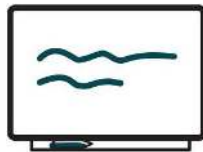
No Standards of Practice for Article 14

53

Article 14

REALTOR® Davida was charged with unethical practices by her Member Board and, instead of cooperating and presenting all pertinent facts, she intentionally withheld relevant information by providing incomplete and misleading information. She has violated Article 14, further compounding her difficulties.

EXAMPLE



54

Article 15

Article 15 prohibits REALTORS® from making false or misleading statements about other real estate professionals or their businesses or practices

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)

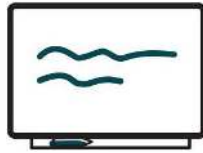
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55

Article 15

REALTOR® Chad filed an ethics complaint against a competitor, REALTOR® Mason, because Mason was winning most of the business in Chad's neighborhood. The ethics complaint had no merit, but Chad filed it anyway, hoping to slow Mason's winning streak down. Chad has violated Article 15.

EXAMPLE



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Article 15 Standards of Practice

Standard of Practice 15-1 May not knowingly or recklessly file false or unfounded ethics complaints

Standard of Practice 15-2 Clarifies obligation to refrain from making false or misleading statements about other real estate professionals includes not knowingly or recklessly publishing, repeating, or republishing false or misleading statements made by others

Standard of Practice 15-3 Duty to republish a retraction or correction or to remove statements made by others on electronic media that are under the control of the REALTOR®

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? Knowledge Check

Micah's website includes a comment board. One of the comments from a site visitor disparaged one of Micah's competitors, raving about Micah's service in comparison. Micah knows the comments about her competitor are untrue but she likes the fact that she looks good by comparison. She can leave the post as it is, and let people decide for themselves.

- A. True
- B. False

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58

? Knowledge Check

Micah's website includes a comment board. One of the comments from a site visitor disparaged one of Micah's competitors, raving about Micah's service in comparison. Micah knows the comments about her competitor are untrue but she likes the fact that she looks good by comparison. She can leave the post as it is, and let people decide for themselves.

- A. True
- B. False

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59

Article 16

Article 16 prohibits REALTORS® from interfering with the exclusive agency agreements of others

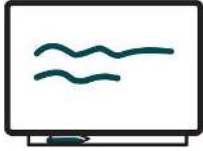
REALTORS® shall not engage in any practice or take any action inconsistent with exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with clients. (Amended 1/04)

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Article 16

EXAMPLE



REALTOR® Bonnie wants to make inroads into the Narnia Neighborhood. Whenever she sees a For Sale sign go up in Narnia by one of her competitors, she sends a postcard mailing to those homes specifically, advertising her services, and offering to discount them for any Narnia homeowners. Because Bonnie is targeting sellers already under a listing contract, this is a violation of Article 16.

61

Article 16 Standards of Practice 16-1 Through 16-4

Standard of Practice 16-1

Allows for aggressive or innovative business practices that are ethical and do not prohibit disagreements with other REALTORS®

Standard of Practice 16-2

Does not preclude REALTORS® from making general announcements to prospects describing services even if some recipients are in exclusive relationships with another REALTOR®

62

Article 16 Standards of Practice 16-1 Through 16-4

Standard of Practice 16-3

- Does not preclude REALTORS® from contacting client of another broker for the purpose of offering different type of real estate service unrelated to one currently provided
- Information received through a Multiple Listing Service may not be used to target clients of other REALTORS®

Standard of Practice 16-4

- If listing broker refuses to disclose expiration date of listing, REALTOR® may contact owner and may discuss terms for future listing or take listing effective upon expiration of existing exclusive listing

63

Article 16 Standards of Practice 16-5 Through 16-10

Standard of Practice 16-5

If broker refuses to disclose expiration date of exclusive agreement, REALTOR® may contact buyer/tenant and discuss terms for future agreement or enter into buyer/tenant agreement effective upon expiration of existing agreement

Standard of Practice 16-6

When REALTORS® are contacted by client of another REALTOR® about creating exclusive relationship, they may discuss terms for future agreement or enter into agreement effective upon expiration of existing agreement

Standard of Practice 16-7

When prospect has retained REALTOR® exclusively in past, does not preclude other REALTORS® from seeking prospect's future business

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Article 16 Standards of Practice 16-5 Through 16-10

Standard of Practice 16-8

- If exclusive agreement entered into with REALTOR®, doesn't preclude any other REALTOR® from entering into agreement after expiration

Standard of Practice 16-9

- Before entering into representation agreement, must make reasonable effort to determine if prospect is already under a current, valid, exclusive agreement with another REALTOR®

Standard of Practice 16-10

- When buyer/tenant representative, inform seller or landlord's representative about relationship during first contact
- Provide written confirmation of disclosure by the time purchase agreement or lease is executed

65

Article 16 Standards of Practice 16-11 Through 16-15

Standard of Practice 16-11

For unlisted properties, when acting as buyer/tenant representatives, must disclose relationship to seller/lessor during the initial contact and provide written confirmation of disclosure by the time any agreement is executed

Request for anticipated compensation from seller/lessor should be made during first contact

Standard of Practice 16-12

Requires agency disclosure when representing sellers/lessors or when acting as subagents to buyers/tenants as soon as possible

Must provide written confirmation of disclosure by the time agreement is executed

66

Article 16 Standards of Practice 16-11 Through 16-15

Standard of Practice 16-13

Requires REALTORS® to deal with agents of consumers rather than consumers themselves unless agent consents or initiates dealings

Must ask if consumers are parties to exclusive representation

Must not provide substantive assistance concerning prospective transaction if under exclusive agreements

67

Article 16 Standards of Practice 16-11 Through 16-15

Standard of Practice 16-14

- REALTORS® allowed to enter into contracts or negotiate with individuals not under exclusive agreements
- Should not knowingly commit individuals to pay more than one commission without informed consent



Standard of Practice 16-15

- In cooperative transactions that include compensation, REALTORS® must compensate cooperating principal brokers
- Should not compensate or offer to compensate, directly or indirectly, any sales licensees affiliated with other REALTORS® without prior express knowledge and consent of cooperating broker

68

Article 16 Standards of Practice 16-16 Through 16-20



When acting as subagents or buyer/tenant representatives, must not use terms of offer to purchase or lease to modify cooperative compensation nor may they make submission of offer contingent on modification

69

Article 16 Standards of Practice 16-16 Through 16-20

This does not preclude, in a purchase agreement, a buyer from writing into their offer a seller credit to the buyer an amount sufficient to cover the buyer agent's fee

NOTE



70

Article 16 Standards of Practice 16-16 Through 16-20

Standard of Practice 16-17

REALTORS® acting as subagents, buyer/tenant representatives, or brokers, must not try to extend offer of cooperation and/or compensation made by listing broker to other brokers without permission from listing broker

Standard of Practice 16-18

Prohibits using information obtained from listing brokers through offers to cooperate, to refer listing brokers' clients to other brokers or establish buyer/tenant relationships with listing brokers' clients unless have explicit permission

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Article 16 Standards of Practice 16-16 Through 16-20

Standard of Practice 16-19

- Prohibits putting up sale, rent, or lease signs on property without owner's or lessor's permission

Standard of Practice 16-20

- Before and after leaving current firm, should not encourage clients to cancel exclusive agreements between client and that firm
- Does not prevent REALTORS® (principals) from creating agreements with associated licensees that specify assignability of exclusive agreements

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🔍 Knowledge Check

Jamaal is a REALTOR® and an out-of-town client wants to see a property listed by another firm. Jamaal checks the showing instructions, which state "Call LA to show." He can't immediately reach the listing agent so he phones the seller to schedule the showing. Did he violate any Articles in the Code of Ethics?

