

# Code of Ethics: Our Promise of Professionalism



The Realtor® Code of Ethics  
Member Education Program



# Course Objectives

01

Identify key aspirational concepts found in the Preamble to the NATIONAL ASSOCIATION OF REALTORS® Code of Ethics

02

Describe “general business” ethics, and compare and contrast the REALTORS®’ Code of Ethics with business ethics, generally

03

Describe the concepts established in Articles 1, 2, 3, 11, and 16 of the Code of Ethics and identify possible violations of the Code specifically related to those Articles

04

Describe the professional standards process for enforcing the Code of Ethics, including the duty to arbitrate

05

Identify critical elements of due process as they relate to Code enforcement

06

Identify how the Code of Ethics should be used in daily business practices.

07

Explain how the Pathways to Professionalism tool provides guidelines for respecting property, the public, and peers.





# Part 1

History of the Code of Ethics

# Timeline



No licensing of  
real estate  
practitioners



NATIONAL  
ASSOCIATION OF  
REALTORS®  
formed



Code of Ethics  
adopted



Code of Ethics  
begins to be  
amended almost  
every year



What does the  
future hold?



# The Code of Ethics is

- Our commitment to professionalism
- Recognized as the measure of high standards in real estate
- The “Golden Thread” that binds the REALTOR® family together
- A living document that evolves with the real estate business

# Business Ethics



- ✓ Simple Portfolio Presentation
- ✓ Company Policies
- ✓ Individual Moral Values
- ✓ Business Ethics and Legal Standards





**REALTORS®**

**Share one common characteristic:**

Regardless of real estate business specialty, all REALTORS® are bound by the Code of Ethics.



# Part 2

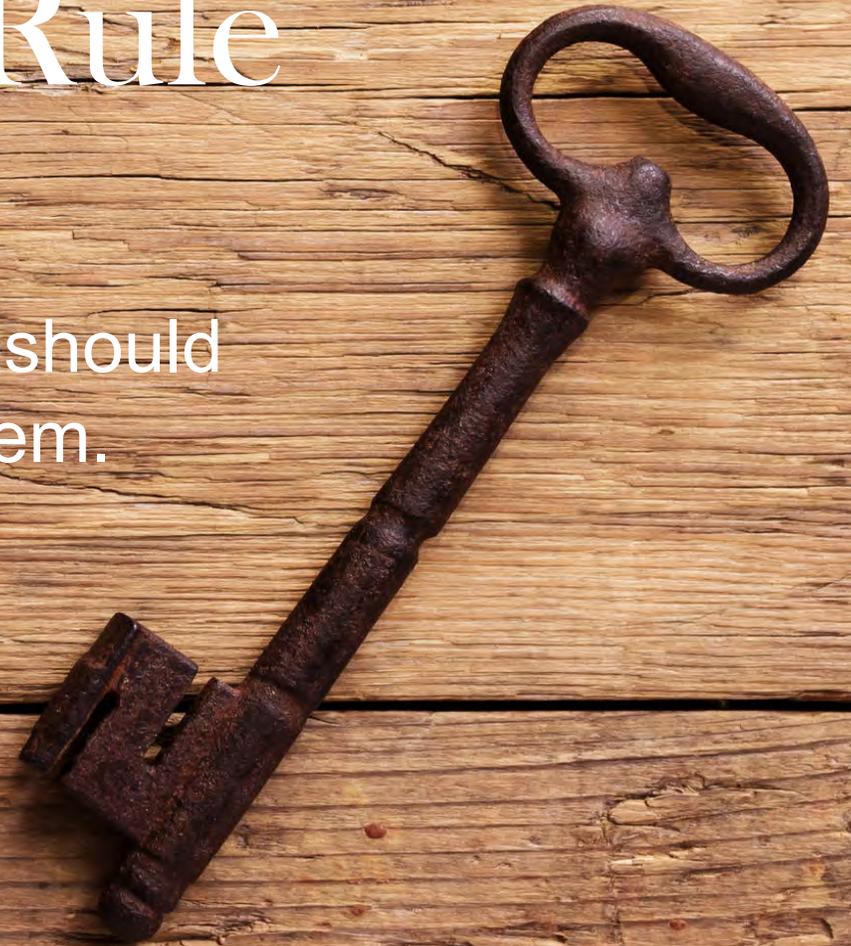
Structure and Major Categories of the Code

An aerial photograph of a vast, rolling landscape in Tuscany, Italy. The terrain is characterized by undulating hills and valleys, with fields in various shades of brown, tan, and green. In the upper left, a small town with red-tiled roofs is visible on a hillside. In the lower center, a small, light-colored stone farmhouse sits on a gentle slope, surrounded by a few tall, slender cypress trees. The sky is a pale, hazy blue, and the overall atmosphere is one of quiet, rural beauty.

Under all is the land...

# The Golden Rule

Whatsoever ye would that others should do to you, do ye even so to them.





# Structure of the Code of Ethics

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

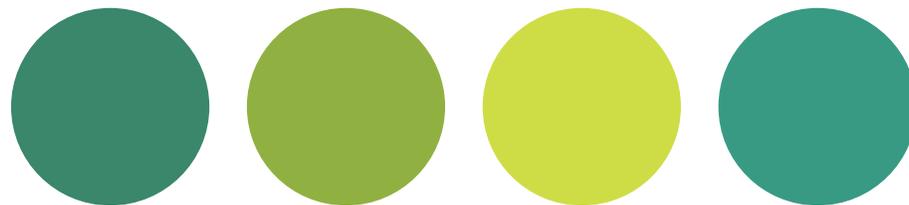
# Structure of the Code of Ethics



✓ **17 Articles**

✓ Each section is comprised of Articles, which are broad statements of ethical principles

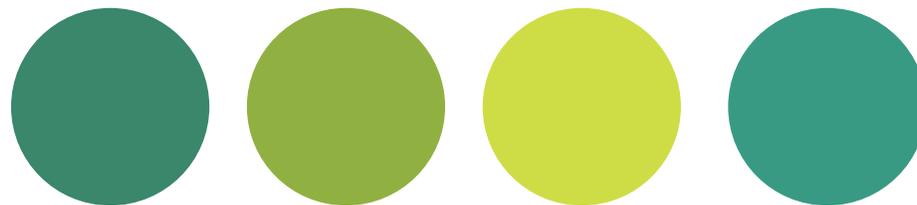
✓ Only Articles of the Code may be violated



# Structure of the Code of Ethics



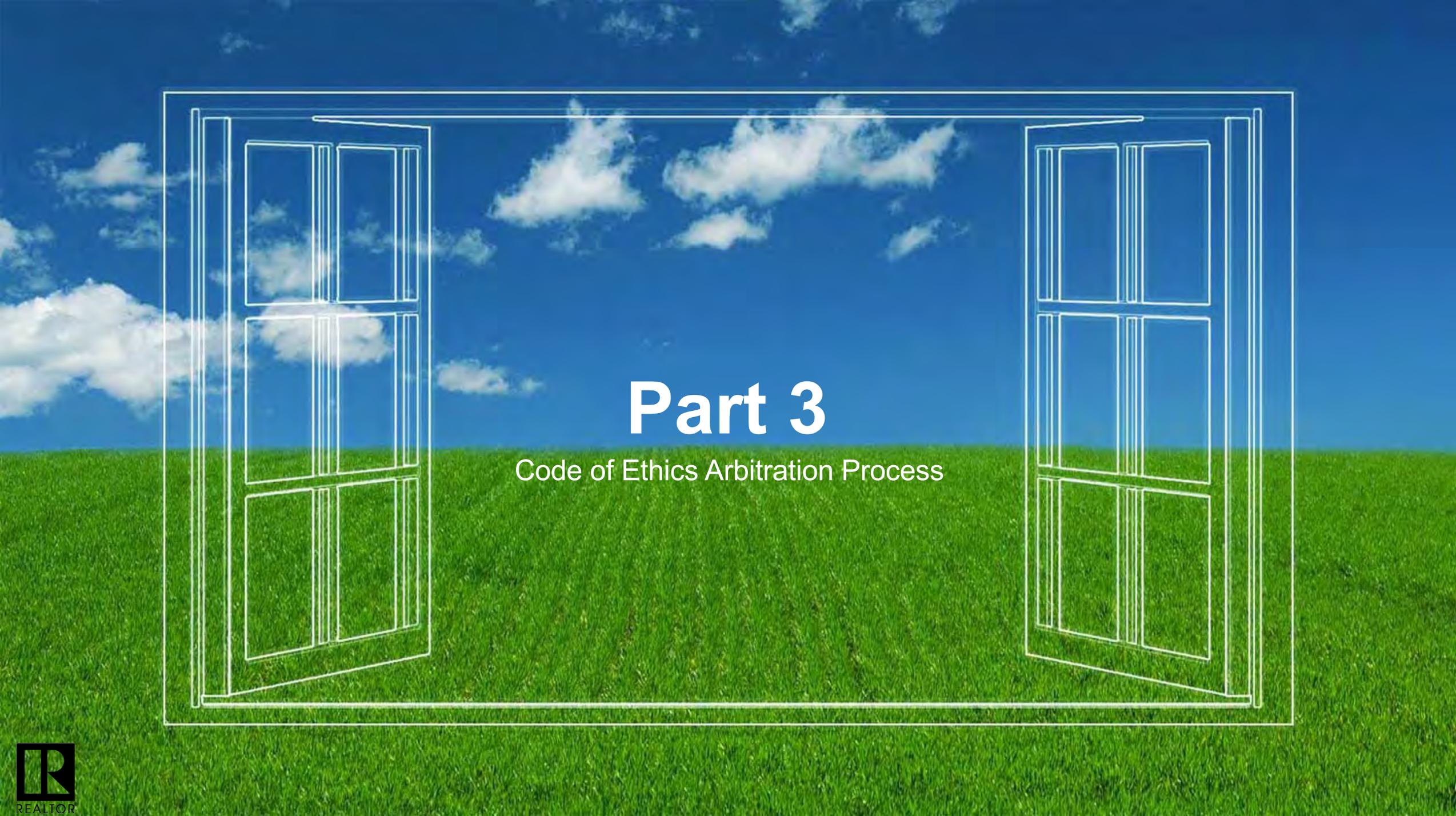
- ✓ **Standards of Practice**
- ✓ Support, interpret, and amplify each Article
- ✓ May not be charged, but may be cited in support of an alleged violation



