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REAL ESTATE ETHICS INCLUDING ILLEGAL FLIPPING & PREDATORY LENDING CONTINUING EDUCATION CLASS

REAL ESTATE ETHICS INCLUDING ILLEGAL FLIPPING & PREDATORY LENDING

SECTION ONE – MULTIPLE CHOICE

1. Unless otherwise agreed in writing, the REALTOR® shall:

- a) submit all written offers and counter-offers until an offer is accepted
- b) submit all written offers and counter-offers until closing
- c) submit all offers and counter-offers until an offer is accepted
- d) submit all offers and counter-offers until closing

2. REALTORS® having direct personal knowledge of conduct that may violate the Code involving which of the following bring such matters to the attention of their local Association.

- a) misappropriation of client or customer funds or property
- b) willful discrimination
- c) fraud resulting in substantial economic harm
- d) all of the above

3. When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

- a) the REALTOR®'s company policies regarding cooperation
- b) the amount of compensation to be paid by the client
- c) the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties
- d) any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g. listing broker, subagent, landlord's agent, etc.
- e) the possibility that the existence, terms and conditions of their offer may not be confidential

f) all of the above

4. Article 17

- a) requires REALTORS® to arbitrate all business disputes
- b) does not require REALTORS® to arbitrate, but instead allows REALTORS® to choose the local Board's arbitration facilities over litigation
- c) requires REALTORS® to arbitrate contractual disputes and specific non-contractual disputes
- d) none of the above

5. In response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose:

- a) The existence of other offers
- b) If other offers were obtained by the listing agent
- c) If other offers were from a cooperating broker
- d) All of the above

6. In which of the following circumstances is it permissible for a REALTOR® to contact the client of another broker:

- a) to offer to provide a different type of real estate service
- b) offering the same type of service for a property not already listed
- c) when the client's name is learned through a Multiple Listing Service
- d) when the REALTOR® is prospecting for a new client

7. Which of the following may the REALTOR® reveal to others during or following the termination of professional relationships with their clients:

- a) confidential information about the client
- b) information about the client that the REALTOR® can use to their own advantage
- c) information concerning latent material defects
- d) information about ghosts in the house

8. Which is not true regarding dual or variable rate commission arrangements:

- a) Listing brokers have an affirmative obligation to disclose their existence
- b) Listing brokers must disclose the amount of the listing commission
- c) Only in response to inquiries, disclose the differential amount to a cooperating broker

d) a buyer representative must disclose to their buyer-client the existence of a dual rate commission before they make an offer to purchase

SECTION TWO - TRUE OR FALSE

9. REALTORS®, prior to or after terminating their relationship with their current firm, are free to solicit current clients to cancel exclusive agreements with that firm as long as they have the broker's permission.

10. If contacted by a client of another REALTOR®, it is acceptable to discuss the terms under which they might enter into a future agreement.

11. REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation.

12. The REALTOR® is only obligated to discover and disclose adverse factors reasonably apparent to someone with expertise in those areas required by their real estate licensing authority.

13. A REALTOR® may advertise listed property without disclosing the name of the firm.

14. If approached by a seller about listing their property, a REALTOR® has no obligation to seek to determine if the prospect is subject to another valid exclusive agreement.

15. The firm's name and state(s) of licensure must be disclosed on a REALTOR® firm website.

16. Explain the difference between a "client", "customer" and "prospect".

CLIENT
CUSTOMER
PROSPECT

MARYLAND ETHICS

Title 17—Annotated Code of Maryland (17-207)

(a) To protect the interests of the public, the Commission shall adopt, by regulation, a code of ethics to set standards of conduct for all individuals licensed under this title.

(b) The Commission:

- (1) at least once every 2 years, shall provide a copy of the code of ethics to each licensee; and
- (2) on request of any person, shall make available a copy of the code of ethics to that person.

Chapter 02 Code of Ethics

Authority: Business Occupations and Professions Article §17-207, Annotated Code of Maryland

.01 Relations to the Public.

A. The licensee shall keep himself informed of matters affecting real estate in his community, the State, and the nation.

B. The licensee shall be informed on current market conditions in order to be in a position to advise his clients as to the fair market price.

C. The licensee shall protect the public against fraud, misrepresentation or unethical practices in the real estate field. He shall endeavor to eliminate in his community any practices which could be

damaging to the public or to the dignity and integrity of the real estate profession. The licensee shall assist the commission charged with regulating the practices of brokers and salesmen in this State.

D. The licensee shall make a reasonable effort to ascertain all material facts concerning every property for which he accepts the agency, so that he may fulfill his obligation to avoid error, exaggeration, misrepresentation, or concealment of material facts.

E. The licensee, acting as agent, may not discriminate in the sale, rental, leasing, trading, or transferring of property to any person or group because of race, color, creed, religion, national origin, or sex.

F. The licensee may not be a party to the naming of a false consideration in any document.

G. The licensee in his advertising shall be especially careful to present a true picture. A broker may not advertise without disclosing his name or the company name as it appears on the license. A broker may not permit his salesman to use individual names or telephone numbers, unless the salesman's connection with the broker is obvious in the advertisement

H. For the protection of all parties with whom he deals, the licensee shall see to it that financial obligations and commitments regarding real estate transactions are in writing, expressing the exact agreement of the parties, and that copies of these agreements are placed in the hands of all parties involved within a reasonable time after the agreements are executed.

.02 Relations to the Client.

A. In accepting employment as an agent, the licensee shall protect and promote the interests of the client. This

obligation of absolute fidelity to the client's interest is primary, but it does not relieve the licensee from his statutory obligations towards the other parties to the transaction.

B. In justice to those who place their interests in his care, the licensee shall endeavor always to be informed regarding laws, proposed legislation, governmental orders, and other essential information and public policies which affect those interests.

C. A licensee may not accept compensation from more than one party to a transaction without the full knowledge of all the parties.

D. The licensee may not acquire an interest in, or purchase, for himself, for any member of his immediate family, for his firm, for any member of the firm, or for any entity in which he has any ownership interest, property listed with him or his firm without making his true position known to the listing owner. In selling or leasing property in which he, his firm, or any member of his immediate family or his firm has an ownership interest, he shall reveal that interest in writing to all parties to the transaction.

E. When acting as agent in the management of property, the licensee may not accept any commission, rebate, or profit on expenditures made for an owner without the owner's knowledge and consent.

F. The licensee may not undertake to make an appraisal that is outside the field of his experience, unless he obtains the assistance of an expert on such types of property, or disclose his lack of experience to the client. If an expert is engaged, the licensee shall identify him to the client and inform the client of his contribution to the assignment.

G. When asked to make a formal appraisal of real property, the licensee may not render an opinion without a careful physical inspection of the property and a thorough analysis of all factors affecting the value of the property. The licensee may not undertake to make an appraisal or render an opinion of value on any property in which he has a present or contemplated interest. The licensee may not make a formal appraisal when his employment fee is contingent upon the amount of his appraisal.

H. The licensee may not submit or advertise property without authority. In any offering, the price quoted may not be other than that agreed upon with the owners as the offering price.

I. If more than one formal written offer on a specific property is made before the owner has accepted an offer, all formal written offers presented to the licensee, whether by a prospective purchaser or another broker, shall be transmitted to the owner for his decision.

J. Unexcused failure to ensure that a prospective purchaser has the real property disclosure statement or disclaimer statement in hand before the submission of an offer to purchase may be considered a violation of the licensee's obligation to protect and promote the interests of the licensee's client when this failure could result in a contract becoming void or voidable.

.03 Relations to Fellow Licensees.

A. The agency of a licensee who holds an exclusive listing, shall be respected.

B. The licensee shall cooperate with other brokers on property listed by him exclusively whenever it is in the interest of the client, and share commissions on a previously agreed basis. Negotiations concerning property listed exclusively with one broker shall be carried on solely with the listing broker.

C. Repealed.

D. Signs giving notice of property for sale, rent, lease, or exchange may not be placed on any property without the owner's prior consent.

Chapter 09

Department of Labor, Licensing, and Regulations

Subtitle 11 REAL ESTATE COMMISSION

09.11.01 General Regulations

Associate Brokers & Salesperson's May Register Nicknames

As a result of the enactment of House Bill 704 during the 2002 session of the Maryland General Assembly, **licensed real estate associate brokers and salespersons** are now eligible to register a nickname with the Real Estate Commission and thereby hold themselves out to the public by that nickname.