- A. No
- B. Yes

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🔍 Knowledge Check

Jamaal is a REALTOR® and an out-of-town client wants to see a property listed by another firm. Jamaal checks the showing instructions, which state "Call LA to show." He can't immediately reach the listing agent so he phones the seller to schedule the showing. Did he violate any Articles in the Code of Ethics?

- A. No
- B. **Yes**

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📖 Article 17

Article 17 emphasizes obligation of to mediate and arbitrate disputes, and follow policies set forth by Board rather than resorting to litigation



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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.

75

Article 17

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)

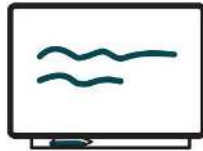
76

Article 17

REALTOR® A and REALTOR® B are involved in a contractual dispute related to a real estate transaction. The local Board requires its members to mediate such disputes. Instead of following the mandated mediation process, REALTOR® A decides to file a lawsuit against REALTOR® B in court, bypassing the mediation requirement.

In this situation, REALTOR® A is violating Article 17 by choosing litigation over mediation, contrary to the outlined process for resolving disputes between REALTORS® associated with different firms.

EXAMPLE



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Key Terms

Chapter 2

- ☒ Affiliated Business Arrangement
- ☐ Competence
- ☐ Disclosure
- ☐ Personal Interest
- ☐ Unauthorized Practice of Law
- ☐ URL

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Summary

Chapter 2

- NAR Code of Ethics Articles and Standards of Practice Overview
- Articles 1 – 17 Provisions and Applicable Standards of Practice

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Blueprint for Success: The Code of Ethics, Buyer Representation, and Your Value Proposition

1

Article 1: Loyalty, Honesty, and Fairness

Chapter Overview

Introduction

- Take a closer look at Article 1 of the Code of Ethics and Standards of Practice, especially as it relates to an aspirational concept in the Code's Preamble: eliminating harmful practices

Lesson Objectives

- Identify Standards of Practice in support of Article 1, and possible violations of Article 1

2

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)

3

Recent Litigation and Avoiding Article 1 Violations

Several cases alleged antitrust violations, saying traditional practice of sellers having to pay commissions for both agents keeps commissions artificially high

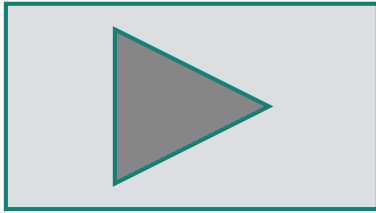
To avoid issues in this area:

- Be meticulous in adhering to legal and ethical standards
- Carefully review and understand policies of MLSs
- Prioritize transparency when negotiating commissions with clients



4

John Violates Article 1



Start the Video to See How a REALTOR®, John, Erroneously Explains Compensation to Seller Maria

5

Knowledge Check

In what way has John violated Article 1?

- He recommended she pay a buyer agent commission.
- He didn't explain Maria's options.

6

🔍 Knowledge Check

In what way has John violated Article 1?

- A. He recommended she pay a buyer agent commission.
- B. He didn't explain Maria's options.

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7

▶ Rewind: John Adheres to Article 1



Start the Video and Let's Give John Another Chance

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8

🔍 Knowledge Check

What is the difference between these two scenarios?

- A. No difference. In both cases, the seller paid both sides of the commission.
- B. In the second scenario, John explained Maria's options, and she made the choice.

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🔍 Knowledge Check

What is the difference between these two scenarios?

- A. No difference. In both cases, the seller paid both sides of the commission.
- B. In the second scenario, John explained Maria's options, and she made the choice.

10

📋 Standards of Practice 1-1 through 1-3

Standard of Practice 1-1:

- When acting as principal in transaction, Code of Ethics still applies to REALTORS®

Standard of Practice 1-2:

- The Code of Ethics applies regardless of method of conducting business
- Duties specific to clients apply only when acting in agency relationship

Standard of Practice 1-3:

- In attempting to secure listing, REALTORS® may not mislead owner as to market value

11



Tip From an Agent

Standard of Practice 1-3

"Buying a listing puts the licensee's interest ahead of the seller's interests."

A violation relating to Standard of Practice 1-3 is sometimes referred to as "buying a listing." This is when a licensee tells a seller that the property is worth more than it is to try to get the seller to list with that licensee rather than a licensee who is more realistic about market value. Buying a listing puts the licensee's interests (getting the listing) ahead of the seller's interests (selling the property). It's unethical and a violation of Article 1.

12

Standards of Practice 1-4 through 1-7

Standard of Practice 1-4:

- May not mislead buyers or tenants as to savings or other benefits through REALTOR's services

Standard of Practice 1-5:

- No dual agency without informed consent of both parties

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Standards of Practice 1-4 through 1-7

Standard of Practice 1-6:

- Submit offers and counteroffers objectively and quickly

Standard of Practice 1-7:

- Continue to submit offers and counteroffers to seller (or lessor) until closing (or execution of a lease) unless client waived obligation in writing
- Not obligated to continue marketing property after offer accepted
- Must recommend sellers/lessors seek legal counsel before accepting subsequent offers

14

? Knowledge Check

Nico, REALTOR® representing a buyer, tells his client that his services are "free of charge." Nico plans to receive payment from the listing broker through a commission split. This would most likely violate Article 1 as it relates to which Standard of Practice?

- Standard of Practice 1-4, by misleading the buyer about the cost of services
- Standard of Practice 1-5, by failing to disclose dual agency
- Standard of Practice 1-6, by not submitting offers quickly
- Standard of Practice 1-7, by not continuing to market a listed property

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Knowledge Check

Nico, REALTOR® representing a buyer, tells his client that his services are "free of charge." Nico plans to receive payment from the listing broker through a commission split. This would most likely violate Article 1 as it relates to which Standard of Practice?

- A. Standard of Practice 1-4, by misleading the buyer about the cost of services
- B. Standard of Practice 1-5, by failing to disclose dual agency
- C. Standard of Practice 1-6, by not submitting offers quickly
- D. Standard of Practice 1-7, by not continuing to market a listed property

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Standards of Practice 1-8 through 1-11

Standard of Practice 1-8:

- Continue to submit all offers and counteroffers to buyer (or tenant) until acceptance
- No obligation to show properties after offer accepted
- Affirm in writing that offers were submitted if requested by listing broker
- Must recommend buyers/tenants seek legal counsel if question of pre-existing contract terminated

17

Standards of Practice 1-8 through 1-11

Standard of Practice 1-9:

- Confidentiality continues after termination of agency agreement

Standard of Practice 1-10:

- Provide property management services consistent with license and property management agreement

Standard of Practice 1-11

- If employed, required to maintain and manage client's property to exercise due diligence and make reasonable efforts to protect against loss

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Knowledge Check

A buyer working with REALTOR® Alex has an accepted purchase offer on a property. REALTOR® Brenda contacts Alex to schedule a showing for his buyer client on the same property. According to the Code of Ethics, Alex:

- A. must affirm in writing that he has submitted Brenda's showing request to his buyer client.
- B. must inform Brenda that he has no obligation to consent to additional showings.
- C. should recommend that his buyer client seek legal counsel about terminating the existing contract.
- D. must continue to consent to showings until closing.