# Official Case Interpretations



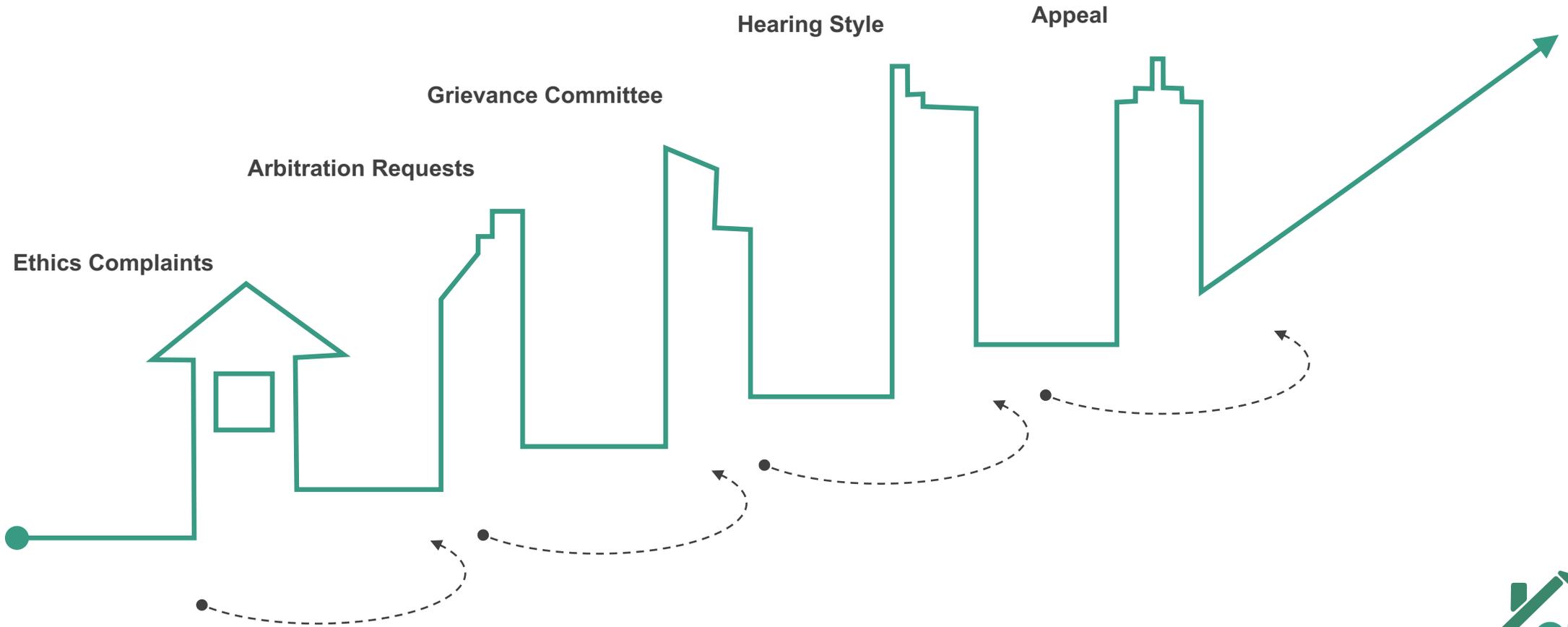
Factual situations for each  
Article and/or Standard of  
Practice of the Code



# Part 3

Code of Ethics Arbitration Process

# Arbitration Process





# Arbitration Process

## Background

Ethics complaints deal with the perceived unethical “action” or “conduct” of a REALTOR®.

# Arbitration

## REQUESTS

### Arbitration Agreement

Contractual disputes involving money arising out of a real estate transaction.

STANDARD  
OF  
PRACTICE

# Mediation

The mediation officer, a neutral third-party, works with disputing parties to discuss the dispute and craft an enforceable resolution.



**ARBITRATION**  
Must fall within  
the parameters of  
**ARTICLE 17**



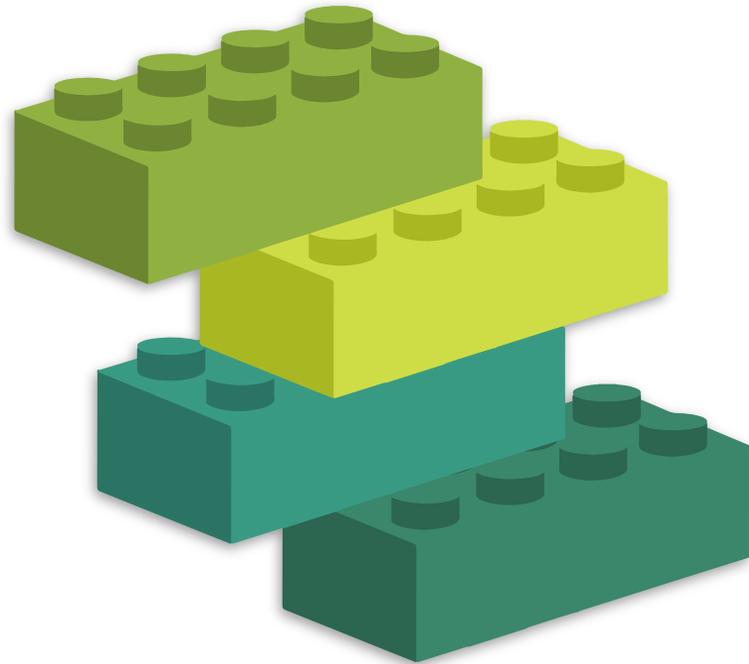
# Arbitration



Requests must be **Filed within 180 days** after:

01 >

the **closing**



the **realization that a dispute existed,**

< 02

**Whichever is later**

# Who Participates in Arbitration



## Mandatory

## Voluntary

Realtor<sup>®</sup> principals associated with different firms

Realtors<sup>®</sup> with the same firm.

Realtor<sup>®</sup> principals associated with different firms when requested by their Realtor<sup>®</sup> licensees

Realtor<sup>®</sup> and real estate professionals that do not hold Realtor<sup>®</sup> membership.

Clients and the Realtor<sup>®</sup> principals who represent them as agents. In this situation, the client must agree to arbitrate the dispute through the association of Realtor<sup>®</sup>

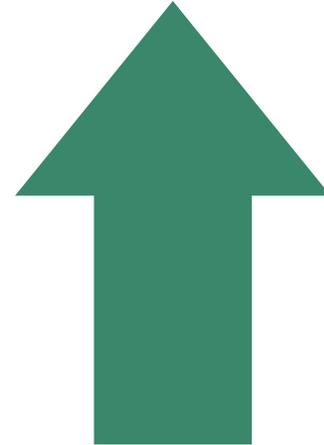
Realtor<sup>®</sup> and customers (no agency relationship)

# Grievance Committee



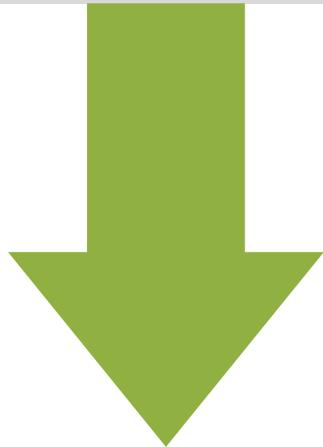
Is the complaint a violation  
of the Article(s) cited?