Accordingly, a licensee named William Salesperson may register the nickname "Bill" with the Commission and trade under the name Bill Salesperson. The licensee will receive a new license with the authorized nickname in parenthesis on the name line of the license: *William F.*

Salesperson (Bill) This authorization is limited strictly to the use of nicknames. Consistent with the action of the General Assembly, the Commission will not register the name of a joint venture, partnership, corporation or some other entity under this provision.

If there is any question about the acceptability of a particular nickname, please contact the Commission before filing an application. **You may go online at**

<http://www.dlrr.state.md.us/license/occprof/recomm.html> to register a nickname.

Regulations On Telephone Numbers In Advertising

The Maryland Real Estate Commission has a new regulation which will require associate brokers and salespersons that use an individual telephone number or e-mail address in their advertising to also include in the advertisement the identified telephone number of the broker or branch office manager. The Commission is concerned that members of the public may be unaware of how to register any questions or concerns that may arise in their dealings with a particular associate broker or salesperson. The Commissioners believe that many issues can be

resolved with the assistance of the broker or branch office manager, and that this requirement will make it easier for that assistance to be obtained.

Forms of Advertising

Maryland Annotated Code, the Business and Occupations and Professions Article, Section 17-527.2 .

“A licensed real estate salesperson, licensed real estate broker, or licensed associate real estate broker may not advertise unless:

(1) The name or designated name of the licensed real estate salesperson, licensed real estate broker, or licensed associate real estate broker, as the name or designated name appears on the license certificate and pocket card issued by the Commission, is meaningfully and conspicuously included in the advertisement; and (2) The name of the business with which the licensed real estate salesperson, licensed real estate broker, or licensed associate real estate broker is affiliated:

- (i) Is meaningfully and conspicuously included in the advertisement; and
- (ii) Is the full name of the business and not a logo used by the business.”

Illegal Flipping

FHA Rule: Prohibition of Property Flipping

Due to the increase in occurrences of property flipping (defined as reselling a property at an artificially inflated value for a considerable profit) HUD is imposing the following restrictions on the resale of properties (as published in the Federal Register on May 1, 2003 @ 66 FR 23370). These restrictions will apply to mortgage loan applications signed on or after June 2, 2003.

Resale Restrictions. Re-sales occurring up to 90 days after last acquisitions are not eligible for FHA financing, regardless of the previous financing type on the property.

Re-sales occurring 91-180 days after last acquisition with a resale price of 100% or higher than previous sale price will require

additional documentation. This may include, but is not limited to, a second appraisal and/or documentation supporting the rehabilitation of the property.

Re-sales occurring between 91 days and 12 months are not currently restricted, but HUD reserves the right to require additional documentation to support the value of the property during this period. Any such additional restrictions or documentation requirements would be published in the Federal Register 30 days before the effective date.

Re-sales occurring more than 12 months from acquisition are eligible for FHA financing without restriction.

The seller’s acquisition date will be determined by the settlement date on their HUD-1 Settlement statement. The re-sale date will be the date that the sales contract is fully executed.

Exceptions to the above restrictions:

Re-sales by HUD of Real Estate Owned (REO) properties Re-sales of properties purchased by an employer or relocation agency in connection to the relocation of an employee.

Sale By Owner of Record. All purchase transactions will require documentation verifying that the seller is the owner of record, regardless of last sale date. The transaction may not involve any subsequent transfer/sale or assignment of the sales contract. Acceptable documentation may

include, but is not limited to a property sales history report from an appropriate local governmental agency, a copy of the recorded deed, copy of a property tax bill and a title commitment or binder. HUD is also requiring that the Uniform Residential Appraisal Report include the sales history for both the subject property and the comparables to include all transactions within three years of the date of the appraisal.

Should there be any conflicting information between that provided by the appraisal and any other documentation provided by the correspondent, it must be resolved to the lender's satisfaction prior to closing.

HUD may continue to make amendments to the above and will provide sufficient notice for lenders to enact standards.

How will this affect you?

Any FHA purchase application taken on or before 6/2/03 will require additional conditioning and documentation to meet HUD's new ruling.

Illegal Flipping FHA Rule: Prohibition of Property Flipping

What you will need to do:

For any loan with an application date (all applications must be dated) on or after June 2, 2003, you will need to supply the following as prior to closing documentation:

A copy of a MLS 12-month sales history **OR** a satisfactory title commitment that indicates the 12-month sales history of the property.

A copy of the current tax bill on the subject property **OR** a copy of the recorded deed.

Any loan that is received on or after June 2, 2003, and is missing either of the two requirements listed above will be opened until documentation is submitted for an underwriter to review.

For those loans where a second appraisal is required, a conventional appraisal may be supplied to us for review. HUD will not allow the borrower to absorb these charges.

Comments By Senator Sarbanes Introduction of "Predatory Lending Consumer Protection Act"

April 12, 2000

Homeownership is the American Dream. It is the opportunity for all Americans to put down roots and start creating equity for themselves and their families. Homeownership has been the path to building wealth for generations of Americans; it has been the key to ensuring stable communities, good schools, and safe streets.

The predatory lending industry plays on these hopes and dreams to cheat people of their wealth. These lenders target working and lower income families, the elderly, and, often, uneducated homeowners for their abusive practices. To my mind, nothing can be more cynical.

Let me briefly describe how predatory lenders operate. They target people with a lot of equity in their homes; they underwrite the property without regard to the ability of the borrower to pay the loan back.

They make their money by charging extremely high origination fees, and by "packing" other products into the loan, including upfront premiums for credit life insurance, or credit unemployment insurance, and others, for which they get significant commissions but are of no value to the homeowner. The premiums for these products get financed into the loan, greatly increasing the loan's total balance amount. As a result, the borrower is likely to find himself in extreme financial distress.

Then, when the trouble hits, the predatory lender will offer to refinance the loan. Unfortunately, another characteristic of these loans is that they have prepayment penalties. So, by the time the refinancing occurs, with all the fees repeated and the prepayment penalty included, the lender/broker makes a lot of money from the transaction, and the owner has been stripped of his or her equity and, oftentimes, his home.

There are many people who may have had some credit problems who still need access to affordable credit. They may only be able to get subprime loans, which charge higher interest rates. Clearly, to get the credit they will have to pay somewhat higher rates because of the greater risk they represent. We want them to be able to get these loans.

But these families should not be stripped of their home equity through financing of extremely high fees, credit insurance, or prepayment penalties. They should not be forced into constant refinancings, losing more and more of the wealth they've taken a lifetime to build to a new set of fees each and every time. [We need] legislation [that] will keep credit available, while discouraging or prohibiting these worst practices. [We need to allow] lenders to recover the costs of making their loans, while always leaving the door open to borrowers to repair their credit and move to lower cost loans.

Taken as a whole, predatory lending practices represent a frontal assault on homeowners all over America. Today, we are coming to their defense. We must stop the American dream of homeownership from being distorted into a nightmare by these unscrupulous practices. We want to ensure that all borrowers, whether in the prime or subprime market, are treated fairly and responsibly.

The problem is, most of these practices, while unethical and clearly abusive, are [currently] perfectly legal. Alan Greenspan at the Federal Reserve Board has recognized this as an increasing problem, as have the other banking regulators.

National Association of REALTOR® Code of Ethics The Structure Of The NAR Code Of Ethics

Articles

Broad Statement of Ethical Principles

Standards of Practice

Support, Interpret, and Amplify the Articles Under Which They are Stated

Case Interpretation

Specific Fact Situations to which the Articles and/or Standards of Practice are Applied

Only Articles of the Code can be violated, through Standards of Practice can be cited in support of an alleged violation.

Ethics Or Arbitration

Ethics: Basic Issue Is there a possible violation of the Code of Ethics?

Arbitration: Basic Issue Is there an arbitral issue, that is, a money dispute?

Typically, a dispute over which REALTOR® is entitled to the cooperative commission in a transaction.