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Knowledge Check

A buyer working with REALTOR® Alex has an accepted purchase offer on a property. REALTOR® Brenda contacts Alex to schedule a showing for his buyer client on the same property. According to the Code of Ethics, Alex:

- A. must affirm in writing that he has submitted Brenda's showing request to his buyer client.
- B. must inform Brenda that he has no obligation to consent to additional showings.
- C. should recommend that his buyer client seek legal counsel about terminating the existing contract.
- D. must continue to consent to showings until closing.

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Standard of Practice 1-12

Standard of Practice 1-12 requires REALTORS® entering listing contracts, to advise sellers/lessors of:

Company's policies regarding cooperation and amount of compensation offered to subagents, buyer/tenant agents, and/or brokers acting in non-agency capacities

Buyer/tenant agents or brokers, even if paid by listing broker or by sellers/lessors, may represent interests of buyers/tenants

Any potential for listing broker to act as disclosed dual agent

Listing Agreement

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Standard of Practice 1-13

Standard of Practice 1-13 requires REALTORS® entering buyer/tenant agreements, to advise potential clients of:

- Company policies regarding cooperation
- Amount of compensation paid by client
- Potential for additional or offsetting compensation from other parties
- Potential for buyer/tenant agent to act as disclosed dual agent
- Possibility that sellers or sellers' representatives may not treat offers as confidential unless required by law or any agreement between parties

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Standard of Practice 1-14 through 1-16

Standard of Practice 1-14:

Fees for appraisals or valuations must not be contingent upon amount of appraisal or valuation

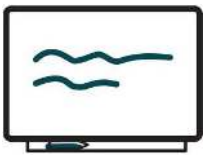
Standard of Practice 1-15:

Upon inquiry, with seller's approval, disclose existence of other offers on property

23

Standard of Practice 1-14 through 1-16

EXAMPLE



Joanie lists her house with REALTOR® Jules. Buyer Bev's agent Eve asks Jules if there are other offers. With Joanie's approval, Jules tells Eve there is one offer from another broker in Jules' firm.

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Standard of Practice 1-14 through 1-16

Standard of Practice 1-16:

May not access, use or enable others to use listed or managed property for unauthorized purposes by owner or seller

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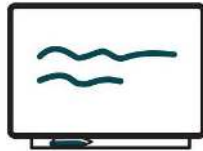
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Standard of Practice 1-14 through 1-16

Shania lists her home for sale with Broker Barb. Barb's assistant, Tony, is showing the property to potential buyers. Without Shania's knowledge, Tony creates a duplicate key for the property so he can show it easily without having to repeatedly get the key from Barb. Tony violated Article 1 and failed to adhere to Standard of Practice 1-16 by making an unauthorized copy of the property key and enabling access on terms Shania did not authorize.

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EXAMPLE



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? Knowledge Check

REALTOR® Kamala, a cooperating broker, asks the listing agent, a REALTOR®, if there are other offers on a listed property. The listing agent can disclose information about those other offers without needing the seller's approval first.

- A. True
- B. False

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🔍 Knowledge Check

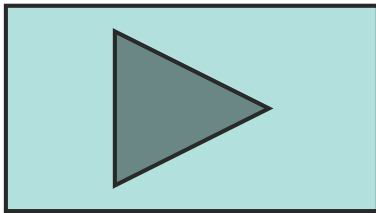
REALTOR® Kamala, a cooperating broker, asks the listing agent, a REALTOR®, if there are other offers on a listed property. The listing agent can disclose information about those other offers without needing the seller's approval first.

- A. True
- B. **False**

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▶ Violating Article 1: Renee Errs

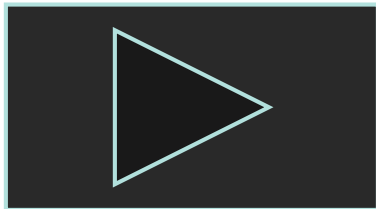


***Start the Video to See How REALTOR® Renee
Runs Afoul of Article 1***

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▶ Violating Article 1: Renee Errs



***Start the Video to See How REALTOR® Renee
Runs Afoul of Article 1***

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Key Terms

Chapter 3

Dual Agent

Fiduciary

Informed Consent

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Summary

Chapter 3

- Article 1 Overview & Description
- Itemized Standards of Practice Applicable to Article 1

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Blueprint for Success: The Code of Ethics, Buyer Representation, and Your Value Proposition

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1

Article 3: Cooperation

Chapter Overview

Introduction

- Take a closer look at Article 3 of the Code of Ethics and Standards of Practice, which relates to cooperation

Lesson Objectives

- Identify Standards of Practice in support of Article 3, and possible violations of Article 3

2

Article 3 Requirements

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)

Class action lawsuits focused on how buyer's agents are paid commissions



National Association of Realtors (NAR) requires its members, when acting as listing brokers to disclose amount of commission, if any offered to buyer's agents (but not on the MLS!)



Some sellers felt it was unfair that they had to pay commissions for both agents

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3

? Knowledge Check

Article 3 always requires REALTORS® to cooperate, but doesn't require them to always compensate.

- A. True
- B. False

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? Knowledge Check

Article 3 always requires REALTORS® to cooperate, but doesn't require them to always compensate.

- A. True
- B. False

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5

? Knowledge Check

The obligation to cooperate does not include the obligation to compensate. So, if a seller opts to not pay a buyer agent commission, a listing agent REALTOR® could advertise a property for sale on the MLS and list \$0 for a buyer agent commission.

- A. True
- B. False

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6

? Knowledge Check

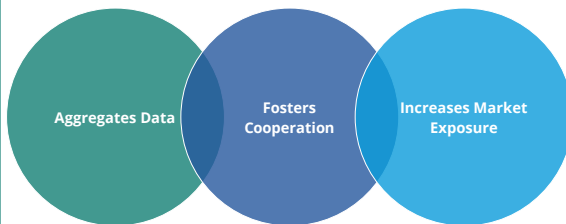
The obligation to cooperate does not include the obligation to compensate. So, if a seller opts to not pay a buyer agent commission, a listing agent REALTOR® could advertise a property for sale on the MLS and list \$0 for a buyer agent commission.

- A. True
- B. False

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7

📄 Cooperation and the MLS



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8

📄 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)

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9

? Knowledge Check

Lee, a buyer working with REALTOR® Alex has secured an accepted purchase offer on a property. Alex is asked by another buyer client, Brenda, to schedule a showing on the same property. According to the Code of Ethics, Alex:

- A. must affirm in writing that he has submitted Brenda's showing request.
- B. must inform Brenda that he has no obligation to consent to additional showings.
- C. must continue to consent to showings until closing.