**ETHICS**



**ARBITRATION**

Is it related to a monetary dispute arising  
out of a real estate transaction that is  
subject to arbitration?



# Grievance Committee Ensures



**ethics complaints and arbitration requests  
are in proper form**

**the appropriate parties are named**

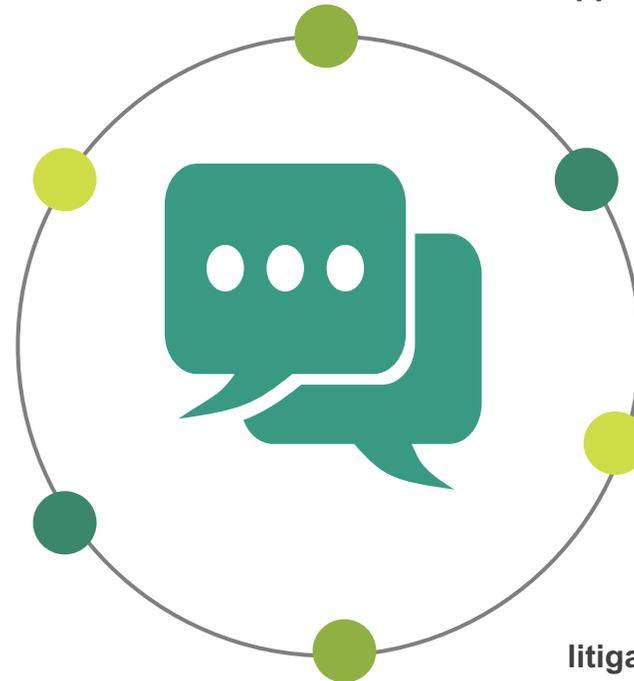
**(for ethics) the right Articles are named, and  
if appropriate, Standards of Practice are  
cited to support the charge of a violation**

**filing deadlines are followed**

**(for arbitration) the amount involved is not  
too small or too large; and the complaint is  
categorized as mandatory or voluntary**

**the board can impanel an impartial hearing  
panel**

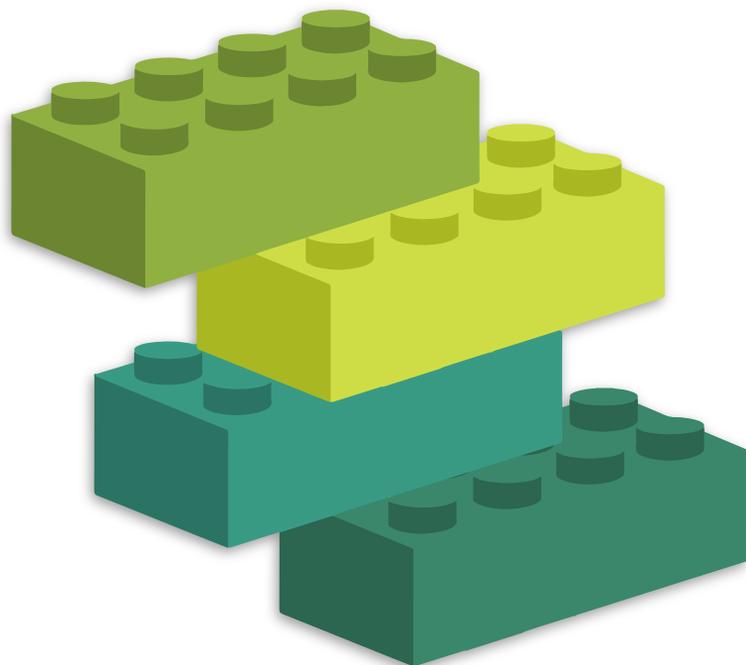
**litigation or governmental investigations  
aren't pending related to the same  
transaction or event that might delay  
consideration of the matter by a hearing  
panel**



# Grievance Appeal



What are grounds for a Grievance Committee appeal?



If the Grievance Committee dismisses an ethics complaint or arbitration request

Over the classification of the dispute as “voluntary” or “mandatory”

# Professional Standards Hearings

01 >

Full “due process” hearings

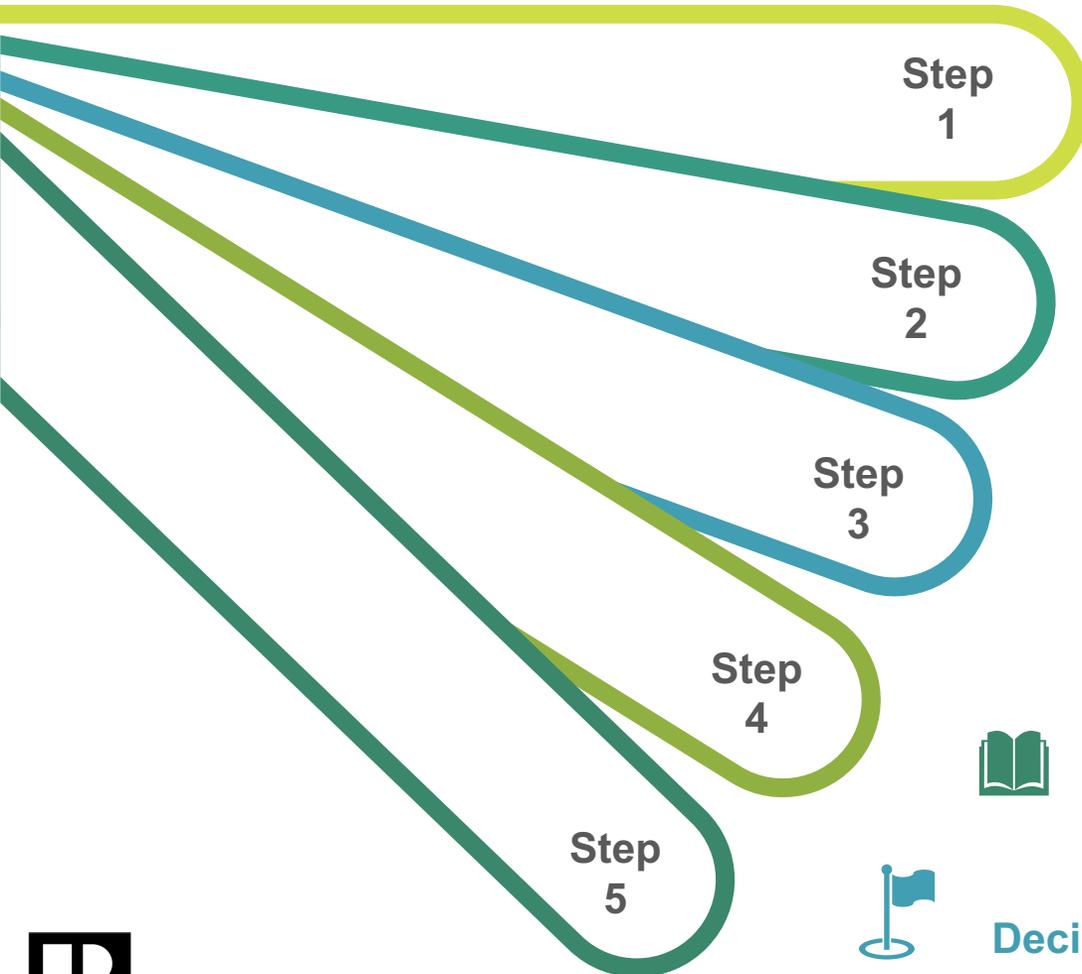
Fair, unbiased, and impartial

< 02

03 >

To determine whether a violation of the Code occurred or an award should be rendered

# What Happens at Hearings



Step 1



Parties make an opening statement to present their case

Step 2



Witnesses are called to provide testimony

Step 3



Witnesses cross-examined by the other party

Step 4



Supporting documents & information presented

Step 5



Parties make closing arguments



Decision made based on the evidence



# Ethics Hearings

Respondents are considered **innocent** unless proven to have violated the Code of Ethics.