Authorized Discipline (And Administrative Processing Fees)

- Letter of Warning

- Letter of Reprimand
- Education
- Fine Not To Exceed \$5,000
- Probation For One Year Or Less
- Suspension For Not Less Than 30 Days or More Than One Year
- Expulsion From Membership For Period Of One To Three Years Suspension Or Termination Of MLS Privileges
- Administrative Processing Fee (If Found In Violation) Not To Exceed \$500 (“Court Costs”)

NAR’s Arbitration Guidelines

- Found in the Code of Ethics and Arbitration Manual
- Guidance to Hearing Panels as to How to Determine Procuring Cause in Arbitration Hearings
- Also Referred to as “Suggested Factors for Consideration By a Hearing Panel in Arbitration”
- Guidelines Focus on “Procuring Cause” as the Basis for Resolving Most Commission Disputes Between Brokers

Key Factors In A Procuring Cause Dispute

- No Predetermined Rule Of Entitlement May Be Established By An Association
- Hearing Panels Should Consider The Entire Course Of Events
- Matters Such As The First Showing Of The Property, The Writing Of The Successful Offer Or The Existence Of An Agency Relationship With The Buyer Are Not, In Themselves, Exclusive Determiners of Procuring Cause/Entitlement
- The Key Concepts Of Procuring Cause Are Referenced In This Definition From *Black’s Law Dictionary*, Fifth Edition: ***“The proximate cause; the cause originating a series of events which, without break in their continuity, result in the accomplishment of the prime object.”***

CODE OF ETHICS

- Protects The Buying And Selling Public
- Promotes A Competitive Real Estate Marketplace
- Enhances The Integrity Of The Industry
- Is Your Promise Of Performance
- Is Your Promise Of Professionalism.

Code of Ethics

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Where the word REALTORS® is used in this Code and Preamble, it shall be deemed to include REALTOR-ASSOCIATE®s.

While the Code of Ethics establishes obligations that may be higher than those mandated by law, in any instance where the Code of Ethics and the law conflict, the obligations of the law must take precedence.

Preamble

Under all is the land. Upon its wise utilization and widely allocated ownership depend the survival and growth of free institutions and of our civilization. REALTORS® should recognize that the interests of the nation and its citizens require the highest and best use of the land and the widest distribution of land ownership. They require the creation of adequate housing, the building of functioning cities, the development of productive industries and farms, and the preservation of a healthful environment.

Such interests impose obligations beyond those of ordinary commerce. They impose grave social responsibility and a patriotic duty to which REALTORS® should dedicate themselves, and for which they should be diligent in preparing themselves.

REALTORS®, therefore, are zealous to maintain and improve the standards of their calling and share with their fellow REALTORS® a common responsibility for its integrity and honor.

In recognition and appreciation of their obligations to clients, customers, the public, and each other, REALTORS® continuously strive to become and remain informed on issues affecting real estate and, as knowledgeable professionals, they willingly share the fruit of their experience and study with others. They identify and take steps, through enforcement of this Code of Ethics and by assisting appropriate regulatory bodies, to eliminate practices which may damage the public or which might discredit or bring dishonor to the real estate profession. REALTORS® having direct personal knowledge of conduct that may violate the Code of Ethics involving misappropriation of client or customer funds or property, willful discrimination, or fraud resulting in substantial economic harm, bring such matters to the attention of the appropriate Board or Association of REALTORS®.
(Amended 1/00)

Realizing that cooperation with other real estate professionals promotes the best interests of those who utilize their services, REALTORS® urge exclusive representation of clients; do not attempt to gain any unfair advantage over their competitors; and they refrain from making unsolicited comments about other practitioners. In instances where their opinion is sought, or where REALTORS® believe that comment is necessary, their opinion is offered in an objective, professional manner, uninfluenced by any personal motivation or potential advantage or gain.

The term REALTOR® has come to connote competency, fairness, and high integrity resulting from adherence to a lofty ideal of moral conduct in business relations. No inducement of profit and no instruction from clients ever can justify departure from this ideal.

In the interpretation of this obligation, REALTORS® can take no safer guide than that which has been handed down through the centuries, embodied in the Golden Rule, "Whatsoever ye would that others should do to you, do ye even so to them."

Accepting this standard as their own, REALTORS® pledge to observe its spirit in all of their activities whether conducted personally, through associates or others, or via technological means, and to conduct their business in accordance with the tenets set forth below. (Amended 1/07)

Duties to Clients and Customers

Article 1

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity,

REALTORS® remain obligated to treat all parties honestly. (Amended 1/01)

Standard of Practice 1-1

REALTORS®, when acting as principals in a real estate transaction, remain obligated by the duties imposed by the Code of Ethics. (Amended 1/93)

Standard of Practice 1-2

The duties imposed by the Code of Ethics encompass all real estate-related activities and transactions whether conducted in person, electronically, or through any other means.

The duties the Code of Ethics imposes are applicable whether REALTORS® are acting as agents or in legally recognized non-agency capacities except that any duty imposed exclusively on agents by law or regulation shall not be imposed by this Code of Ethics on REALTORS® acting in non-agency capacities.

As used in this Code of Ethics, “client” means the person(s) or entity(ies) with whom a REALTOR® or a REALTOR®’s firm has an agency or legally recognized non-agency relationship; “customer” means a party to a real estate transaction who receives information, services, or benefits but has no contractual relationship with the REALTOR® or the REALTOR®’s firm; “prospect” means a purchaser, seller, tenant, or landlord who is not subject to a representation relationship with the REALTOR® or REALTOR®’s firm; “agent” means a real estate licensee (including brokers and sales associates) acting in an agency relationship as defined by state law or regulation; and “broker” means a real estate licensee (including brokers and sales associates) acting as an agent or in a legally recognized non-agency capacity. (Adopted 1/95, Amended 1/07)

Standard of Practice 1-3

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

Standard of Practice 1-4

REALTORS®, when seeking to become a buyer/tenant representative, shall not mislead buyers or tenants as to savings or other benefits that might be realized through use of the REALTOR®’s services. (Amended 1/93)

Standard of Practice 1-5

REALTORS® may represent the seller/landlord and buyer/tenant in the same transaction only after full disclosure to and with informed consent of both parties. (Adopted 1/93)

Standard of Practice 1-6

REALTORS® shall submit offers and counter-offers objectively and as quickly as possible. (Adopted 1/93, Amended 1/95)

Standard of Practice 1-7

When acting as listing brokers, REALTORS® shall continue to submit to the seller/landlord all offers and counter-offers until closing or execution of a lease unless the seller/landlord has waived this obligation in writing. REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord. REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing purchase contract or lease. (Amended 1/93)

Standard of Practice 1-8

REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. REALTORS®, acting as agents or brokers of buyers/tenants, shall recommend that buyers/tenants obtain the advice of legal counsel if there is a question as to whether a pre-existing contract has been terminated. (Adopted 1/93, Amended 1/99)

Standard of Practice 1-9

The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients

in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law. REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:

1. reveal confidential information of clients; or
2. use confidential information of clients to the disadvantage of clients; or
3. use confidential information of clients for the REALTOR®'s advantage or the advantage of third parties unless:
 - a. clients consent after full disclosure; or
 - b. REALTORS® are required by court order; or
 - c. it is the intention of a client to commit a crime and the information is necessary to prevent the crime; or
 - d. it is necessary to defend a REALTOR® or the REALTOR®'s employees or associates against an accusation of wrongful conduct.

Information concerning latent material defects is not considered confidential information under this Code of Ethics.
(Adopted 1/93, Amended 1/01)

Standard of Practice 1-10

REALTORS® shall, consistent with the terms and conditions of their real estate licensure and their property management agreement, competently manage the property of clients with due regard for the rights, safety and health of tenants and others lawfully on the premises. (Adopted 1/95, Amended 1/00)

Standard of Practice 1-11

REALTORS® who are employed to maintain or manage a client's property shall exercise due diligence and make reasonable efforts to protect it against reasonably foreseeable contingencies and losses. (Adopted 1/95)

Standard of Practice 1-12

When entering into listing contracts, REALTORS® must advise sellers/landlords of:

1. the REALTOR®'s company policies regarding cooperation and the amount(s) of any compensation that will be offered to subagents, buyer/tenant agents, and/or brokers acting in legally recognized non-agency capacities;
2. the fact that buyer/tenant agents or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and
3. any potential for listing brokers to act as disclosed dual agents, e.g. buyer/tenant agents. (Adopted 1/93, Renumbered 1/98, Amended 1/03)

Standard of Practice 1-13

When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

1. the REALTOR®'s company policies regarding cooperation;
2. the amount of compensation to be paid by the client;
3. the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from

other parties;

4. any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g. listing broker, subagent, landlord's agent, etc., and
5. the possibility that sellers or sellers' representatives may not treat the existence, terms, or conditions of offers as confidential unless confidentiality is required by law, regulation, or by any confidentiality agreement between the parties. (Adopted 1/93, Renumbered 1/98, Amended 1/06)

Standard of Practice 1-14

Fees for preparing appraisals or other valuations shall not be contingent upon the amount of the appraisal or valuation. (Adopted 1/02)

Standard of Practice 1-15

REALTORS®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property. Where disclosure is authorized, REALTORS® shall also disclose whether offers were obtained by the listing licensee, another licensee in the listing firm, or by a cooperating broker. (Adopted 1/03, Amended 1/06))

Article 2

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. (Amended 1/00)

Standard of Practice 2-1

REALTORS® shall only be obligated to discover and disclose adverse factors reasonably apparent to someone with expertise in those areas required by their real estate licensing authority. Article 2 does not impose upon the REALTOR® the obligation of expertise in other professional or technical disciplines. (Amended 1/96)

Standard of Practice 2-2

(Renumbered as Standard of Practice 1-12 1/98)

Standard of Practice 2-3

(Renumbered as Standard of Practice 1-13 1/98)

Standard of Practice 2-4

REALTORS® shall not be parties to the naming of a false consideration in any document, unless it is the naming of an obviously nominal consideration.