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10

? Knowledge Check

Lee, a buyer working with REALTOR® Alex has secured an accepted purchase offer on a property. Alex is asked by another buyer client, Brenda, to schedule a showing on the same property. According to the Code of Ethics, Alex:

- A. must affirm in writing that he has submitted Brenda's showing request.
- B. must inform Brenda that he has no obligation to consent to additional showings.
- C. must continue to consent to showings until closing.

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11

📄 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)

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? Knowledge Check

Let's say that Alex had offered a buyer agent commission through his personal website, but that as the parties were negotiating, a repair issue came up that neither party would agree to pay for. To hold the transaction together, can Alex unilaterally reduce his listing fee, reducing the cooperating agent commission as well?

- A. Yes
- B. No

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13

? Knowledge Check

Let's say that Alex had offered a buyer agent commission through his personal website, but that as the parties were negotiating, a repair issue came up that neither party would agree to pay for. To hold the transaction together, can Alex unilaterally reduce his listing fee, reducing the cooperating agent commission as well?

- A. Yes
- B. **No**

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📖 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)

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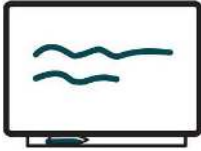
Standard of Practice 3-4

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)

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Standard of Practice 3-4

EXAMPLE



REALTOR® Kim lists a property on the MLS, and on her own website she specifies a compensation offer for cooperating brokers. However, she has agreed with the seller that if no buyer agent is involved, her fee will be reduced by the amount of compensation offered to cooperating brokers. Because this gives the offers she presents on behalf of buyers an advantage over offers for which a buyer's agent is involved, she must clarify to buyer's agents that the cooperative compensation is variable, and if asked for particulars about the variance, she must specify. Buyer agents, in turn, must share this information with their clients because it may impact the terms of their offer.

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Standard of Practice 3-5 through 3-7

Standard of Practice 3-5

- Subagents to promptly disclose pertinent facts to principal's agent before and after agreement is executed

Standard of Practice 3-6

- Disclose existence of accepted offers to cooperating brokers

Standard of Practice 3-7

- Upon inquiry to disclose REALTOR® status and if have personal interest in property or acting on behalf of client and, if so, relationship with client

18

? Knowledge Check

What is the general theme of Standards of Practice 3-5 through 3-7?

- A. Disclosure
- B. Cooperation

19

? Knowledge Check

What is the general theme of Standards of Practice 3-5 through 3-7?

- A. **Disclosure**
- B. Cooperation

20

☞ Standard of Practice 3-8 through 3-11

Standard of Practice 3-8

Prohibits REALTORS® from misrepresenting availability or access to show or inspect listed property

Standard of Practice 3-9

Prohibits REALTORS® from providing access to listed properties on terms not authorized by owner or seller

21

☰ Standard of Practice 3-8 through 3-11

Standard of Practice 3-10

Duty to cooperate includes obligation to share information about listed property and make property available for showings when in best interests of seller/lessor

Standard of Practice 3-11

May not refuse to cooperate on basis of protected class status of other broker

22

❓ Required Poll Question Activity

Which statement BEST sums up the intent behind Standards of Practice 3-8 through 3-11?

- A. The purpose of these Standards of Practice is to provide a framework for REALTORS® to prioritize their own business interests and to selectively cooperate with other brokers based on personal discretion and assessment of potential business gain.
- B. The purpose of these Standards of Practice is to ensure that REALTORS® conduct their business with integrity, promoting fair and equal access to listed properties, and upholding the rights of property owners and sellers by adhering to their specified terms for property showings and cooperation among brokers.

23

❓ Required Poll Question Activity

Which statement BEST sums up the intent behind Standards of Practice 3-8 through 3-11?

- A. The purpose of these Standards of Practice is to provide a framework for REALTORS® to prioritize their own business interests and to selectively cooperate with other brokers based on personal discretion and assessment of potential business gain.
- B. The purpose of these Standards of Practice is to ensure that REALTORS® conduct their business with integrity, promoting fair and equal access to listed properties, and upholding the rights of property owners and sellers by adhering to their specified terms for property showings and cooperation among brokers.

24

▶ April and Wayne and Article 3

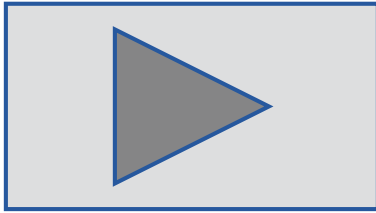


*Start the Video to See How a Listing Agent
Might Run Afoul of Article 3*

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▶ Rewind: April and Wayne and Article 3



Start the Video to See an Example of Article 3 in Action

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📄 Case Study in Cooperation – Dual Commission Dilemma



Scenario: In a bustling real estate market, REALTORS® Lisa and James find themselves entangled in a challenging situation. But is it a breach of the Code of Ethics?

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Case Study in Cooperation – Dual Commission Dilemma

Background: Lisa, a listing agent, recently acquired an attractive property listing and decided to implement a dual commission arrangement. However, Lisa chose not to disclose the dual commission structure to potential cooperating brokers.

28

Case Study in Cooperation – Dual Commission Dilemma

Cooperating Broker's Interest: James, an experienced buyer's agent, discovers Lisa's listing, which her website states includes buyer agent commission. Eager to show the property to his clients, he contacts Lisa to arrange a viewing. Lisa informs him she has been notified that a competing offer is coming in.

29

Case Study in Cooperation – Dual Commission Dilemma

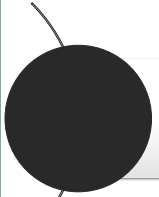
The Showing and Offer: Impressed by the property, James' clients decide to make an offer.



They decide to write a strong offer, slightly over the list price, and agree to close quickly. But because they weren't aware of the variable commission structure, they did not factor that into their offer.

30

Case Study in Cooperation – Dual Commission Dilemma



Buyers' Offer is Rejected: The following day, Lisa informs James that the sellers have accepted another offer. Disappointed for his clients, James asks Lisa whether the other offer was better on price. No, she tells him. "Terms?" he asks. No again. "Then what?" James asks, perplexed.

31

Case Study in Cooperation – Dual Commission Dilemma

The Truth Comes Out: Lisa tells James that the sellers preferred the other offer because the buyer was represented by Lisa's firm and their brokerage fees would be lower, resulting in more money in their pockets at closing.

32

? Knowledge Check

What recourse does James have at this point? *Select all that apply.*

- A. None, because Lisa did nothing wrong. You win some, you lose some.
- B. He can file an ethics complaint based on Article 3.
- C. He can contact Lisa's broker to discuss the situation.
- D. His clients can sue Lisa and the new buyer.

33

🔍 Knowledge Check

What recourse does James have at this point? *Select all that apply.*

- A. None, because Lisa did nothing wrong. You win some, you lose some.
- B. He can file an ethics complaint based on Article 3.
- C. He can contact Lisa's broker to discuss the situation.
- D. His clients can sue Lisa and the new buyer.

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📖 Thinking It Over

If you were James, would you feel you owed it to your clients to complain, or would you be hesitant to confront another REALTOR®?

Is it a REALTORS® duty to report any violation?