The **burden of proof** in an ethics complaint is “**clear, strong and convincing.**”

# Authorized Discipline

Letters  
of  
reprimand



Fines  
up to  
\$15,000



Attendance  
at  
educational  
courses &  
seminars



Suspension  
or  
termination  
of  
membership



Suspension  
or  
termination  
of services  
including  
MLS



The primary emphasis of discipline is educational, to create a heightened awareness of and appreciation for the Code of Ethics





# Arbitration Hearing Reports

- The panel will award an amount to the prevailing party.
- The amount cannot be more than what was requested in the arbitration request, though it can be less.

# What is Mediation

A powerful tool to help REALTORS® and their clients resolve disputes that might otherwise be arbitrated.



# Differences Between Them



## Mediation

Low Cost

Little Delay

Maximum range of solutions

Parties control the outcome

Maintains / improves relationships

## Arbitration

Moderate Cost

Moderate Delay

Win / Lose / Split

Definite closure

May harm relationships

# Mediation Process



**1** Explain process

**2** Make statements

**3** Identify issues

**4** Cross-talk

**5** Caucus

**6** Find solutions

**7** Reach agreement



# Part 4

Ombudsman Services

# Roles of the Ombudsman?

An Ombudsman is an individual appointed to **resolve disputes** through **constructive communication** and advocating for **consensus and understanding**.

The ombudsman's role is primarily communication and conciliation, not adjudication.

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## Ombudsmen DO:

Anticipate, identify, and resolve misunderstandings and disagreements before matters ripen into disputes and charges of unethical conduct.

## Ombudsmen DON'T:

Determine whether ethics violations have occurred or who is entitled to what amount of money.



# Examples of Situations



## Covered

## NOT Covered

A seller contacts the association because they feel their listing broker, who is a REALTOR®, is not responding to phone calls, and may have received offers that they haven't presented to the seller yet.

A buyer contacts the association for help with a short sale transaction.

REALTOR® A contacts the association because she has reason to believe REALTOR® B has been criticizing her business on Facebook after a difficult transaction.

# What Types of Issues

## Do Ombudsmen Deal With

Questions and complaints about members



# OMBUDSMEN

## What issues can't they deal with?

Complaints alleging violations of the **public trust** may NOT be referred to an Ombudsman.

If the Ombudsman has concerns that the **public trust has been violated**, they may refer the case to the Grievance Committee.



# Declining, Resolving, and Complying with Ombudsman Services

Complainants do not have to accept the services of an ombudsman

The formal ethics complaint will continue to be processed until withdrawn by the complainant

The complainant may resubmit the original complaint if they refuse to comply with the terms of a mutually agreed on resolution

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Ombudsmen CANNOT refer concerns about **conduct of parties** to:

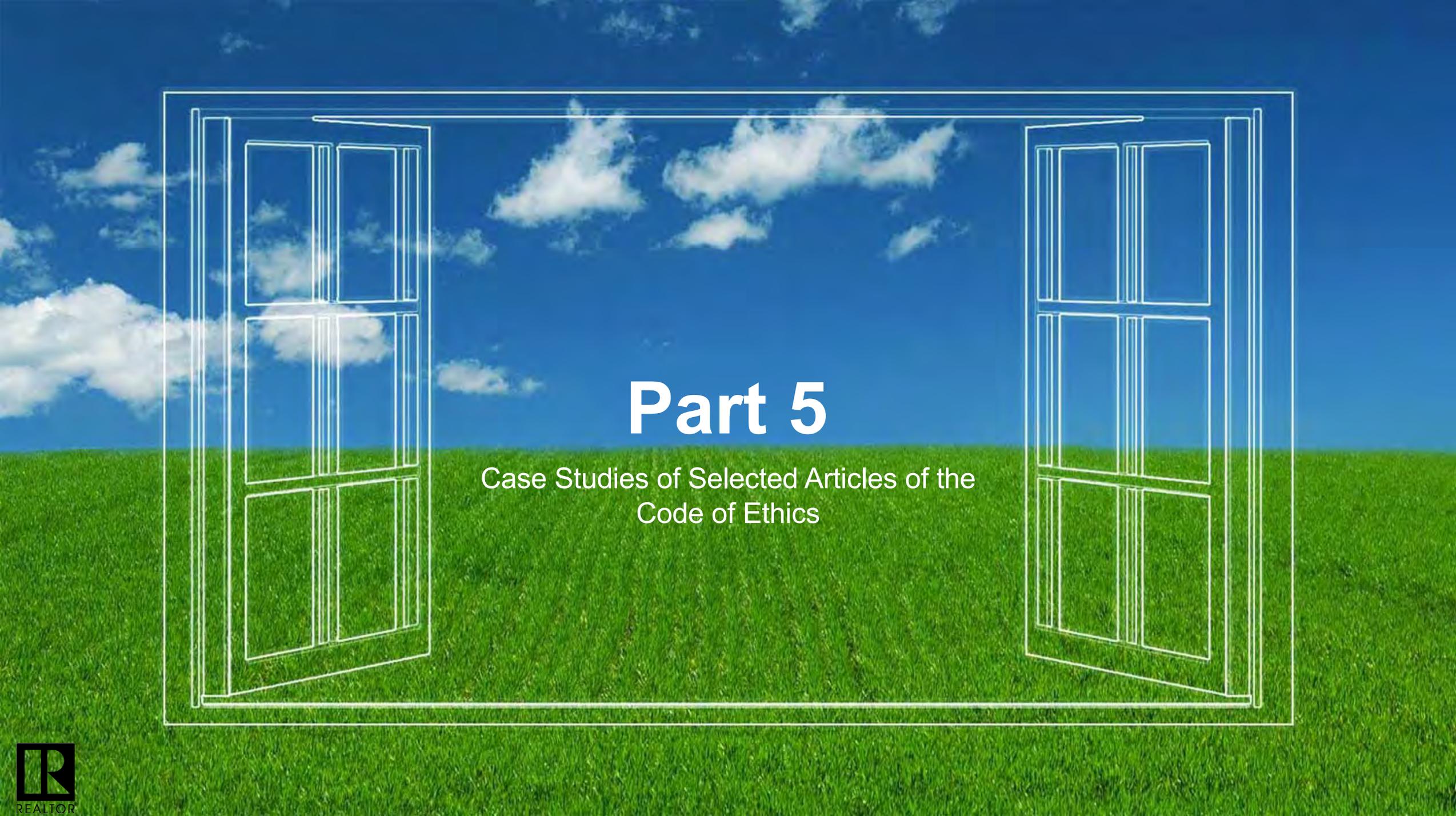
- the Grievance Committee
- the state real estate licensing authority
- any other regulatory body

The prohibition is intended to **ensure impartiality** and avoid the possible appearance of **bias**.

It is the squirrel that  
shakes the branch and  
not the squirrel that  
gathers the nut.