Standard of Practice 2-5

Factors defined as "non-material" by law or regulation or which are expressly referenced in law or regulation as not being subject to disclosure are considered not "pertinent" for purposes of Article 2. (Adopted 1/93)

Article 3

REALTORS® shall cooperate with other brokers except when cooperation is not in the client's best interest. The obligation to cooperate does not include the obligation to share commissions, fees, or to otherwise compensate another broker. (Amended 1/95)

Standard of Practice 3-1

REALTORS®, acting as exclusive agents or brokers of sellers/ landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating

brokers before beginning efforts to accept the offer of cooperation. (Amended 1/99)

Standard of Practice 3-2

REALTORS® shall, with respect to offers of compensation to another REALTOR®, timely communicate any change of compensation for cooperative services to the other REALTOR® prior to the time such REALTOR® produces an offer to purchase/lease the property. (Amended 1/94)

Standard of Practice 3-3

Standard of Practice 3-2 does not preclude the listing broker and cooperating broker from entering into an agreement to change cooperative compensation. (Adopted 1/94)

Standard of Practice 3-4

REALTORS®, acting as listing brokers, have an affirmative obligation to disclose the existence of dual or variable rate commission arrangements (i.e., listings where one amount of commission is payable if the listing broker's firm is the procuring cause of sale/lease and a different amount of commission is payable if the sale/lease results through the efforts of the seller/ landlord or a cooperating broker). The listing broker shall, as soon as practical, disclose the existence of such arrangements to potential cooperating brokers and shall, in response to inquiries from cooperating brokers, disclose the differential that would result in a cooperative transaction or in a sale/lease that results through the efforts of the seller/landlord. If the cooperating broker is a buyer/tenant representative, the buyer/tenant representative must disclose such information to their client before the client makes an offer to purchase or lease. (Amended 1/02)

Standard of Practice 3-5

It is the obligation of subagents to promptly disclose all pertinent facts to the principal's agent prior to as well as after a purchase or lease agreement is executed. (Amended 1/93)

Standard of Practice 3-6

REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation. (Adopted 5/86, Amended 1/04)

Standard of Practice 3-7

When seeking information from another REALTOR® concerning property under a management or listing agreement, REALTORS® shall disclose their REALTOR® status and whether their interest is personal or on behalf of a client and, if on behalf of a client, their representational status. (Amended 1/95)

Standard of Practice 3-8

REALTORS® shall not misrepresent the availability of access to show or inspect a listed property. (Amended 11/87)

Article 4

REALTORS® shall not acquire an interest in or buy or present offers from themselves, any member of their immediate families, their firms or any member thereof, or any entities in which they have any ownership interest, any real property without making their true position known to the owner or the owner's agent or broker. In selling property they own, or in which they have any interest, REALTORS® shall reveal their ownership or interest in writing to the purchaser or the purchaser's representative. (Amended 1/00)

Standard of Practice 4-1

For the protection of all parties, the disclosures required by Article 4 shall be in writing and provided by REALTORS® prior to the signing of any contract. (Adopted 2/86)

Article 5

REALTORS® shall not undertake to provide professional services concerning a property or its value where they have a present or contemplated interest unless such interest is specifically disclosed to all affected parties.

Article 6

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

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

Standard of Practice 6-1

REALTORS® shall not recommend or suggest to a client or a customer the use of services of another organization or business entity in which they have a direct interest without disclosing such interest at the time of the recommendation or suggestion. (Amended 5/88)

Article 7

In a transaction, REALTORS® shall not accept compensation from more than one party, even if permitted by law, without disclosure to all parties and the informed consent of the REALTOR®'s client or clients. (Amended 1/93)

Article 8

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

Article 9

REALTORS®, for the protection of all parties, shall assure whenever possible that all agreements related to real estate transactions including, but not limited to, listing and representation agreements, purchase contracts, and leases are in writing in clear and understandable language expressing the specific terms, conditions, obligations and commitments of the parties. A copy of each agreement shall be furnished to each party to such agreements upon their signing or initialing. (Amended 1/04)

Standard of Practice 9-1

For the protection of all parties, REALTORS® shall use reasonable care to ensure that documents pertaining to the purchase, sale, or lease of real estate are kept current through the use of written extensions or amendments. (Amended 1/93)

Standard of Practice 9-2

When assisting or enabling a client or customer in establishing a contractual relationship (e.g., listing and representation agreements, purchase agreements, leases, etc.) electronically, REALTORS® shall make reasonable efforts to explain the nature and disclose the specific terms of the contractual relationship being established prior to it being agreed to by a contracting party. (Adopted 1/07)

Duties to the Public

Article 10

REALTORS® shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, or national origin. 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, handicap, familial status, or national origin. (Amended 1/90)

REALTORS®, in their real estate employment practices, shall not discriminate against any person or persons on the basis of race, color, religion, sex, handicap, familial status, or national origin. (Amended 1/00)

Standard of Practice 10-1

When involved in the sale or lease of a residence, REALTORS® shall not volunteer information regarding the racial, religious or ethnic composition of any neighborhood nor shall they engage in any activity which may result in panic selling, however, REALTORS® may provide other demographic information. (Adopted 1/94, Amended 1/06)

Standard of Practice 10-2

When not involved in the sale or lease of a residence, REALTORS® may provide demographic information related to a

property, transaction or professional assignment to a party if such demographic information is (a) deemed by the REALTOR® to be needed to assist with or complete, in a manner consistent with Article 10, a real estate transaction or professional assignment and (b) is obtained or derived from a recognized, reliable, independent, and impartial source. The source of such information and any additions, deletions, modifications, interpretations, or other changes shall be disclosed in reasonable detail. (Adopted 1/05, Renumbered 1/06)

Standard of Practice 10-3

REALTORS® shall not print, display or circulate any statement or advertisement with respect to selling or renting of a property that indicates any preference, limitations or discrimination based on race, color, religion, sex, handicap, familial status, or national origin. (Adopted 1/94, Renumbered 1/05 and 1/06)

Standard of Practice 10-4

As used in Article 10 “real estate employment practices” relates to employees and independent contractors providing real estate-related services and the administrative and clerical staff directly supporting those individuals. (Adopted 1/00, Renumbered 1/05)

Article 11

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, 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 1/95)

Standard of Practice 11-1

When REALTORS® prepare opinions of real property value or price, other than in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer, such opinions shall include the following:

1. identification of the subject property
2. date prepared
3. defined value or price
4. limiting conditions, including statements of purpose(s) and intended user(s)
5. any present or contemplated interest, including the possibility of representing the seller/landlord or buyers/tenants
6. basis for the opinion, including applicable market data
7. if the opinion is not an appraisal, a statement to that effect (Amended 1/01)

Standard of Practice 11-2

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

Standard of Practice 11-3

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

Standard of Practice 11-4

The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or

customers; the duties expressly imposed by the Code of Ethics; and the duties imposed by law or regulation. (Adopted 1/02)

Article 12

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

Standard of Practice 12-1

REALTORS® may use the term “free” and similar terms in their advertising and in other representations provided that all terms governing availability of the offered product or service are clearly disclosed at the same time. (Amended 1/97)

