

Code of Ethics of the National Association of Realtors®

Parts of this presentation have been
edited by the presenter.



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History and Background of the Code of Ethics

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



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The Preamble

- Under all is the land ...
- The Golden Rule.
- “Widely allocated ownership” and “widest distribution of land ownership”
- Maintain and improve the standards of their calling.



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The Preamble

- Share with fellow REALTORS® a common responsibility for the integrity and honor of the real estate profession.
- Strive to become and remain informed on issues affecting real estate.
- Willingly share the fruit of your experience and study with others.



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The Preamble

- Identify and take steps to eliminate practices which may damage the public or which might discredit or bring dishonor to the real estate profession.
- Urge exclusive representation of clients.



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The Preamble

- Do not attempt to gain any unfair advantage over competitors.
- Refrain from making unsolicited comments about other practitioners.
- If an opinion is sought about a competitor (or the REALTOR® believes comment is necessary), the opinion should be offered in an objective, professional manner.



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The Preamble

- REALTORS® share a common responsibility to improve their integrity and honor.
- The term REALTOR® stands for competency, fairness, high integrity, moral conduct in business relations.
- No inducement of profit and no instruction from clients can justify departure from these ideals.



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The Three Major Sections

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



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The Structure of the Code of Ethics

- Articles – broad statements of ethical principles.
- Standards of Practice – support, interpret, and amplify the Articles under which they are stated.
- Case Interpretations – specific fact situations to which the Articles and/or Standards of Practice are applied.
- Only Articles of the Code can be violated, though Standards of Practice can be cited in support of an alleged violation.



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Article 1

- Protect and promote the interests of the client;
- This obligation to the client is primary;
- But must treat all parties honestly, regardless of agency or non-agency relationship.
- Standard of Practice 1-2 defines terms such as “client,” “customer,” “agent,” and “broker.”



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Article 2

- Avoid exaggeration, misrepresentation and concealment of pertinent facts about the property or the transaction;
- But there is no obligation to discover latent defects, matters outside scope of license, or matters confidential under agency or non-agency relationships.



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Article 3

- Cooperate with other brokers.
- Except when cooperation is not in the best interest of client
- No obligation (just by cooperating) to share commission or compensate the other broker



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Article 4

- Complete disclosure of:
 - Relationship with buyers and sellers (and their agents) to other party
 - Fact that has ownership interest when selling
 - Fact that offer is from REALTOR or a related party when purchasing



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Article 6

- *Not accept a commission, rebate or profit on expenditures made for their client without client's knowledge and consent*
- Must get permission from client to hire a particular contractor, title company, mortgage company if REALTOR has an ownership interest in the company
- OR which may pay the REALTOR a fee of any kind



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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.*
- REALTORS must have separate bank accounts from their personal funds to handle funds of their clients (earnest deposits)



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Article 9

- Agreements shall be in writing whenever possible;
- 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 upon their signing or initialing.



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Article 9

- Standard of Practice 9-1 requires that reasonable care be used to keep documents current by use of written extensions and amendments.



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Article 10

- The "equal opportunity" article
- REALTORS shall not deny professional services to any person for reason of race, color, religion, sex, handicap, familial status or national origin.



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Article 11

- Do the work you are competent to handle, and get help if you are in above your head.
- Do not undertake specialties for which you are not familiar



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Article 12

- The “truth-in-advertising” Article
- Present a “true picture” in your advertising and representations to the public.
- Ensure that the professional status of REALTORS® is clearly identifiable in any advertising.



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Article 15

- Do not make false or misleading statements about competitors or their business.



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Article 16

- Do not engage in any practice or take any action inconsistent with the agency or other exclusive relationship that other REALTORS® have with clients.



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Article 16

- Examples of issues covered by Article 16 and its Standards of Practice
 - Not intended to prohibit innovative or aggressive business practices
 - Advertising/solicitations which may be received by other REALTORS® clients permissible
 - Solicitation of listings and agency relationships of clients of other brokers, unethical when:
 - REALTOR contacts other broker's client relying on listing information or sign
 - Solicitations are directed at particular clients rather than as part of a general advertising campaign



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Article 16 Solicitations (cont)

- Dealing with other brokers' clients, may not disparage the other broker or take offers directly to client
- Obligations when entering into exclusive relationships (REALTOR may not initiate the contact, but may discuss terms of future agreement with client if asked by client)
- Agency and/or brokerage relationship disclosure (if broker fails to disclose relationship, REALTOR may contact the client to determine the relationship)



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The REALTOR® 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.



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Putting it to Practice

- What is the greatest good?
- Follow established rules regardless of outcome.
- Follow the Golden Rule.

Apply these Tests

(see *If Aristotle Ran General Motors*, by Tom Morris)

- The Publicity Test
- The Transparency Test
- The Moral Mentor Test
- The Admired Observer Test
- The Man/woman in the Mirror test
- The Golden Rule test