- Arkansas Supreme Court





# Part 5

Case Studies of Selected Articles of the  
Code of Ethics

# 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.

# Article 1, Case Study 1



1. Do you think Bob is in violation of the Code?
2. What was Bob's obligation to Grant?



# Article 1, Case Study 2



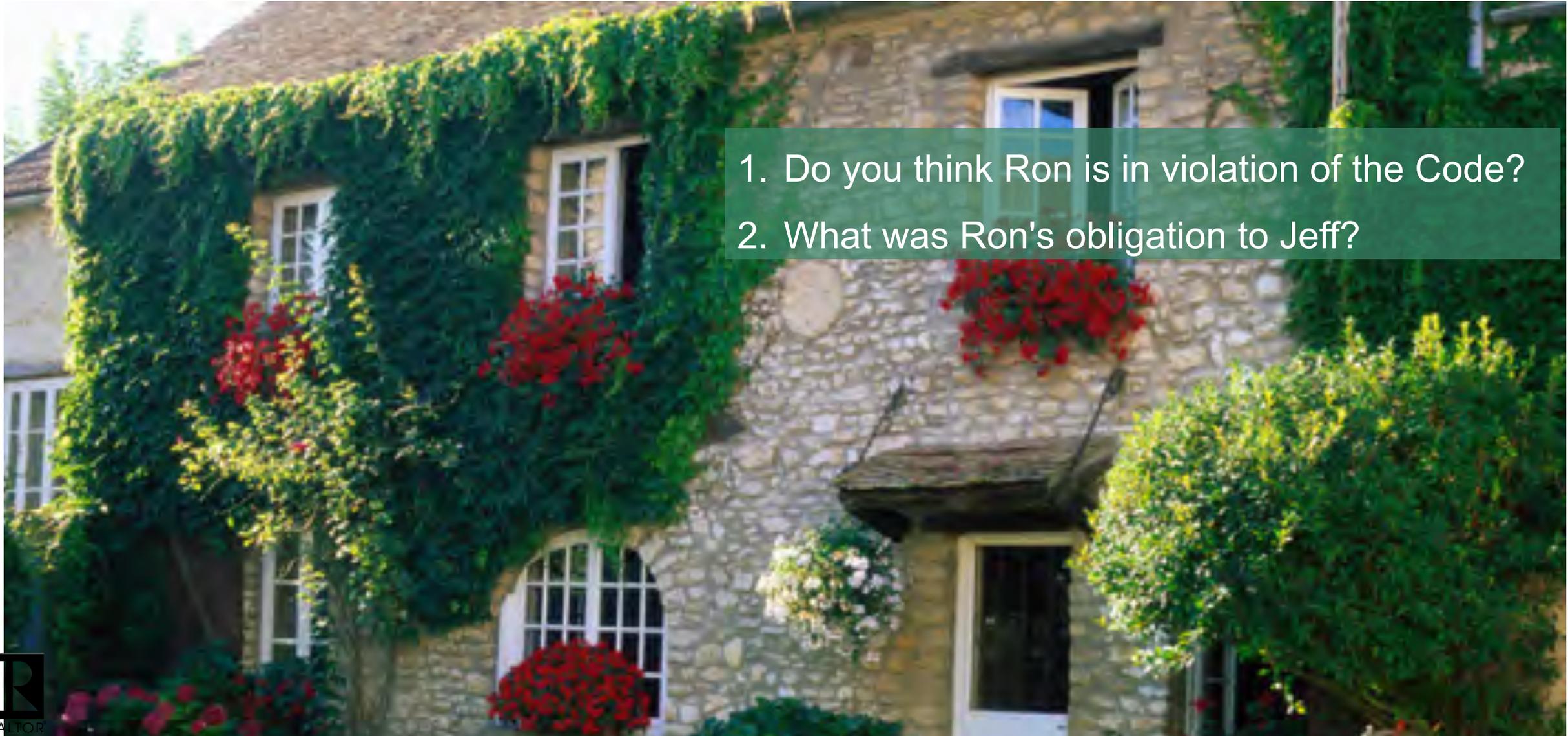
1. Can John renegotiate his listing commission at the time he presents the two offers?
2. By reducing the listing commission, can John present both offers in an objective manner, as required by Standard of Practice 1-6?
3. Under Article 3, as established in Standard of Practice 3-4, is John obligated to inform Bob that he modified the listing commission prior to the offer being accepted?

# 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.

# Article 2, Case Study 1

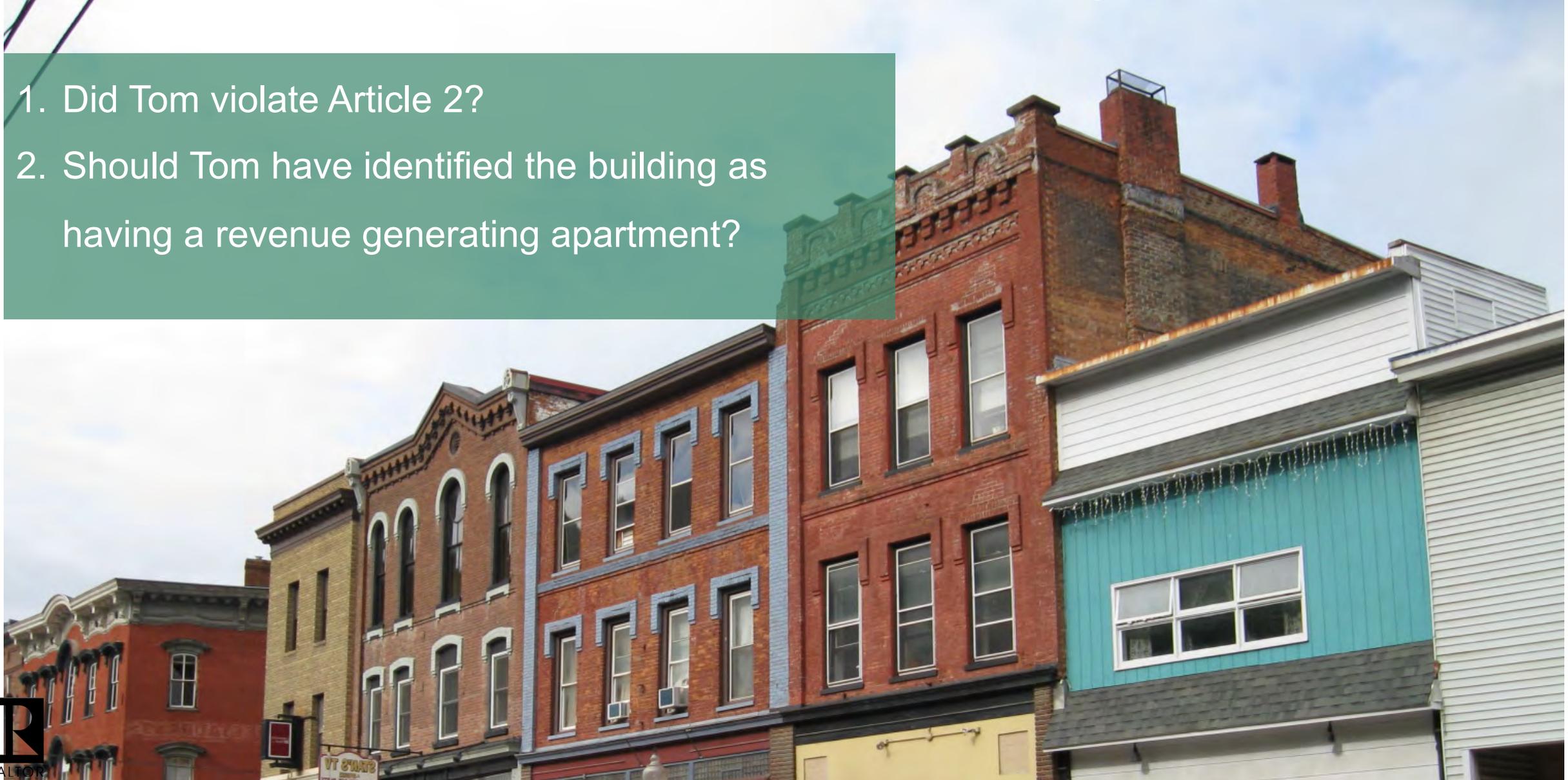


1. Do you think Ron is in violation of the Code?
2. What was Ron's obligation to Jeff?

# Article 2, Case Study 2



1. Did Tom violate Article 2?
2. Should Tom have identified the building as having a revenue generating apartment?



# 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.

# Article 3, Case Study 1



1. What Standard of Practice under Article 3 applies to this case?
2. Is Lucy in violation of the Code?
3. If Sam files an arbitration claim against Lucy for the compensation offered through the MLS, should Sam prevail?



# Article 3, Case Study 2



1. Is Bill obligated to disclose the accepted offer to other cooperating brokers?
2. Does Bill's obligation under Article 1 to protect and promote his seller client's interests mean that he should not reveal the accepted offer?