Standard of Practice 12-2

REALTORS® may represent their services as “free” or without cost even if they expect to receive compensation from a source other than their client provided that the potential for the REALTOR® to obtain a benefit from a third party is clearly disclosed at the same time. (Amended 1/97)

Standard of Practice 12-3

The offering of premiums, prizes, merchandise discounts or other inducements to list, sell, purchase, or lease is not, in itself, unethical even if receipt of the benefit is contingent on listing, selling, purchasing, or leasing through the REALTOR® making the offer. However, REALTORS® must exercise care and candor in any such advertising or other public or private representations so that any party interested in receiving or otherwise benefiting from the REALTOR®'s offer will have clear, thorough, advance understanding of all the terms and conditions of the offer. The offering of any inducements to do business is subject to the limitations and restrictions of state law and the ethical obligations established by any applicable Standard of Practice. (Amended 1/95)

Standard of Practice 12-4

REALTORS® shall not offer for sale/lease or advertise property without authority. When acting as listing brokers or as subagents, REALTORS® shall not quote a price different from that agreed upon with the seller/landlord. (Amended 1/93)

Standard of Practice 12-5

REALTORS® shall not advertise nor permit any person employed by or affiliated with them to advertise listed property in any medium (e.g., electronically, print, radio, television, etc.) without disclosing the name of that REALTOR®'s firm in a reasonable and readily apparent manner. (Adopted 11/86, Amended 1/07)

Standard of Practice 12-6

REALTORS®, when advertising unlisted real property for sale/lease in which they have an ownership interest, shall disclose their status as both owners/landlords and as REALTORS® or real estate licensees. (Amended 1/93)

Standard of Practice 12-7

Only REALTORS® who participated in the transaction as the listing broker or cooperating broker (selling broker) may claim to have “sold” the property. Prior to closing, a cooperating broker may post a “sold” sign only with the consent of the listing broker. (Amended 1/96)

Standard of Practice 12-8

The obligation to present a true picture in representations to the public includes information presented, provided, or displayed on REALTORS®, websites. REALTORS® shall use reasonable efforts to ensure that information on their websites is current. When it becomes apparent that information on a REALTOR®'s website is no longer current or accurate, REALTORS® shall promptly take corrective action. (Adopted 1/07)

Standard of Practice 12-9

REALTOR® firm websites shall disclose the firm's name and state(s) of licensure in a reasonable and readily apparent

manner.

Websites of REALTORS® and non-member licensees affiliated with a REALTOR® firm shall disclose the firm's name and that REALTOR®'s or non-member licensee's state(s) of licensure in a reasonable and readily apparent manner. (Adopted 1/07)

Standard of Practice 12-10

REALTORS®' obligation to present a true picture in their advertising and representations to the public includes the URLs and domain names they use, and prohibits REALTORS® from:

1. engaging in deceptive or unauthorized framing of real estate brokerage websites;
2. manipulating (e.g., presenting content developed by others) listing content in any way that produces a deceptive or misleading result; or
3. deceptively using metatags, keywords or other devices/methods to direct, drive, or divert Internet traffic, or to otherwise mislead consumers. (Adopted 1/07)

Standard of Practice 12-11

REALTORS® intending to share or sell consumer information gathered via the Internet shall disclose that possibility in a reasonable and readily apparent manner. (Adopted 1/07)

Standard of Practice 12-12

REALTORS® shall not:

1. use URLs or domain names that present less than a true picture, or
2. register URLs or domain names which, if used, would present less than a true picture. (Adopted 1/08)

Standard of Practice 12-13

The obligation to present a true picture in advertising, marketing, and representations allows REALTORS® to use and display only professional designations, certifications, and other credentials to which they are legitimately entitled. (Adopted 1/08)

Article 13

REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

Article 14

If charged with unethical practice or asked to present evidence or to cooperate in any other way, in any professional standards proceeding or investigation, REALTORS® shall place all pertinent facts before the proper tribunals of the Member Board or affiliated institute, society, or council in which membership is held and shall take no action to disrupt or obstruct such processes. (Amended 1/99)

Standard of Practice 14-1

REALTORS® shall not be subject to disciplinary proceedings in more than one Board of REALTORS® or affiliated institute, society or council in which they hold membership with respect to alleged violations of the Code of Ethics relating to the same transaction or event. (Amended 1/95)

Standard of Practice 14-2

REALTORS® shall not make any unauthorized disclosure or dissemination of the allegations, findings, or decision developed in connection with an ethics hearing or appeal or in connection with an arbitration hearing or procedural review. (Amended 1/92)

Standard of Practice 14-3

REALTORS® shall not obstruct the Board's investigative or professional standards proceedings by instituting or threatening to institute actions for libel, slander or defamation against any party to a professional standards proceeding

or their witnesses based on the filing of an arbitration request, an ethics complaint, or testimony given before any tribunal. (Adopted 11/87, Amended 1/99)

Standard of Practice 14-4

REALTORS® shall not intentionally impede the Board's investigative or disciplinary proceedings by filing multiple ethics complaints based on the same event or transaction. (Adopted 11/88)

Duties to REALTORS®

Article 15

REALTORS® shall not knowingly or recklessly make false or misleading statements about competitors, their businesses, or their business practices. (Amended 1/92)

Standard of Practice 15-1

REALTORS® shall not knowingly or recklessly file false or unfounded ethics complaints. (Adopted 1/00)

Standard of Practice 15-2

The obligation to refrain from making false or misleading statements about competitors' businesses and competitors' business practices includes the duty to not knowingly or recklessly repeat, retransmit, or republish false or misleading statements made by others. This duty applies whether false or misleading statements are repeated in person, in writing, by technological means (e.g., the Internet), or by any other means. (Adopted 1/07)

Article 16

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

Standard of Practice 16-1

Article 16 is not intended to prohibit aggressive or innovative business practices which are otherwise ethical and does not prohibit disagreements with other REALTORS® involving commission, fees, compensation or other forms of payment or expenses. (Adopted 1/93, Amended 1/95)

Standard of Practice 16-2

Article 16 does not preclude REALTORS® from making general announcements to prospects describing their services and the terms of their availability even though some recipients may have entered into agency agreements or other exclusive relationships with another REALTOR®. A general telephone canvass, general mailing or distribution addressed to all prospects in a given geographical area or in a given profession, business, club, or organization, or other classification or group is deemed "general" for purposes of this standard. (Amended 1/04)

Article 16 is intended to recognize as unethical two basic types of solicitations:

First, telephone or personal solicitations of property owners who have been identified by a real estate sign, multiple listing compilation, or other information service as having exclusively listed their property with another REALTOR®; and

Second, mail or other forms of written solicitations of prospects whose properties are exclusively listed with another REALTOR® when such solicitations are not part of a general mailing but are directed specifically to property owners identified through compilations of current listings, "for sale" or "for rent" signs, or other sources of information required by Article 3 and Multiple Listing Service rules to be made available to other REALTORS® under offers of subagency or cooperation. (Amended 1/04)

Standard of Practice 16-3

Article 16 does not preclude REALTORS® from contacting the client of another broker for the purpose of offering to provide, or entering into a contract to provide, a different type of real estate service unrelated to the type of service currently being provided (e.g., property management as opposed to brokerage) or from offering the same type of service for property not subject to other brokers' exclusive agreements. However, information received through a Multiple Listing Service or any other offer of cooperation may not be used to target clients of other REALTORS® to whom such offers to provide services may be made. (Amended 1/04)

Standard of Practice 16-4

REALTORS® shall not solicit a listing which is currently listed exclusively with another broker. However, if the listing broker, when asked by the REALTOR®, refuses to disclose the expiration date and nature of such listing; i.e., an exclusive right to sell, an exclusive agency, open listing, or other form of contractual agreement between the listing broker and the client, the REALTOR® may contact the owner to secure such information and may discuss the terms upon which the REALTOR® might take a future listing or, alternatively, may take a listing to become effective upon expiration of any existing exclusive listing. (Amended 1/94)

Standard of Practice 16-5

REALTORS® shall not solicit buyer/tenant agreements from buyers/ tenants who are subject to exclusive buyer/tenant agreements. However, if asked by a REALTOR®, the broker refuses to disclose the expiration date of the exclusive buyer/tenant agreement, the REALTOR® may contact the buyer/tenant to secure such information and may discuss the terms upon which the REALTOR® might enter into a future buyer/tenant agreement or, alternatively, may enter into a buyer/tenant agreement to become effective upon the expiration of any existing exclusive buyer/tenant agreement. (Adopted 1/94, Amended 1/98)