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📖 Case Study in Cooperation – Commission Conundrum

Scenario: REALTORS® Priya and Carlos find themselves entangled in a commission-related predicament.

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Case Study in Cooperation – Commission Conundrum

Background: Priya, a diligent buyer's agent, comes across a promising property listed on the MLS by Carlos, the listing agent. The property is perfect for her buyer clients, and she promptly prints the MLS listing to arrange a showing scheduled for three days later, as well as the showing instructions from Carlos's website which states the seller will cover the buyer agent commission. Priya is working under a buyer agency agreement. Priya is happy to tell her clients that, per the MLS listing, the cooperative commission will cover her fee.

37

Case Study in Cooperation – Commission Conundrum

Changing Commission Terms:
However, a day prior to Priya's scheduled showing, Carlos has a discussion with the seller and together they decide to modify the buyer agent commission, lowering it by 1%. Carlos updates his website accordingly.

38

Case Study in Cooperation – Commission Conundrum

The Showing and Offer: Priya and her clients tour the property and are enchanted by its features. Impressed, Priya's clients express their interest in making an offer, and Priya proceeds to draft the offer without revisiting Carlos's website. Oblivious to the change in buyer agent commission, Priya submits the offer, assuming nothing has changed.

39

Case Study in Cooperation – Commission Conundrum

Unpleasant Surprise: The sellers counter Priya's client's offer, lowering the amount of the seller contribution to the new amount. The email Carlos includes with the counter states: "Your offer is asking for 1% more than we've advertised."

40

Case Study in Cooperation – Commission Conundrum

The Truth Comes Out: Priya checks Carlos's website and notes that the seller contribution for the buyer agent commission has changed. Because she was unaware, she put her client's offer at risk of rejection.

41

? Knowledge Check

Did Carlos or Priya violate Article 3?

- A. Yes, Carlos and Priya both violated Article 3.
- B. No, neither violated Article 3.
- C. Priya did, but Carlos did not.
- D. Carlos did, but Priya did not.

42

? Knowledge Check

Did Carlos or Priya violate Article 3?

- A. Yes, Carlos and Priya both violated Article 3.
- B. **No, neither violated Article 3.**
- C. Priya did, but Carlos did not.
- D. Carlos did, but Priya did not.

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📖 Thinking It Over

If you were Priya and found yourself in this situation, what would you do?

Would you complain to Carlos or simply take steps to confirm facts before you write an offer?

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📖 Case Study in Cooperation – The Subagent's Silence

Scenario: REALTORS® Malik and Elena find themselves entangled in a situation that tests the boundaries of trust and transparency.

Background: Malik is a seasoned subagent representing the seller, Sarah, whose listing agent is Elena. Malik has a background in structural engineering and notes a substantial structural issue that could impact the property's value—and thus his commission. He decides not to mention it to either Sarah or Elena.

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Case Study in Cooperation – The Subagent's Silence

Property of Interest: Malik shows the home to buyers who love it and ask him to write an offer. Malik also fails to disclose the structural issues to the buyers, and proceeds to write their offer.

Seller is Unaware: Seller is unaware of the structural issue.

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Case Study in Cooperation – The Subagent's Silence

Discovery After Acceptance: Two weeks after Sarah accepts the buyers' offer, the structural issue comes to light during a thorough inspection. Sarah, shocked and upset, and knowing of Malik's knowledge of structural issues, believes that he deliberately withheld this information from her.

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Case Study in Cooperation – The Subagent's Silence

Consequences: The buyers back out and Sarah has lost several weeks on the market, not to mention she now faces a huge repair bill. Because he was a subagent under Elena, Malik's non-disclosure creates a breach of trust between Sarah and Elena, damaging their professional relationship. Sarah may consider legal action against both Elena and Malik for failing to adhere to the standards of professional conduct.

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48

? Knowledge Check

Did Malik violate Article 3?

- A. Yes
- B. No; this has nothing to do with cooperation.

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49

? Knowledge Check

Did Malik violate Article 3?

- A. Yes
- B. No; this has nothing to do with cooperation.

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Thinking It Over

As the subagent, did Malik have the duty to disclose the structural issues to Elena or to Sarah?

Recall that he also has the duty under Article 1 to treat *all parties* honestly. Has he done so in this situation?

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Case Study in Cooperation – A Bumpy Road for Buyers

Scenario: REALTORS® Rachel and Chris find themselves entangled in a complex situation involving a contingent offer and things that go bump in the middle of the night.

52

Case Study in Cooperation – A Bumpy Road for Buyers

Offer Received: Rachel has a new listing and receives an offer from Mark that is contingent on the sale of Mark's current home. Mark's offer includes a 72-hour bump clause that requires him to remove the sale contingency if another offer is received, and if he's unable to do so, Rachel's seller retains the right to terminate Mark's offer and work with the other buyer.

53

Case Study in Cooperation – A Bumpy Road for Buyers

Lack of Clarity: Rachel decides not to disclose the contingent offer to REALTOR® Chris when he asks about the status of offers on the property. Chris tells Rachel that his buyer Sinclair has been outbid on several properties, "If there are other offers, he doesn't even want to see your listing, because he's had his heart broken so many times." Crossing her fingers, Rachel says, "Nothing on the table." Rachel is hoping that if Sinclair does decide to write an offer, either Mark will back out or remove the contingency. Either way, it's a deal!

54

Case Study in Cooperation – A Bumpy Road for Buyers

Showing and Second Offer: Chris shows Sinclair the property and Sinclair falls in love. "Write 'er up!" he tells Chris, excited to finally be first in line to make an offer on a property. Chris helps Sinclair write a solid offer, and they submit it to Rachel that same day.

55

Case Study in Cooperation – A Bumpy Road for Buyers

Rachel Triggers the Bump Clause: As soon as she has Sinclair's offer in hand, Rachel lets Mark's agent know that another offer has been received and asks whether Mark will remove the contingency or if her client can terminate. Mark's agent reminds Rachel that he has 72 hours to decide and they'll see what they can do.

56

Case Study in Cooperation – A Bumpy Road for Buyers

Meanwhile, Back at Sinclair's Offer: Sinclair's offer has a 48-hour deadline to respond. Chris begins phoning Rachel when he doesn't hear back. Two days later, still receiving no response, Chris phones Rachel again and asks what gives. "Can we get an extension on the deadline by 24 hours?" Rachel asks him. "My seller needs more time." When Chris presses the issue, Rachel finally has to confess that they're waiting on a bump clause.

57

Case Study in Cooperation – A Bumpy Road for Buyers

The Fallout: Sinclair's offer is at risk because the property he made an offer on may no longer be available if Mark is able to waive the contingency. And if the deadline for the seller's response passes without an accepted offer (and no extension is signed), his offer is moot anyway. If that deadline passes and Mark can't waive the contingency, the seller has lost out on two potential buyers.

58

Knowledge Check

Rachel violated Article 3 and failed to adhere to Standard of Practice 3-6, which states, "*REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation.*" But didn't she do her seller a favor by getting a second offer in the wings?

- A. Yes, a second offer is always a good thing.
- B. No, she may have harmed her seller.

59

Knowledge Check

Rachel violated Article 3 and failed to adhere to Standard of Practice 3-6, which states, "*REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation.*" But didn't she do her seller a favor by getting a second offer in the wings?