# Article 11



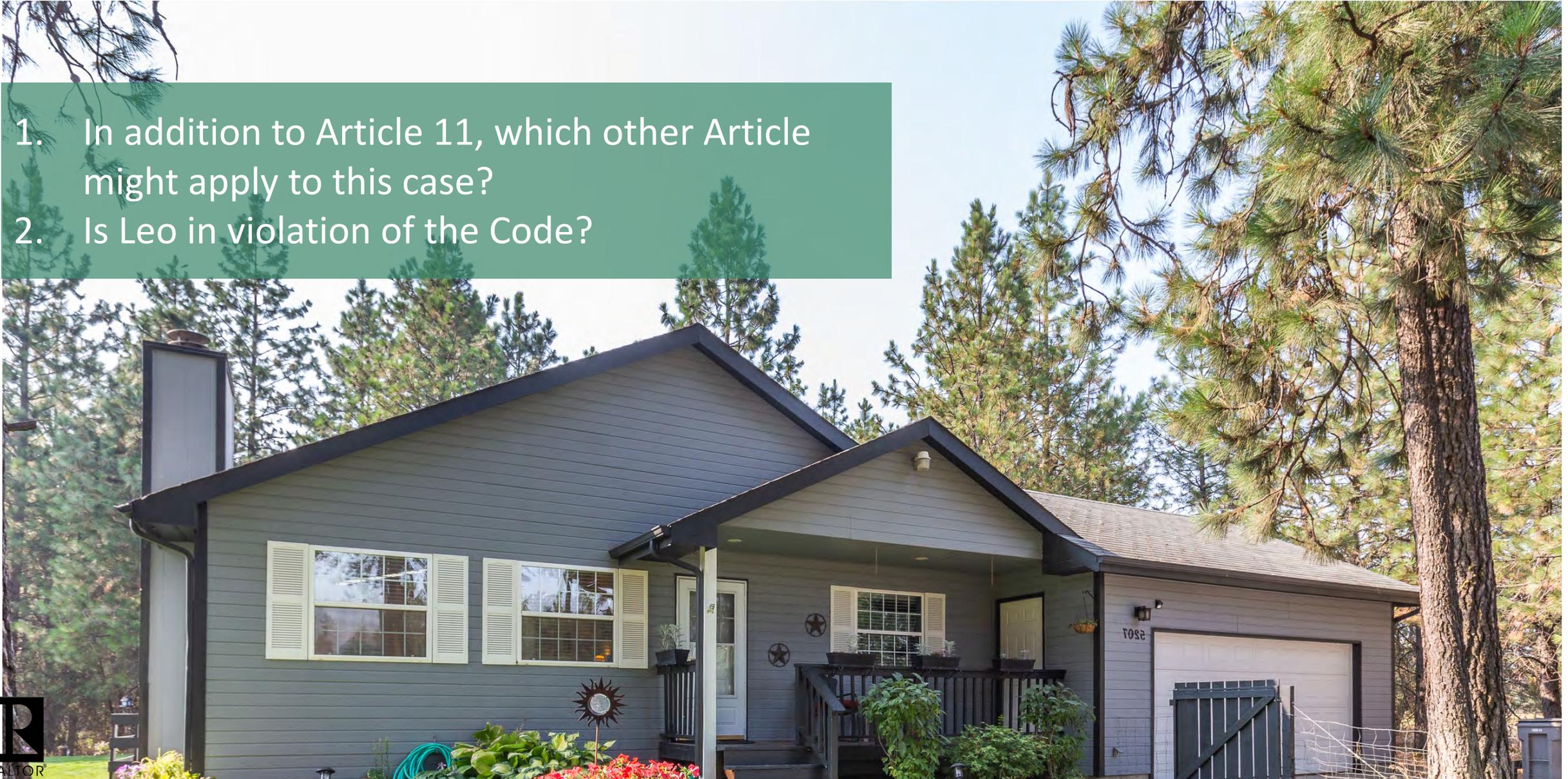
The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial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

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

# Article 11, Case Study 1



1. In addition to Article 11, which other Article might apply to this case?
2. Is Leo in violation of the Code?



# Article 11, Case Study 2



1. As used in Standard of Practice 11-1, does Paul have a “present or contemplated interest” in the property when he does the appraisal?
2. Is Paul in Violation of Article 11?



# 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.

# Article 16, Case Study 1



1. What Standard of Practice under Article 16 applies to this situation?
2. Is Laura in violation of Article 16?
3. What was Laura's obligation?
4. Is Sue in violation of Article 16?

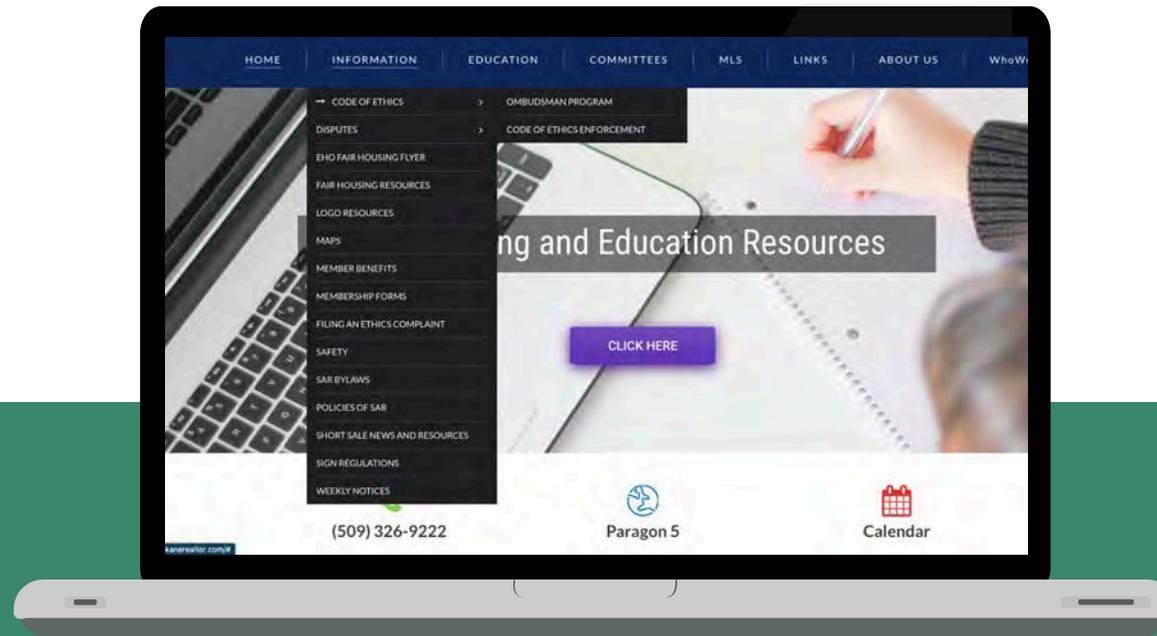
# Article 16, Case Study 2



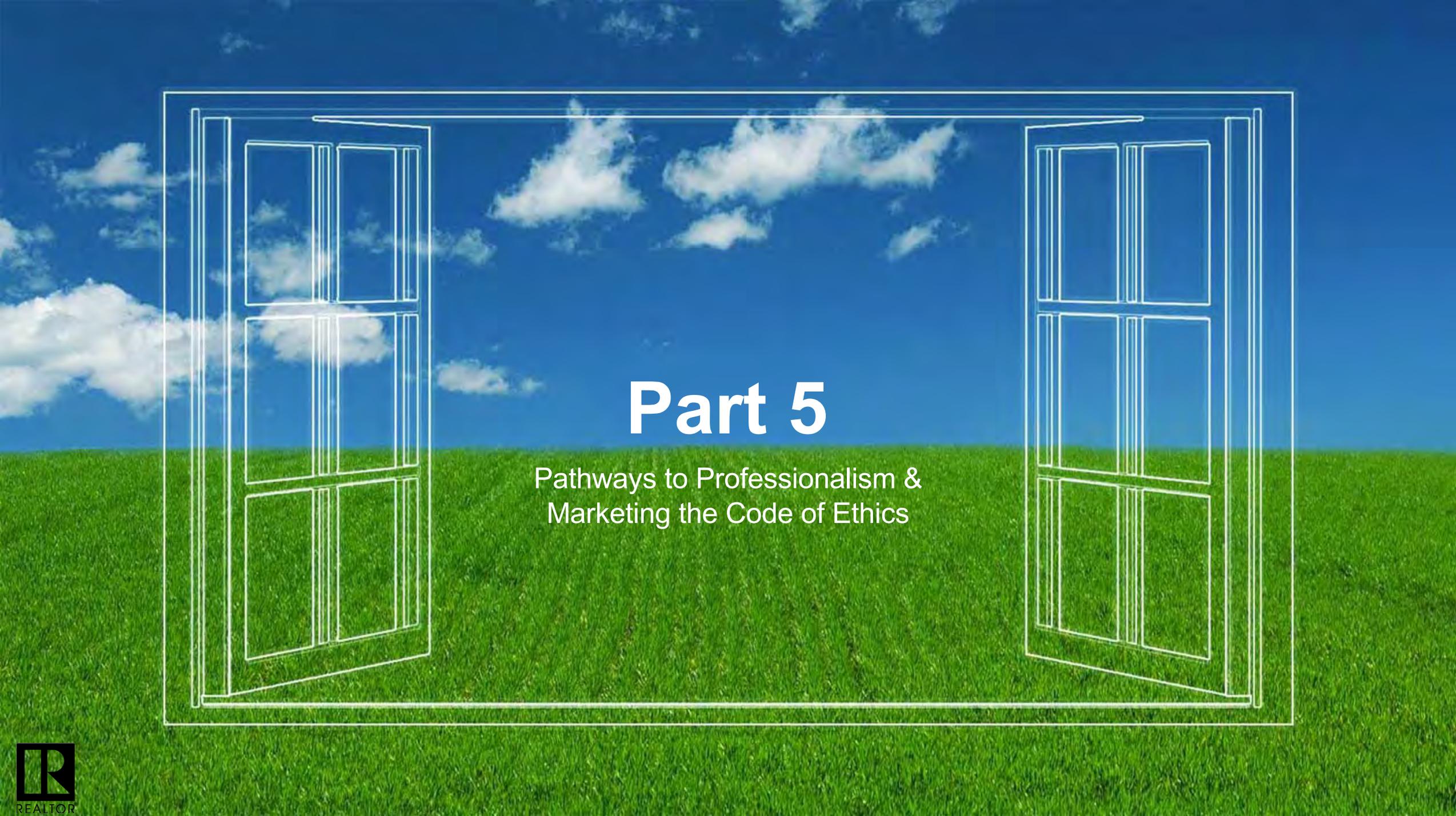
1. Identify the Standard of Practice that applies to this situation?
2. Is there an obligation on Mike's part to work through Barbara?