Standard of Practice 16-6

When REALTORS® are contacted by the client of another REALTOR® regarding the creation of an exclusive relationship to provide the same type of service, and REALTORS® have not directly or indirectly initiated such discussions, they may discuss the terms upon which they might enter into a future agreement or, alternatively, may enter into an agreement which becomes effective upon expiration of any existing exclusive agreement. (Amended 1/98)

Standard of Practice 16-7

The fact that a prospect has retained a REALTOR® as an exclusive representative or exclusive broker in one or more past transactions does not preclude other REALTORS® from seeking such prospect's future business. (Amended 1/04)

Standard of Practice 16-8

The fact that an exclusive agreement has been entered into with a REALTOR® shall not preclude or inhibit any other REALTOR® from entering into a similar agreement after the expiration of the prior agreement. (Amended 1/98)

Standard of Practice 16-9

REALTORS®, prior to entering into a representation agreement, have an affirmative obligation to make reasonable efforts to determine whether the prospect is subject to a current, valid exclusive agreement to provide the same type of real estate service. (Amended 1/04)

Standard of Practice 16-10

REALTORS®, acting as buyer or tenant representatives or brokers, shall disclose that relationship to the seller/landlord's representative or broker at first contact and shall provide written confirmation of that disclosure to the seller/landlord's representative or broker not later than execution of a purchase agreement or lease. (Amended 1/04)

Standard of Practice 16-11

On unlisted property, REALTORS® acting as buyer/tenant representatives or brokers shall disclose that relationship to the seller/landlord at first contact for that buyer/tenant and shall provide written confirmation of such disclosure to the seller/landlord not later than execution of any purchase or lease agreement. (Amended 1/04)

REALTORS® shall make any request for anticipated compensation from the seller/ landlord at first contact. (Amended 1/98)

Standard of Practice 16-12

REALTORS®, acting as representatives or brokers of sellers/landlords or as subagents of listing brokers, shall disclose that relationship to buyers/tenants as soon as practicable and shall provide written confirmation of such disclosure to buyers/tenants not later than execution of any purchase or lease agreement. (Amended 1/04)

Standard of Practice 16-13

All dealings concerning property exclusively listed, or with buyer/tenants who are subject to an exclusive agreement shall be carried on with the client's representative or broker, and not with the client, except with the consent of the client's representative or broker or except where such dealings are initiated by the client.

Before providing substantive services (such as writing a purchase offer or presenting a CMA) to prospects, REALTORS® shall ask prospects whether they are a party to any exclusive representation agreement. REALTORS® shall not knowingly provide substantive services concerning a prospective transaction to prospects who are parties to exclusive representation agreements, except with the consent of the prospects' exclusive representatives or at the direction of prospects. (Adopted 1/93, Amended 1/04)

Standard of Practice 16-14

REALTORS® are free to enter into contractual relationships or to negotiate with sellers/ landlords, buyers/tenants or others who are not subject to an exclusive agreement but shall not knowingly obligate them to pay more than one commission except with their informed consent. (Amended 1/98)

Standard of Practice 16-15

In cooperative transactions REALTORS® shall compensate cooperating REALTORS® (principal brokers) and shall not compensate nor offer to compensate, directly or indirectly, any of the sales licensees employed by or affiliated with other REALTORS® without the prior express knowledge and consent of the cooperating broker.

Standard of Practice 16-16

REALTORS®, acting as subagents or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer/tenant representatives or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. (Amended 1/04)

Standard of Practice 16-17

REALTORS®, acting as subagents or as buyer/tenant representatives or brokers, shall not attempt to extend a listing broker's offer of cooperation and/or compensation to other brokers without the consent of the listing broker. (Amended 1/04)

Standard of Practice 16-18

REALTORS® shall not use information obtained from listing brokers through offers to cooperate made through multiple listing services or through other offers of cooperation to refer listing brokers' clients to other brokers or to create buyer/tenant relationships with listing brokers' clients, unless such use is authorized by listing brokers. (Amended 1/02)

Standard of Practice 16-19

Signs giving notice of property for sale, rent, lease, or exchange shall not be placed on property without consent of the seller/landlord. (Amended 1/93)

Standard of Practice 16-20

REALTORS®, prior to or after terminating their relationship with their current firm, shall not induce clients of their current firm to cancel exclusive contractual agreements between the client and that firm. This does not preclude REALTORS® (principals) from establishing agreements with their associated licensees governing assignability of exclusive agreements. (Adopted 1/98)

Article 17

In the event of contractual disputes or specific non-contractual disputes as defined in Standard of Practice 17-4 between REALTORS® (principals) associated with different firms, arising out of their relationship as REALTORS®, the REALTORS® shall submit the dispute to arbitration in accordance with the regulations of their Board or Boards rather than litigate the matter.

In the event clients of REALTORS® wish to arbitrate contractual disputes arising out of real estate transactions, REALTORS® shall arbitrate those disputes in accordance with the regulations of their Board, provided the clients agree to be bound by the decision.

The obligation to participate in arbitration contemplated by this Article includes the obligation of REALTORS® (principals) to cause their firms to arbitrate and be bound by any award. (Amended 1/01)

Standard of Practice 17-1

The filing of litigation and refusal to withdraw from it by REALTORS® in an arbitrable matter constitutes a refusal to arbitrate. (Adopted 2/86)

Standard of Practice 17-2

Article 17 does not require REALTORS® to arbitrate in those circumstances when all parties to the dispute advise the Board in writing that they choose not to arbitrate before the Board. (Amended 1/93)

Standard of Practice 17-3

REALTORS®, when acting solely as principals in a real estate transaction, are not obligated to arbitrate disputes with other REALTORS® absent a specific written agreement to the contrary. (Adopted 1/96)

Standard of Practice 17-4

Specific non-contractual disputes that are subject to arbitration pursuant to Article 17 are:

1. Where a listing broker has compensated a cooperating broker and another cooperating broker subsequently claims to be the procuring cause of the sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. When arbitration occurs between two (or more) cooperating brokers and where the listing broker is not a party, the amount in dispute and the amount of any potential resulting award is limited to the amount paid to the respondent by the listing broker and any amount credited or paid to a party to the transaction at the direction of the respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. (Adopted 1/97, Amended 1/07)
2. Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. When arbitration occurs between two (or more) cooperating brokers and where the listing broker is not a party, the amount in dispute and the amount of any potential resulting award is limited to the amount paid to the respondent by the seller or landlord and any amount credited or paid to a party to the transaction at the direction of the respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. (Adopted 1/97, Amended 1/07)
3. Where a buyer or tenant representative is compensated by the buyer or tenant and, as a result, the listing broker reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. (Adopted 1/97)
4. Where two or more listing brokers claim entitlement to compensation pursuant to open listings with a seller or landlord who agrees to participate in arbitration (or who requests arbitration) and who agrees to be bound

by the decision. In cases where one of the listing brokers has been compensated by the seller or landlord, the other listing broker, as complainant, may name the first listing broker as respondent and arbitration may proceed between the brokers. (Adopted 1/97)

5. Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, claims to be the procuring cause of sale or lease. In such cases arbitration shall be between the listing broker and the buyer or tenant representative and the amount in dispute is limited to the amount of the reduction of commission to which the listing broker agreed. (Adopted 1/05)

Standard of Practice 17-5

The obligation to arbitrate established in Article 17 includes disputes between REALTORS® (principals) in different states in instances where, absent an established inter-association arbitration agreement, the REALTOR® (principal) requesting arbitration agrees to submit to the jurisdiction of, travel to, participate in, and be bound by any resulting award rendered in arbitration conducted by the respondent(s) REALTOR®'s association, in instances where the respondent(s) REALTOR®'s association determines that an arbitrable issue exists. (Adopted 1/07)

The Code of Ethics was adopted in 1913. Amended at the Annual Convention in 1924, 1928, 1950, 1951, 1952, 1955, 1956, 1961, 1962, 1974, 1982, 1986, 1987, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, and 2007.

Modifications to existing Standards of Practice and additional new Standards of Practice are approved from time to time. Readers are cautioned to ensure that the most recent publications are utilized.