- A. Yes, a second offer is always a good thing.
- B. No, she may have harmed her seller.

60

Thinking It Over

Most MLS rules require an accepted offer to be posted within a very short time period, even a contingent offer

If Rachel failed to do this, she has also violated MLS rules

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Case Study in Cooperation – Elusive Showings in Maple Grove

Scenario: In the idyllic neighborhood of Maple Grove, two REALTORS®, Emily Foster and Miguel Rodriguez, weave a web of deception in a bid to secure both sides of the real estate transaction.

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Case Study in Cooperation – Elusive Showings in Maple Grove

Background: Emily, with a penchant for securing listings in the heart of Maple Grove, recently acquired an exclusive property on Birchwood Lane. Recognizing the lucrative potential of their exclusive alliance, Emily and Miguel formed a pact: Miguel would exclusively bring buyers to Emily's listings, and in return, Emily would refrain from responding to showing requests from other REALTORS®.

63

Case Study in Cooperation – Elusive Showings in Maple Grove

I'll Scratch Your Buyer: Miguel, an astute buyer's agent, strategically directed his clients to Emily's listings. The duo aimed to control the entire transaction, ensuring that Miguel's buyers had exclusive access to Emily's sought-after properties.

64

Case Study in Cooperation – Elusive Showings in Maple Grove

You Scratch Mine: Conversely, when Miguel listed a property in Maple Grove, Emily reciprocated the favor. She intentionally ignored showing requests from other agents, keeping the property exclusively within their partnership. The synergy between Emily and Miguel created an environment where both could secure deals without the interference of external competition.

65

Case Study in Cooperation – Elusive Showings in Maple Grove

Hello? Hello?: Buyers' agents ran into brick walls when they tried to show properties in Maple Grove. Their calls went unanswered. And if their buyers happened to attend one of Miguel's or Emily's open houses and decided to write an offer, those offers died on the vine. Several frustrated buyers figured out that if they wanted a property in Maple Grove, they needed to buy through Emily or Miguel. And because it was a popular neighborhood, sellers seldom had to wait long for an offer to be received, even with the duo's monopoly firmly in place.

66

? Knowledge Check

Emily and Miguel seem to have a good thing going. But are they abiding by the Code of Ethics?

- A. Yes
- B. No

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67

? Knowledge Check

Emily and Miguel seem to have a good thing going. But are they abiding by the Code of Ethics?

- A. Yes
- B. No

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68

☰ Thinking It Over

As a REALTOR® if you continually run into a stone wall when trying to show a property, what is your recourse?

Can you contact the seller directly?

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69

Case Study in Cooperation – Triple Play

Scenario: REALTOR® Rizzo sees an opportunity to get three ends of a deal if she plays her cards right, even if one of them is currently up her sleeve.

Background: Rizzo has a new listing on a tree-lined street in the Elmhurst neighborhood. Her sellers are a young couple about to get married and plan to buy a new home together to accommodate their blended family. The home's listing is in his name, and the bride is currently renting. Rizzo places their home on the market. Kaching!

70

Case Study in Cooperation – Triple Play

My Childhood Home! Soon after placing the home on the market, Rizzo is approached by Matt, who once lived in the seller's home as a child. Matt tells Rizzo that if he always swore if the home ever came on the market, he would buy it. The only trouble is that he will need to sell the condo he's currently living in, and it's not on the market yet. Can she be his listing agent? Kaching! Kaching!

71

Case Study in Cooperation – Triple Play

Rizzo Lists the Condo: Rizzo tours Matt's condo, tells him some things he'll need to do to get it ready for the market, and writes up his offer for the Elmhurst home. Matt tells her he's not eager to sell and would only sell if he can secure the Elmhurst property. Luckily, the young couple happily accepts Matt's offer, even though it's a contingent sale. Rizzo then lists Matt's property for sale on the MLS.

72

Case Study in Cooperation – Triple Play

MLS Malfeasance: Now that Rizzo has an accepted offer on the Elmhurst home, she needs to note that on the MLS. However, if she posts it as BMP (bumpable), a contingent sale, then other buyers' agents would be able to show it and possibly sell it. This would mean she'd lose out on two deals: Matt's purchase of Elmhurst and the sale of Matt's condo. As he told her, if he can't have Elmhurst, he doesn't want to sell. She decides to post the status as PEN (pending). In that way, no other brokers will be allowed to show the property and once Matt's condo sells, she will get three deals instead of just one. As soon as that idea hit her, Rizzo heard a bell ringing. It sounded like Kaching! Kaching! Kaching!

73

Knowledge Check

Is Rizzo abiding by the Code of Ethics?

- A. Yes
- B. No

74

Knowledge Check

Is Rizzo abiding by the Code of Ethics?

- A. Yes
- B. No

75

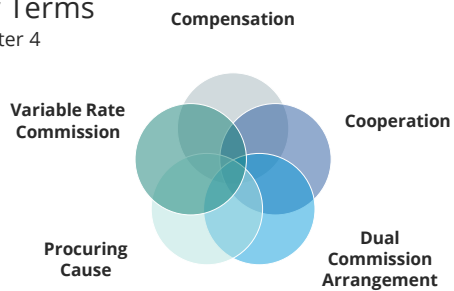
Thinking It Over

Have you noticed that violations of Article 3 as well as other Articles in the Code of Ethics often are also violations of fiduciary duties?

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Key Terms

Chapter 4



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Summary

Chapter 4

- Article 3 Overview & Description
- Listed Property Requirements
- Compensation Provisions
- Changes in Compensation Requirements
- Variable Commission Arrangements Regulations
- Accepted Offers Disclosure Requirements
- Refusal to Cooperate Regulations

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Blueprint for Success: The Code of Ethics, Buyer Representation, and Your Value Proposition

1

Ethics of Buyer Representation, Your Value Proposition, and Adapting to Change

Chapter Overview

Introduction

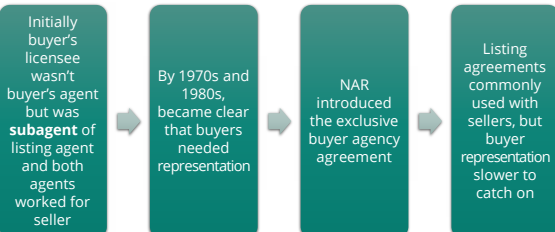
- Explore the cooperative relationship of ethical representation and exclusive representation
- Learn how those who ascribe to the tenets of the Code can use its requirements to articulate their value proposition

Lesson Objectives

- Recall the ethics of buyer representation
- Recall how ethical conduct supports a REALTOR®'s value proposition
- Recall how to adapt real estate practices while living by the Code of Ethics

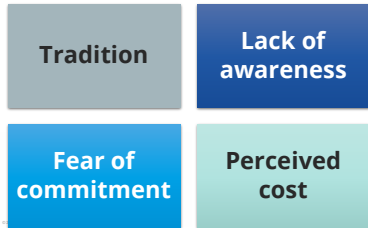
2

📖 Buyer Representation Gets Off to a Slow Start



3

Buyer Resistance to Representation Agreement



4

Knowledge Check

What is one reason buyers are often hesitant to sign a representation agreement?