# Filing a COE Complaint



[www.SpokaneRealtor.com/code-of-ethics](http://www.SpokaneRealtor.com/code-of-ethics)



# Part 5

Pathways to Professionalism &  
Marketing the Code of Ethics



# Using the Code of Ethics in Your Business

- Provides a competitive advantage
- Guarantees customer will receive accurate, timely information and their interests will always be served first
- Use as a tool when training new agents
- A continual reminder of the professional services REALTORS® provide

# Look to the Code for Guidance

Use it to model your professional behavior when confronted with questions such as . . .

- Should I work with more than one agent?
- What do you think about this other agent?
- Should I buy through the listing agent to get the best price?
- Can you help me with a pocket listing?



# COE and Social Media



01 >

Article 12 provides guidelines  
on communications

Be honest and truthful in all  
communication including social media.

< 02

03 >

Remind clients to also practice  
discretion online

# Social Media Guideline



<https://www.dol.wa.gov/business/realestate/docs/620400.pdf>

# Promote your Ethical Responsibility to the Consumer

- The Code can be used as a marketing tool
- Shows consumer you have agreed to abide by this standard of professionalism
- Code can be printed and customized with your company name
- Display your REALTOR® pin
- Reference the code in all your professional correspondence

# Pathway to Professionalism



## Six Timeless Tips

**1** Follow the “Golden Rule”

**2** Show courtesy and respect to everyone

**3** Communicate with all parties in a timely fashion

**4** Always present a professional appearance

**5** Be aware of and meet all deadlines

**6** Be aware of and respectful of all cultural differences

# Respect For Property



- Be responsible
- Keep all members of the group together
- Never give unaccompanied access
- Enter property only with permission
- Leave property as you found it
- Contact listing broker if something is amiss
- Be considerate of sellers' property
- Use sidewalks to protect landscaping
- Remove footwear in inclement weather
- Avoid cell phone distractions during showing
- Be alert to avoid the unexpected
- Practice respect when owner is home during showing

# Respect For Public



- Identify your REALTOR® and professional status
- Leave your business card unless prohibited by local rules
- Encourage clients of other agents to direct questions to that agent
- Don't tell people what you think, tell them what you know
- Respond promptly to inquiries
- Call if you're delayed or need to reschedule
- Promptly explain to listing agent if showing is cancelled
- Communicate clearly—avoid jargon and slang.
- Schedule appointments as far in advance as possible
- Promise only what you can deliver

# Respect For Peers



- Identify your REALTOR® and professional status
- Promptly and courteously respond to other agents' communications
- Notify listing broker if there is inaccurate information in listing
- Share important information with other agents such as pets or a security system
- Show courtesy, trust, and respect to other agents
- Avoid inappropriate use of endearments or language that may be culturally insensitive
- Do not prospect at other agents' open houses or events
- Return keys promptly after a showing

# P2P Case Study 1



1. Olivia obviously makes several errors that violate the Code of Ethics. Based on Pathways to Professionalism, in which incident is Olivia displaying a lack of respect for her peers?
2. Using the guidelines in Pathways to Professionalism, list five guidelines Olivia violates in terms of respect for property.



# P2P Case Study 2



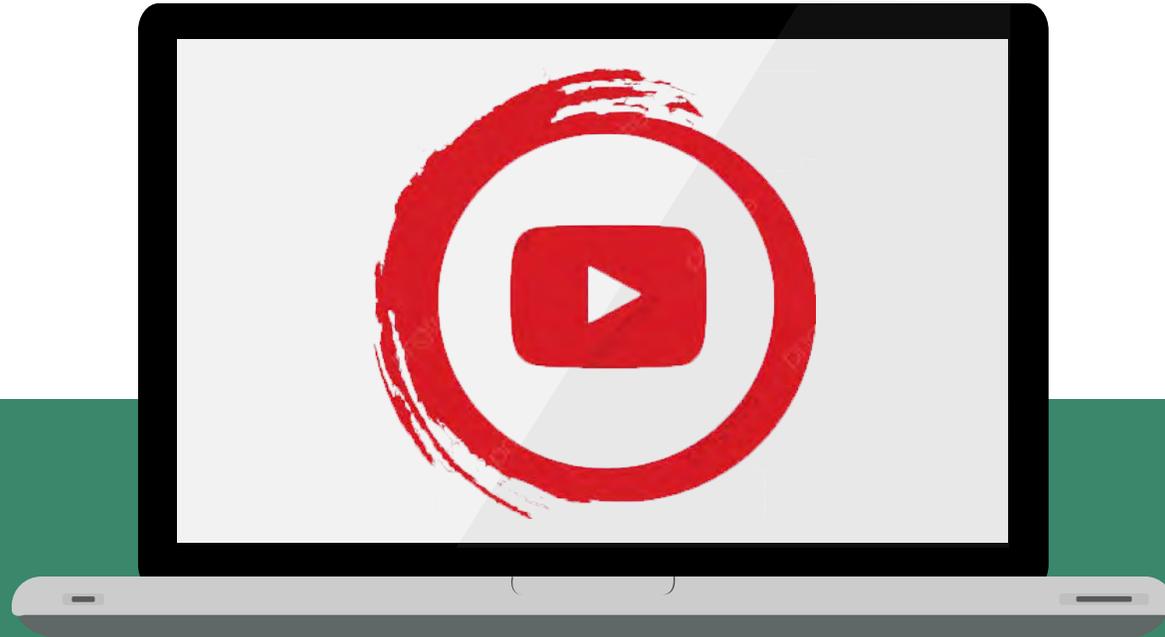
1. Taking into consideration the Pathways to Professionalism guidelines, what is Courtney demonstrating a lack of respect for when she and Max comment that the paint color in some rooms is dreadful?
2. Of the many errors Courtney makes in this scenario, which incident demonstrates her lack of respect for the public?



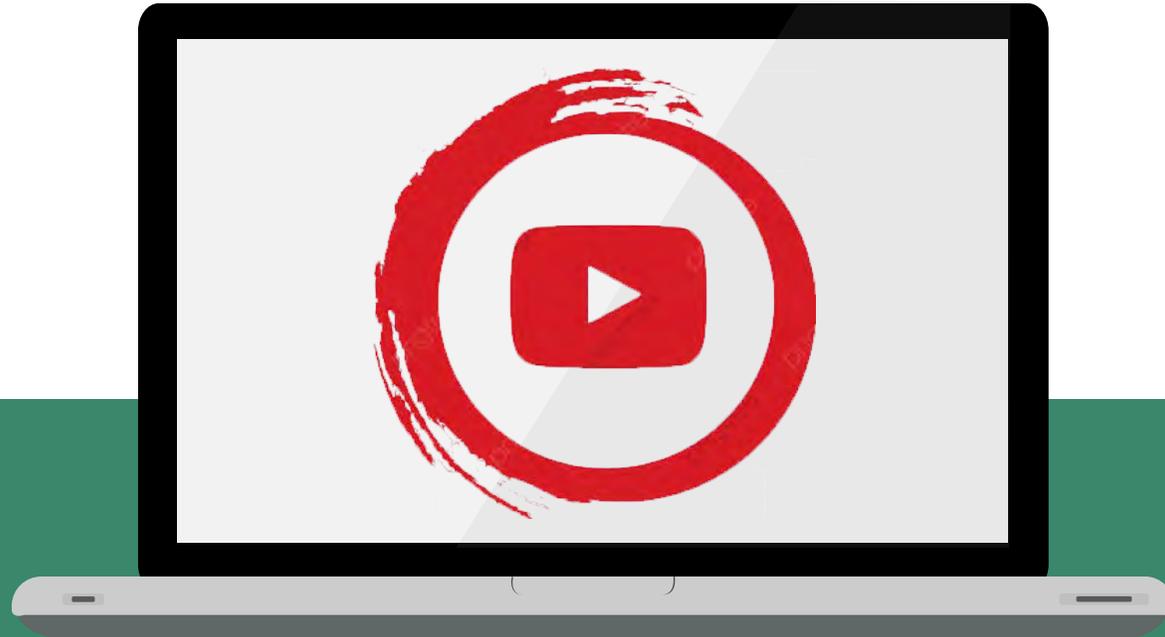
# Fair Housing

More than a list of dos and don'ts, rights and penalties, and mandatory continuing education. As stewards of the right to own, use and transfer private property, fair housing protects our livelihood and business as REALTORS® and depends on a free, open market that embraces equal opportunity.

# NAR Message on Fair Housing



# NAR Fair Housing Action Plan





**Humility and  
Education go  
Hand in hand**



**LONG ISLAND**  
**DIVIDED**

**A NEWSDAY INVESTIGATION**





A **three-year** Newsday Investigation uncovered widespread evidence of **UNEQUAL Treatment** by Real Estate Agents on Long Island.

# Is This Home Too 'Scary' for Prince Harry and Meghan Markle?

By Jennifer Kelly Geddes | Feb 24, 2020



Getty Images; realtor.com

Prince Harry and Meghan Markle are house hunting in Malibu, CA! In addition to renting a

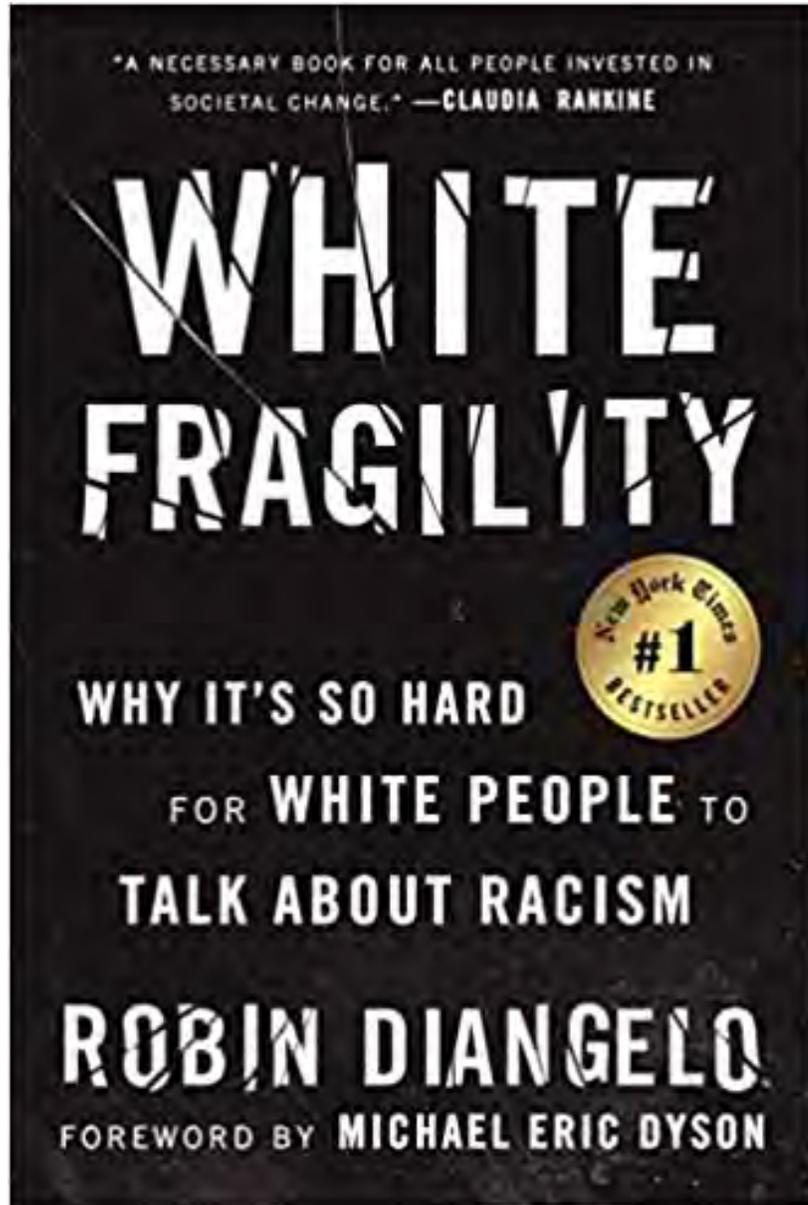
# SCARY?

## What is the message being sent?



# Have you ever been discriminated against?



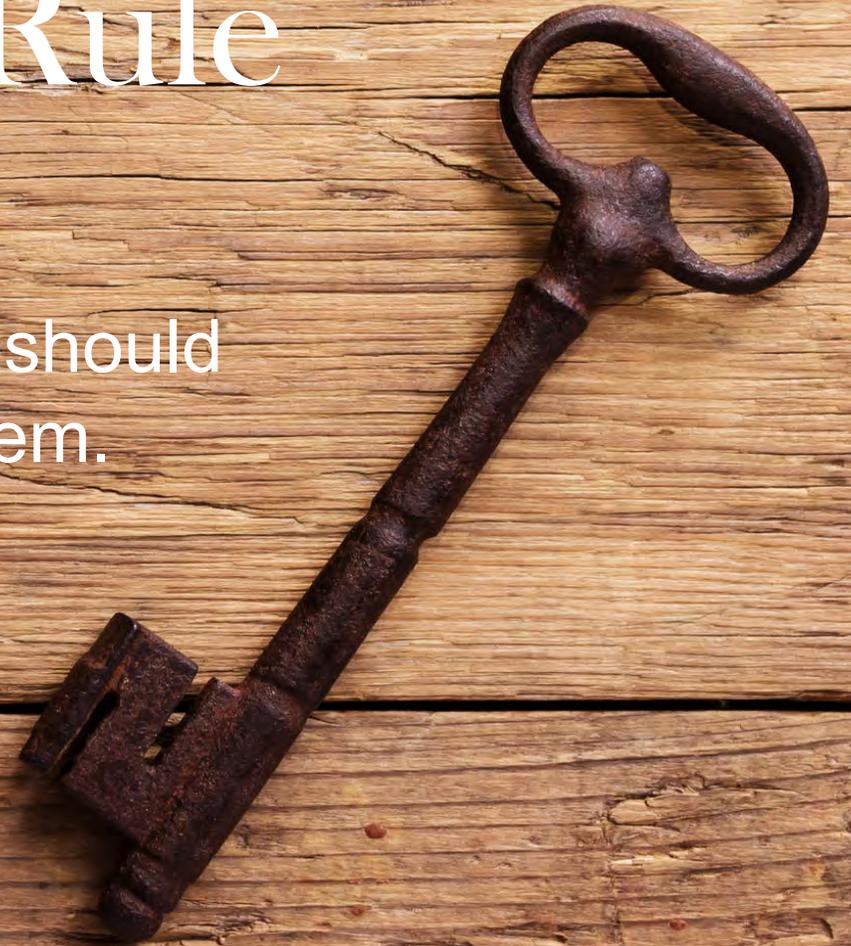


# Book Recommendation



# The Golden Rule

Whatsoever ye would that others should do to you, do ye even so to them.





Treat others as THEY  
want to be treated.

# What is Culture?





**It's like  
a salad**



# What are you?



# Protected Classes



Are you a member of a protected class?



# Federally Protected Classes



<b>Race</b>	<b>Color</b>
<b>Sex</b>	<b>National Origin</b>
<b>Familia Status</b>	<b>Religion</b>
<b>Disability or Handicap</b>	

# WA Protected Classes



<b>Race</b>	<b>Color</b>
<b>Sexual Orientation</b>	<b>Creed</b>
<b>Marital Status</b>	<b>Veteran</b>
<b>Use of Service Animal</b>	

# Inclusion



# Empathy vs Sympathy



Shorts

RSA

# Prejudice





# Our job is...

- **to listen**
- **to be inclusive**
- **to be engaged**

# A Fair Housing Simulation



**Fairhaven.realtor**

Lesson  
1



Identify potentially discriminatory conduct by agents, clients, and others involved in real estate transactions.

Lesson  
2



Apply fair housing principles and practices to prevent or address discriminatory conduct of those involved in real estate transactions.

Lesson  
3



Recognize that implementing inclusive business practices will benefit his/her reputation and bottom line.

Lesson  
4



Recognize the risks associated with engaging in discriminatory conduct.

Lesson  
5



Recognize the impact of discrimination in the real estate market on real people's lives.



Course Evaluation:  
[kwueval.com](http://kwueval.com)



For a list of upcoming classes:  
[SpokaneRealEstateTraining.com](http://SpokaneRealEstateTraining.com)