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CASE STUDIES

Case Study #10-4: Use of “choose your neighbor” marketing letters

REALTOR® A listed a property in a new subdivision. At the instruction of his client, Seller X, REALTOR® A did not file information on the listing with his Board’s MLS, did not place a “For Sale” sign on the property and did not advertise the property in the local newspaper. Seller X had told REALTOR® A that he wanted the sale handled quietly, with the new purchasers being people who would “fit into the neighborhood—people with the same socioeconomic background” as the other residents of the subdivision.

Based on his conversation with Seller X, REALTOR® A’s only marketing effort was mailing a letter to the other residents of the subdivision, inviting them “... to play a part in the decision of who your next neighbor will be. If you know of someone who you would like to live in the neighborhood, please let them know of the availability of this home, or call me and I will be happy to contact them and arrange a private showing.”

REALTOR® A’s marketing strategy came to the attention of REALTOR® B, whose mother lived in the subdivision. REALTOR® B filed a complaint charging REALTOR® A with a violation of Article 10 of the Code of Ethics.

At the hearing, REALTOR® B told the Hearing Panel of receiving a copy of the marketing letter from his mother, who had recently moved to the subdivision. REALTOR® B advised the panel that he had checked the Board’s MLS for information on the property, had driven past the house to look for a “For Sale” sign and had scanned the Sunday real estate section of the local newspaper for information on the property. Finding no mention of the property in either the MLS or the newspaper and noting the absence of a sign on the property, REALTOR® B concluded that REALTOR® A’s marketing strategy was to limit access to the property to individuals pre-selected by the current residents. “In my mind,” said REALTOR® B, “this could only mean one thing. REALTOR® A was deliberately discriminating against home seekers from other areas, or those with different backgrounds, who would never have the opportunity to learn about the house’s availability. Obviously, REALTOR® A was directing all of his marketing energies into finding purchasers who would not disrupt the ethnic and economic character of the neighborhood.”

REALTOR® A defended his actions by advising the panel that he was acting on Seller X’s instructions. Seller X appeared as a witness for REALTOR® A and confirmed this fact, adding that he and the other residents of his block had an informal agreement that they would try to find “suitable” purchasers for their homes if they ever decided to sell. Seller X felt that by broadening the marketing campaign to include all residents of the subdivision he had increased the chances of finding such potential purchasers.

Case Study #1-6: If you are not limited, you are full. Know what the client expects.

REALTOR® A managed an apartment building owned by Client B. In his capacity as property manager, REALTOR® A received a written offer to purchase the building from Buyer B. REALTOR® A responded that the building was not for sale. A few days later Buyer B met Client B and told him that he thought he had made an attractive offer through his agent, and indicated that he would be

interested in knowing what price would interest Client B. Client B answered that he had received no offer through REALTOR® A and asked for the details.

Client B then filed a complaint against REALTOR® A with the local Board of REALTORS® charging failure to represent and promote his interests. His complaint specified that while REALTOR® A had been engaged as a property manager, he had at no time told him not to submit any offers to buy, and that in the absence of any discussion whatever on this point, he felt that REALTOR® A should have recognized a professional obligation to acquaint him with Buyer B's offer which, he stated in the complaint, was definitely attractive to him.

REALTOR® A was notified of the complaint and directed to appear before a panel of the Board's Professional Standards Committee. In his defense, REALTOR® A stated that his only relationship with Client B was a property manager under the terms of a management contract; that he had not been engaged as a broker; that at no time had the client ever indicated an interest in selling the building; that in advising Buyer B that the property was not on the market, he felt that he was protecting his client against an attempt to take his time in discussing a transaction which he felt sure would not interest him.

Case Study #13-2: Use of standard purchase contract form

REALTOR® A, as the exclusive agent of Seller B, sold a small commercial property to Buyer C, filling in the blanks in a standard purchase contract form. At the time REALTOR® A presented the contract for Buyer C's signature, he explained that the contract was prepared by attorneys and was commonly used in the area. He suggested that Buyer C have his attorney review it. Buyer C said he would read it over carefully, and if he had any questions he would consult an attorney about it. He subsequently signed the contract, saying it was clear and satisfactory to him.

At the closing, Buyer C professed to have been under some misunderstanding as to language in the contract regarding the date of possession of the property, and following the closing Seller B complained to the Board of REALTORS® that he had been greatly embarrassed by this circumstance at the closing and felt that REALTOR® A was at fault in preparing a contract without having an attorney participate in the drafting.

At the hearing, REALTOR® A reiterated the points that had been made in his written response to the complaint: that the contract he had used was the standard form, prepared by an attorney; that in keeping with Article 13 he had recommended that the buyer have the contract reviewed by his own attorney; and that no other parties present at the closing had found any lack of clarity in the clause in question.

Case Study #12-2: Exaggeration in advertising

Your brother-in-law clips an ad from a REALTOR® out of the paper describing a home with five acres "about 20 miles from the city." The ad says it's a modern 3-bedroom home, well maintained and set in a charmingly landscaped site.

Your brother-in-law makes a trip out to see this charming property. The reality is a wee bit disappointing. The property is actually 36 miles out of town. It lacks indoor plumbing. Its wood lathe support for plaster, which is visible in many large breaks in the walls, indicates that the home is modern—when compared to a Scottish castle from the 1400s. There is no evidence of paint in recent years. There are several broken windows and half of the back steps are missing. Located at the end of a crude dirt road, it sits in a small cleared area long overtaken by the undergrowth. Your

brother-in-law returns a bit peeved at the REALTOR®. You advise him to forward the ad to the local board with a complaint.

The REALTOR® is asked to respond to the charge of misleading advertising. At the hearing, first he criticizes you and your brother-in-law for bringing the matter to the Board, pointing out that the two of you had failed to mention that the property was priced at only \$30,000; and at such a price it was an exceptionally good buy to anyone looking for a small place with a few acres. He notes that to get attention to this kind of property it was necessary to do a bit of “puffing” in his ads. In all, he says, the house was more rustic than neglected.

Case Study #12-7: REALTOR® advertising free market analysis

REALTOR® A advertised in the local newspaper as follows: “Free Market Analysis With No Obligation.” REALTOR® A also distributed certificates reading, “This will entitle the bearer of this certificate to one (1) FREE MARKET ANALYSIS with no obligation to bearer.” The certificate included the name of REALTOR® A and his firm.

A property owner complained about “being the victim of a come-on scheme” to solicit the listing of his property which the Grievance Committee referred for a hearing before a panel of the Professional Standards Committee.

At the hearing the property owner testified he had called REALTOR® A to have him prepare a market analysis of his residential property, “...with no obligation...” as claimed in REALTOR® A’s ads. However, the property owner said that when REALTOR® A came to his home, he explained that he would be glad to provide the market analysis but said, “I presume you understand that when we provide this service, we also expect that if you list your property, you will permit us to serve you.” The property owner testified that REALTOR® A did not press the matter at the time and did provide a market analysis. The property owner told the panel that for the next three weeks REALTOR® A or one of his representatives called “practically every single day” soliciting the listing of his home. The property owner testified that on several occasions, someone from REALTOR® A’s office reminded him that REALTOR® A had provided a “valuable free service and we feel that you owe us” the listing of the property.

REALTOR® A responded he had provided the “free market analysis” as represented in his advertising, and had provided it “...with no obligation.” He stated that he had neither asked for nor received a fee for the market analysis. He could not understand why he was required to appear before a hearing panel in connection with allegations of a violation of Article 12 of the Code of Ethics.

Case Study #12-12: Advertising in guise of news

Shortly after mailing his “Homeowners Neighbor Newsletter” to local residents, several complaints were filed against REALTOR® B claiming that he had engaged in deceptive advertising in violation of Article 12’s “true picture” directive. These complaints were reviewed by the Grievance Committee which determined that a hearing should be held and that all of the related complaints would be consolidated in a single hearing. The appropriate notices were sent and the hearing was convened.

REALTOR® A, one of the complainants, introduced REALTOR® B’s “Homeowners Neighborhood Newsletter” into evidence pointing out that, on the first page, REALTOR® B had prominently shown pictures of, and addresses for, 10 homes in an exclusive area of town labeling each as “Recently Sold.” REALTOR® A, the listing broker for several of these properties, stated that in his opinion, the average reader would readily conclude that REALTOR® B, by advertising this way, was claiming to

have listed and sold the properties and that his claims violated Article 12, as interpreted by Standard of Practice 12-7. In response, REALTOR® B indicated that Article 12 was limited in scope to "...advertising and representations to the public" and that his "Homeowners Neighborhood Newsletter" was not, in fact, advertising but rather a well-intentioned effort to make homeowners aware of current market values. "Sales prices in our county become a matter of public record once a deed of sale is recorded," REALTOR® B argued, "and anyone who wants to find out about recent sales can get that information from the recorder's office. All I am doing," he continued, "is reporting news and saving residents the time and effort of retrieving this information on their own. If someone appreciates my efforts and later buys or sells through me, so much the better, but that is not the reason for my newsletter."