- A. Buyers don't want representation.
- B. Buyers are afraid of the cost.
- C. Buyers rarely need representation.

5

Knowledge Check

What is one reason buyers are often hesitant to sign a representation agreement?

- A. Buyers don't want representation.
- B. Buyers are afraid of the cost.
- C. Buyers rarely need representation.

6

☰ Licensee Resistance to Buyer Representation Agreement



7

🔍 Knowledge Check

Why were licensees often resistant to presenting buyer agency agreements to buyers?

- A. They feared buyers are already represented.
- B. They didn't want to get tied to the buyer.
- C. They were afraid of scaring buyers away.
- D. They were afraid it would harm their commission.

8

🔍 Knowledge Check

Why were licensees often resistant to presenting buyer agency agreements to buyers?

- A. They feared buyers are already represented.
- B. They didn't want to get tied to the buyer.
- C. **They were afraid of scaring buyers away.**
- D. They were afraid it would harm their commission.

9

Types of Buyer Representation Agreements

Type of Buyer Agency Contract	Commission
Exclusive Buyer Agency (one broker)	To broker no matter who finds property
Exclusive Agency Buyer Agency (one broker)	To broker only if they find property
Open Buyer Agency (many brokers)	Only to broker who finds property

Exclusive right to represent

Non-exclusive buyer agency

Exclusive agency buyer representation

10

? Knowledge Check

Which of the following is NOT a typical type of buyer agency agreement?

- A. Exclusive right to represent
- B. Non-exclusive
- C. Net agency
- D. Exclusive agency

11

? Knowledge Check

Which of the following is NOT a typical type of buyer agency agreement?

- A. Exclusive right to represent
- B. Non-exclusive
- C. **Net agency**
- D. Exclusive agency

12

The Importance of Buyer Agency Agreements

Lawsuits against MLSs and brokerages challenged common cooperative compensation practices

Plaintiffs alleged anticompetitive behavior in buyers' brokers being compensated from listing broker's share of commission

More emphasis on buyer representation agreements required, spelling out financial terms upfront

May also need to discuss alternative fee structures with clients moving forward

13

Knowledge Check

Which of the following statements is TRUE regarding the impact of recent lawsuits on buyer agency agreements?

- A. Buyer agency agreements are less important due to recent lawsuits challenging cooperative compensation practices.
- B. Buyer agency agreements crucial to ensure buyer's brokers are compensated.
- C. Recent lawsuits have eliminated the need for buyer's brokers to be compensated through MLS rules.
- D. Buyer agency agreements are only necessary if the buyer's broker is not receiving compensation from the seller.

14

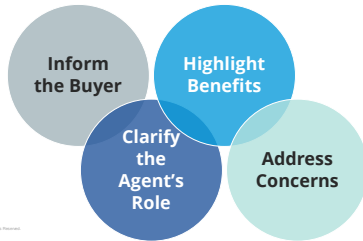
Knowledge Check

Which of the following statements is TRUE regarding the impact of recent lawsuits on buyer agency agreements?

- A. Buyer agency agreements are less important due to recent lawsuits challenging cooperative compensation practices.
- B. Buyer agency agreements are crucial to ensure buyer's brokers are compensated.
- C. Recent lawsuits have eliminated the need for buyer's brokers to be compensated through MLS rules.
- D. Buyer agency agreements are only necessary if the buyer's broker is not receiving compensation from the seller.

15

Presenting a Buyer Agency Agreement



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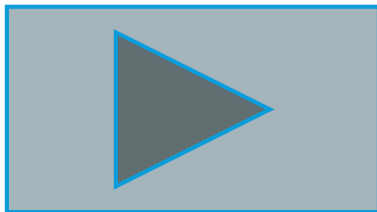
More Communication Strategies



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17

Nate Presents Buyer Agency



Start the Video to Hear Nate's Presentation

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18

☰ The Problem With Not Having a Buyer Agency Agreement

	All risk, no reward
	Time is money
	No legal obligation for buyer to pay

19

☰ The Problem With Not Having a Buyer Agency Agreement

NOTE



In some states, a broker assisting a buyer is presumed to be the buyer's agent (but compensation isn't guaranteed without a brokerage agreement in place)

In other states, without a signed agency agreement, the licensee is presumed to be a transaction broker—a neutral third party who does not owe the buyer fiduciary duties but still has the responsibility to treat all parties fairly and honestly

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🔍 Knowledge Check

In some situations, a licensee may owe a buyer fiduciary duties even when no buyer agency agreement has been signed.

- A. True
- B. False

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Knowledge Check

In some situations, a licensee may owe a buyer fiduciary duties even when no buyer agency agreement has been signed.

- A. **True**
- B. False

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Make Buyer Agency a Policy of Your Real Estate Practice

Policy not to work with buyers without signed agreement

Other signed clients whom you owe loyalty and time

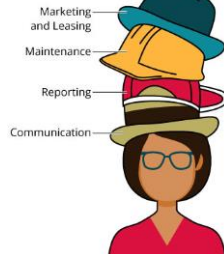
Can sign short-term agreement and extent later

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Showcase Your Professionalism

"As a REALTOR®, I adhere to the high ethical standards outlined in the National Association of REALTORS® Code of Ethics. You can trust that I will conduct myself with integrity during all stages of the real estate transaction, acting in a professional manner that prioritizes your best interests."



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Showcase Your Professionalism

NOTE



Only members of NAR may call themselves REALTORS®. But even if you're not a member, you can still articulate the ethical code by which you practice real estate

25

? Knowledge Check

What is the purpose of the REALTOR® Code of Ethics?

- A. To provide a set of guidelines for ethical and professional conduct
- B. To establish standard commission rates for all real estate transactions
- C. To serve as a legal document for property transfer
- D. To outline the responsibilities of the buyer in a real estate transaction

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? Knowledge Check

Janice, who is not a member of the National Association of REALTORS® may call herself a REALTOR® provided her license is active.

- A. True
- B. False

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? Knowledge Check

Janice, who is not a member of the National Association of REALTORS® may call herself a REALTOR® provided her license is active.

- A. True
- B. False

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29

📋 Showcase Building Client Trust

"My commitment to upholding the REALTOR® Code of Ethics, which emphasizes client loyalty, helps build a relationship of trust between us. You can feel confident that I will follow ethical guidelines to inform and advise you with reliable information to support your decisions."

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📋 Emphasize Transparent Communication

"Open and honest communication is key. As a REALTOR® obligated to ethical practices, I pledge to provide transparent details on listings, transaction guidance based on accurate data, and any disclosures you need to make informed choices."

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📋 Showcase Your Conflict Resolution Skills

"If any disputes arise, I adhere to the professional conflict resolution process outlined in the REALTOR® Code of Ethics to resolve issues fairly for all parties. This protects your interests while also maintaining positive professional relationships and minimizing the risk of litigation."

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❓ Required Poll Question Activity

What should a REALTOR® do if a conflict arises during a real estate transaction?

- A. Prioritize their own interests over those of the clients
- B. Resolve the issue by following the professional conflict resolution process outlined in the Code of Ethics
- C. Ignore the conflict and continue with the transaction
- D. Encourage the parties to resolve the conflict without professional intervention

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? Required Poll Question Activity

What should a REALTOR® do if a conflict arises during a real estate transaction?

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📖 Demonstrate Your Competence and Education

"Staying current through ongoing education allows me to best serve your needs. By continually upgrading my knowledge on industry issues, legal changes, and marketing practices, I can provide competent guidance rooted in ethical, state-of-the-art real estate service."



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📖 Affirm Fair Treatment

"Regardless of background, I pledge to treat all my clients and fellow professionals with respect and fairness, as outlined in the REALTOR® Code of Ethics. My high ethical standards help ensure every transaction is inclusive."

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Illustrate Community Commitment



"Giving back matters. The REALTOR® Code of Ethics expects member involvement in our community. You can trust that the same sincerity and care I demonstrate locally will translate into my commitment to you as my client."

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Knowledge Check

The NAR Code of Ethics expects REALTOR® involvement in community service.

- A. True
- B. False

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Knowledge Check

The NAR Code of Ethics expects REALTOR® involvement in community service.

- A. **True**
- B. False

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Highlight Client Advocacy Skills

"At heart, the REALTOR® Code of Ethics is about advocating for clients' best interests. With robust training on those expectations, I gain the expertise to fully protect and fight for your priorities in our transactions."

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Emphasize Long-Term Relationships



"My ethical service rooted in the REALTOR® Code of Ethics cultivates satisfied repeat clients and referral partners. This focus on long-term relationships bound by trust and transparency will benefit you now and well into the future."

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Summarize Your Value Proposition

Make words your own

Incorporate elements into marketing and communication strategies

Sets you apart

Reassures clients they can trust you

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☰ In a Shifting Landscape, Find Strength In the Code



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☰ Address Consumer Concerns

Primary grievances is perception that current commission structure incentivizes agents to keep commissions high

Perception undermines trust and transparency

Licenses must actively engage with consumer feedback and concerns

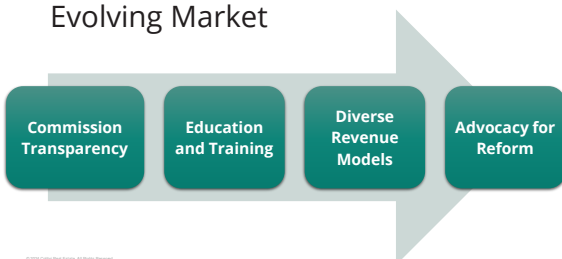
Real estate associations and regulatory bodies are already addressing

Transparency in communication is essential

Must consider making agency agreements natural part of working with buyers

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☰ Strategies for Adapting Practices In an Evolving Market



45

Pathways to Professionalism: Voluntary Professional Courtesies

NAR published **list of professional courtesies** intended to be used voluntarily

Cannot be used for
ethical complaint

Anything real estate professional can do to lower
temperature in legal climate is crucial for industry's future

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Pathways to Professionalism: Respect for the Public

Follow the "Golden Rule": Do unto others as you would have them do unto you

Respond promptly to inquiries and requests for information

Schedule appointments and showings as far in advance as possible

Call if you are delayed or must cancel an appointment or showing

If a prospective buyer decides not to view an occupied home, promptly explain the situation to the listing broker or the occupant

47

Pathways to Professionalism: Respect for the Public

Communicate with all parties in a timely fashion

When entering a property, ensure that unexpected situations, such as pets, are handled appropriately

Leave your business card if not prohibited by local rules

Never criticize property in the presence of the occupant

Inform occupants that you are leaving after showings

48

Pathways to Professionalism: Respect for the Public

When showing an occupied home, always ring the doorbell or knock—and announce yourself loudly before entering – Knock and announce yourself loudly before entering any closed room

Present a professional appearance at all times; dress appropriately and drive a clean car

If occupants are home during showings, ask their permission before using the telephone or bathroom

Encourage the clients of other brokers to direct questions to their agent or representative

Communicate clearly; don't use jargon or slang that may not be readily understood

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Pathways to Professionalism: Respect for the Public

Be aware of and respect cultural differences

Show courtesy and respect to everyone

Be aware of—and meet—all deadlines

Promise only what you can deliver—and keep your promises

Identify your REALTOR® and your professional status in contact with the public

Do not tell people what you think—tell them what you know

50

Pathways to Professionalism: Respect for Property

Be responsible for everyone you allow to enter the listed property

Never allow buyers to enter listed property unaccompanied

When showing property, keep all members of the group together

Never allow unaccompanied buyers access to property without permission

Enter property only with permission, even if you have a lockbox key or combination

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Pathways to Professionalism: Respect for Property

When the occupant is absent, leave the property as you found it (lights, heating, cooling, drapes, etc.) If you think something is amiss (e.g. vandalism), contact the listing broker immediately

Be considerate of the seller's property ~ Do not allow anyone to eat, drink, smoke, dispose of trash, use bathing or sleeping facilities, or bring pets Leave the house as you found it unless instructed otherwise

Use sidewalks; if weather is bad, take off shoes and boots inside property

Respect sellers' instructions about photographing or videographing their properties' interiors or exteriors

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Pathways to Professionalism: Respect for Peers

Identify your REALTOR® and professional status in all contacts with other REALTORS®

Respond to other agents' calls, faxes, and e-mails promptly and courteously

Be aware that large electronic files with attachments or lengthy faxes may be a burden on recipients

Notify the listing broker if there appears to be inaccurate information on the listing

Share important information about a property, including the presence of pets, security systems, and whether sellers will be present during the showing

Show courtesy, trust, and respect to other real estate professionals

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Pathways to Professionalism: Respect for Peers

Avoid the inappropriate use of endearments or other denigrating language

Do not prospect at other REALTORS®' open houses or similar events

Return keys promptly

Carefully replace keys in the lockbox after showings

To be successful in the business, mutual respect is essential

Real estate is a reputation business. What you do today may affect your reputation—and business—for years to come

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? Knowledge Check

Pathways to Professionalism is an Addendum to the Code of Ethics.

- A. True
- B. False

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? Knowledge Check

Pathways to Professionalism is an Addendum to the Code of Ethics.

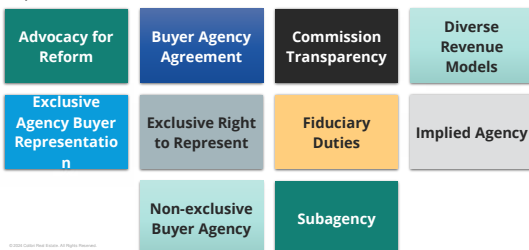
- A. True
- B. False

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Key Terms

Chapter 5



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Summary

Chapter 5

- Buyer Representation Overview
- NAR's Role in the History of Buyer Representation
- Resistance Reasons for Buyers & Licensees
- Types of Buyer Representation Agreements
- Current Legal Challenges for Compensation
- Keys to Presenting Buyer Agency
- Reasons for Utilizing Signed Agreements

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Summary

Chapter 5

- Strategies to Articulate Value Proposition, Highlight Professionalism and Adhere to Ethical Standards
- Methods for Adapting to the Evolving Real Estate Environment
- Marketing and Communication Strategies
- Code of Ethics Client Reassurance

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