



Code of Ethics for New REALTORS®

The Code of Ethics: Practical Principles for Business Success

For new REALTORS®, the NATIONAL ASSOCIATION OF REALTORS®' Code of Ethics and Standards of Practice often seems distant from the more immediate need to prospect for listings, match buyers with properties, and close your first transactions. After all, the vast majority of real estate practitioners receive compensation solely through commission. This produces a highly competitive atmosphere. New salespeople have lots to learn, but only a finite amount of time each day. And let's face it, the Code doesn't read like the latest thriller.

But learning about the Code and making its principles a part of your daily life in your new real estate career are essential to real estate success. Since it was first established in 1913, the Code has instilled in REALTORS® time-honored and baseline principles. These principles can be loosely defined as:

- Duties to clients;
- Cooperation with other brokers;
- Truthfulness in statements and advertising; and
- Respect for exclusive relationships other REALTORS® have with their clients.

A new sales associate who understands and incorporates the basic Code principles will have a successful foundation for a long-term career in the real estate industry.

The Code and the Character of the Industry

"The Code is rich in different nuances of how it applies to all of us, no matter where we are in our careers," says [Bruce Aydt](#), ABR, CRB, senior vice president and general counsel for Prudential Alliance, REALTORS®, in St. Louis and REALTOR® Magazine's ethics columnist. "What I tell new salespeople is this: They may not realize it now, but the Code of Ethics is the foundation of the REALTOR® organization and has dramatically influenced the history of the real estate industry in this country."

As an author and national educator, Aydt harnesses an almost evangelical zeal to espouse the practical and ethical benefits of the Code for the individual salesperson. He makes the point that without Article 3 of the Code, the salesperson's most valuable tool—the MLS—wouldn't exist. Why?

Article 3 establishes REALTORS®' obligation to cooperate with each other in the sale of property listings. Think of your experiences in the business. You come to

your first closing with the expectation that you would be compensated by a competitor for your role in finding the buyer and bringing the sale to completion.

So what, you say? How many other industries can you think of that has as one of their founding principles that they compensate their competitors for cooperation? Imagine that you go to a Toyota dealership to shop for a car. You then tell the dealer you don't like Toyotas after all; you prefer Hondas. Instead of trying to change your mind, the dealer gives you a Honda brochure and brings you over to a Honda dealership, where the Honda dealer compensates the Toyota dealer after you buy a Honda. Sound ludicrous? Yet that's the way REALTORS® do business every day of the week. It's based on the obligation to cooperate with other brokers as required by Article 3.

The Code and the Law

The Code of Ethics is seen by many experts as being the basis for many of the real estate license laws around the country. It is often at the leading edge of business principles that will eventually find their way into license law.

Aydt often finds students are surprised to hear that courts regularly cite the Code as the standard of care by which real estate practitioners will be held. "If there isn't a clear, bright line in a statute or established by a case, you look to industry practice, and when a court looks to industry practice, very often it looks to the Code of Ethics."

Where Rookies Make Mistakes

Real estate is an intensely competitive business. Yet, the ethics of fairness and reciprocal cooperation enshrined in the Code have led to the development of an orderly marketplace, represented most clearly in the MLS. There's a give and take, and it is natural that mistakes are made. However, there are case studies for the Articles of the Code available online in the Code of Ethics and Arbitration Manual to help you relate the articles of the Code to your working life. Refer in particular to the [Case Interpretations](#) section. (Note that to access the Case Interpretations page, you'll need to log in using your member name and password).

Here are key Articles in the Code of Ethics that new practitioners should know. Some of the examples below include summaries and references to case studies. For a complete version of these case studies, click on the "Case Interpretations" link above.

Article 1 of the Code should be a key guideline in your daily approach to the business. It establishes that you should never put your interests ahead of your client's. Article 1 also says to be honest with all parties in the transaction, not just your client but also the other real estate practitioner and his or her client.

Example A: REALTOR® B is a sales associate with XYZ, REALTORS®. To promote its own in-house listings, the brokerage offers bonuses to the company's sales associates for each one of XYZ's listings they sell. REALTOR® B represents a buyer, Dr. Z, whose

needs included a swimming pool for his wife's rehabilitation. REALTOR® B shows Dr. Z several houses in a subdivision, one of which, listed with XYZ REALTORS®, has an outdoor swimming pool. Dr. Z purchases the home. Several months later, he lodges an ethics complaint against REALTOR® B after learning that a house more suitable for his needs on the same block but not listed with XYZ REALTORS®—it had an indoor swimming pool—had never been shown to him, even though it was similarly priced and better fit his needs. After a hearing, it is determined that REALTOR® B had chosen not to show Dr. Z the other property because of the in-house bonus. This places him in violation of Article 1. He put his own interests (the bonus) ahead of his client's. (Case #1-26)

Example B: Disclosing offers can be an area where new sales associates make errors in judgment. There are many types of mistakes made. One example Aydt uses frequently is the ethics of timeliness. "In today's world, the basic standard should be to give your clients a phone call to let them know an offer is coming in as soon as you know you've got an offer coming in," he says. "You're not going to wait and see what else happens or take care of your errands and then think, 'Oh well, it's after 5 p.m., so I'll call tomorrow.'" (Standard of Practice 1-6: Presenting offers as quickly as possible)

Article 2 requires full disclosure of all pertinent facts with regard to the property or transaction to the buyer and/or seller. New practitioners' missteps with Article 2—disclosure—can most often be avoided by being mindful of the principle established for Article 1: Never put your interests ahead of your clients.

Example: What if your client asks you to conceal the fact that the roof leaks? Article 2 says you have to avoid exaggeration, misrepresentation, and concealment of pertinent facts. Following Article 2, then, you have to disclose the leaky roof, and Article 1 says you've got to be honest with all parties. So what are you going to do? The ethical choice is to choose disclosure or reconsider your relationship with that client. You want to gain a reputation in your community as someone consumers and practitioners can trust. Plus, if you make the wrong decision, you may be paying for the repairs to that leaky roof. (Case #1-25)

Article 12 addresses truthfulness in statements and advertising. This is important for building trust—by both your fellow REALTORS® and future clients. It also will keep you on the right side of the law.

Example: Here are two cases regarding a common prospecting tool: the neighborhood newsletter. In one case, REALTOR® A created a neighborhood newsletter and under the title "Recently Sold" listed a number of transactions derived from MLS data (Case #12-12). REALTOR® B also created a neighborhood newsletter and under the title "Recently Sold" listed a number of transactions drawn from MLS data (Case #12-13). They are both brought up before hearing panels of their local associations for not creating a "true picture" in their advertising, but to different ends. REALTOR® A is found in violation of Article 12 and REALTOR® B is not. Why? REALTOR® B's advertising was not misleading and even included a disclaimer stating that the list of sold properties came

from MLS information, that the practitioner wasn't claiming to have listed or sold every property identified. That made REALTOR® B's newsletter ethical, truthful, and not in violation of Article 12. REALTOR® A's newsletter appeared to mislead readers by claiming that he had listed and sold all of the properties in question.

Article 16 is about a REALTOR®'s obligation to not interfere in exclusive relationships other REALTORS® have with their clients. Don't contact or negotiate with someone else's client where an exclusive relationship already exists, unless you have authorization from the client's representative. Also, don't solicit someone else's exclusive client; if the client approaches you to provide the same type of service, and you have not directly or indirectly initiated such discussions, you may discuss the terms upon which you could enter into a future agreement or even enter into an agreement effective upon expiration of the existing exclusive agreement.

Example: There are several standards under Article 16 that deal with information you get through the MLS. Don't use information from MLS to solicit somebody else's client. It's not ethical to solicit another practitioner's seller to become a buyer-client. The reasoning is that if a broker is required to share listing information through the MLS, others should not be able to take advantage of this information to solicit an exclusive client for other business purposes.