1. D - (Note Standard of Practice 1-6)
2. D - (Note: Preamble)
3. F - (Note Standard of Practice 1-13)
4. C.
5. D - (Note: Standard of Practice 1-15)
6. A & B - (Note: Standard of Practice 16-3)
7. C - (Note: Standard of Practice 1-9)
8. B - (Note: Standard of Practice 3-4)
9. False - (Note: Standard of Practice 16-19)
10. True - (Note: Standard of Practice 16-5)
11. True - (Note: Standard of Practice 3-6)
12. True - (Note: Standard of Practice 2-1)
13. False - (Note: Standard of Practice 12-5)
14. False - (Note: Standard of Practice 16-9)
15. True - (Note: Standard of Practice 12-9)
16. **CLIENT**- The person(s) or entity(ies) with whom/which a REALTOR® or a REALTOR®'s firm has an agency or legally recognized non-agency relationship.
CUSTOMER- A party to a real estate transaction who receives information, services or benefits but has no contractual relationship with the REALTOR® or the REALTOR®'s firm.
PROSPECT- A purchaser, seller, tenant, or landlord who is not subject to a representation relationship with the REALTOR® or REALTOR®'s firm

Case Study #10-4: Use of “choose your neighbor” marketing letters

The Hearing Panel found REALTOR® A in violation of Article 10 of the Code of Ethics. In their decision, the panel advised REALTOR® A that no instruction from a client could absolve a REALTOR® from the obligation to market properties without regard to race, color, religion, sex, handicap, familial status, or country of national origin, as expressed in Article 10. There was no doubt, in the panel’s opinion, that the exclusive use of “Choose Your Neighbor” letters to market the property was designed to circumvent the requirements of Article 10.

Case Study #1-6: If you are not limited, you are full. Know what the client expects.

It was the conclusion of the Hearing Panel that REALTOR® A was in violation of Article 1; that in the absence of any instructions not to submit offers, he should have recognized that fidelity to his client’s interest, as required under Article 1 of the Code of Ethics, obligated him to acquaint his client with a definite offer to buy the property; and that any real estate investor would obviously wish to know of such an offer.

Case Study #13-2: Use of standard purchase contract form

The Hearing Panel concluded that REALTOR® A had acted in conformance with the Code; that he had not undertaken to practice law; and that he was not in violation of Article 13.

Case Study #12-2: Exaggeration in advertising

The answer is no, naturally. Board’s interpretation was “In the next ad you write be creative, be inventive and interesting, but above all be honest or like this particular REALTOR®, you’ll be found in violation of Article 12”

Case Study #12-7: REALTOR® advertising free market analysis


The hearing panel noted that offering premiums or prizes as inducements, or the advertising of anything described as “free” is not prohibited by the Code of Ethics nor can such advertising be prohibited by a Board of REALTORS® unless it presents other than a “true picture” as required by Article 12.

The Hearing Panel concluded that although REALTOR® A was free to advertise “free market analysis with no obligation,” such a representation was not a “true picture if all of the terms governing availability are not clearly disclosed in the ad or representation.” The Hearing Panel noted that the statement by REALTOR® A when he provided the “free market analysis” that it was “presumed” the property owner would list with REALTOR® A if the property was offered for sale, and the subsequent “reminders” by sales representatives of REALTOR® A about the “expectation” made the representation less than a “true picture.” The panel concluded that REALTOR® A was in violation of Article 12

Case Study #12-12: Advertising in guise of news

After hearing from the complainants and the respondent, and after reviewing the content of the newsletter, the Hearing Panel concluded that it did, in fact, violate Article 12 since, while the information regarding the properties themselves was accurate, its cumulative effect was to convey the impression that REALTOR® B had listed and sold the properties when he had not. The fact that he had been the cooperating broker in one of the transactions did not give him the right to claim, directly or indirectly, that he had “sold” any of the properties since in no instance had he been the listing broker. The Hearing Panel did not accept REALTOR® B’s claim that his newsletter was exempt from scrutiny under Article 12 in that he was disseminating news and not engaging in advertising. They noted that the name, address, and phone number of REALTOR® B’s firm appeared prominently in several places; that a considerable portion of the newsletter was devoted to services available from REALTOR® B’s firm and the advantages of doing business with REALTOR® B; and concluded that while the newsletter might, in fact, include an element of “news” a primary purpose of it was to advertise REALTOR® B and his firm and, consequently, that it was subject to scrutiny under Article 12.

COURSE EVALUATION

INSTRUCTIONS :	<i>Please answer the questions below and return to instructor or monitor</i>		
School :	Elite Learning Academy <input type="checkbox"/> Pasadena: 8220 Ritchie Highway, Pasadena, MD 21122 <input type="checkbox"/> Dundalk: 1732 Merritt Blvd, Dundalk, MD 21222 <input type="checkbox"/> Olney: 3300 Olney-Sandy Spring Rd, Olney, MD 20832 <input type="checkbox"/> Frederick: 7450-B New Technology Way, Frederick, MD 21704 		
Course Title:			
Course Date:		Time:	
Instructor:			
Course Location:	<input type="checkbox"/> Pasadena office <input type="checkbox"/> Dundalk office <input type="checkbox"/> Olney office <input type="checkbox"/> Frederick office		
Course Sponsor :	Elite Learning Academy		

Student's Name <i>(optional)</i> :		Tel:	
How did you hear about us ?	<input type="checkbox"/> Received an Email <input type="checkbox"/> Received a fax <input type="checkbox"/> Referred by a colleague <input type="checkbox"/> Ad in paper <input type="checkbox"/> Other _____		
How did you register?	<input type="checkbox"/> Web-Online registration		
If you registered via the web/online, was the website easy to navigate?	<input type="checkbox"/> Yes		<input type="checkbox"/> No
Additional comments on the website:			
If you registered via telephone/fax, was the staff helpful?	<input type="checkbox"/> Yes		<input type="checkbox"/> No.
Additional comments on your experience with the staff at Elite Learning Academy:			

PLEASE RESPOND	YES	NO
1. Did the class start on time?	<input type="checkbox"/>	<input type="checkbox"/>
2. Did the instructor adequately discuss the objective and contents of the class?	<input type="checkbox"/>	<input type="checkbox"/>
3. Was the material current?	<input type="checkbox"/>	<input type="checkbox"/>
4. Did the instructor appear to know the subject?	<input type="checkbox"/>	<input type="checkbox"/>
5. Did the instructor involve students in the class for example by asking questions, and waiting for a response?	<input type="checkbox"/>	<input type="checkbox"/>
6. Did the instructor minimize disruptions by telling the students to turn off cell phone, put away newspapers, books, etc? If no, please explain:	<input type="checkbox"/>	<input type="checkbox"/>
7. Did students spend the full required time in class?	<input type="checkbox"/>	<input type="checkbox"/>
8. If handouts or other teaching materials were given, were they sufficient?	<input type="checkbox"/>	<input type="checkbox"/>
9. Did the instructor use teaching tools, i.e., blackboard, LCD screen, or PowerPoint Presentation, handouts to help students understand the course?	<input type="checkbox"/>	<input type="checkbox"/>
10. Did the instructor keep the class under control?	<input type="checkbox"/>	<input type="checkbox"/>
11. Did the instructor make the course interesting?	<input type="checkbox"/>	<input type="checkbox"/>
12. Was adequate parking available?	<input type="checkbox"/>	<input type="checkbox"/>
13. Was the room temperature comfortable?	<input type="checkbox"/>	<input type="checkbox"/>
14. Were there adequate facilities for breaks, i.e., rest rooms, ?	<input type="checkbox"/>	<input type="checkbox"/>
15: Were you required to sign in?	<input type="checkbox"/>	<input type="checkbox"/>
16: Would you refer your friends/associates to Elite Learning Academy ?	<input type="checkbox"/>	<input type="checkbox"/>

ADDITIONAL COMMENTS: