

True Picture in Advertising
(case interpretation relating to erred to Article 12)

REALTOR® A was the exclusive marketing agent for a home building organization in Redtown, a suburban community within a metropolitan area that also contained the communities of Whitetown and Bluetown. As part of his sales effort, he ran the following newspaper advertisement:

Greenwood
In Redtown
STARTLING NEWS

On an identical house bought at “Greenwood” in Redtown, we have found that the difference in tax rates allows you to get \$5,000 more house free than if you bought the same house in Whitetown or Bluetown. We have been doing some figuring, and here’s what we came up with:

Plan A—built in Whitetown
Taxes approximately . . . \$1,200

Plan B—built in Bluetown
Taxes approximately . . . \$1,050

Plan C—built in Redtown
Taxes approximately . . . \$650

This means that in Redtown your monthly payments for the same house would be approximately \$46 less than in Whitetown, and \$33 less than in Bluetown. Since principal and interest are the same, you get \$5,000 or more house FREE when you buy in Greenwood.

REALTOR® B objected to the ad and sent it with a complaint to the Secretary of his Board, charging that the ad was misleading. The Secretary referred it to the Grievance Committee. The Grievance Committee, upon consideration, referred it back to the Secretary to schedule a hearing before a Hearing Panel of the Professional Standards Committee. The Hearing Panel considered the matter in a hearing attended by REALTORS® A and B.

It was the panel’s opinion that it is not unethical to point out the current tax differentials of various municipal jurisdictions, but that the final paragraph of the advertisement in question constituted an attempt to capitalize on a tax differential that is not predictable. To offer \$5,000 or more house “free” based upon indefinite continuation of a current tax situation, which is not certain, is misleading. Therefore, the Hearing Panel concluded, the ad violated Article 12 of the Code of Ethics in that it did not present a true picture that could be assured by REALTOR® A.