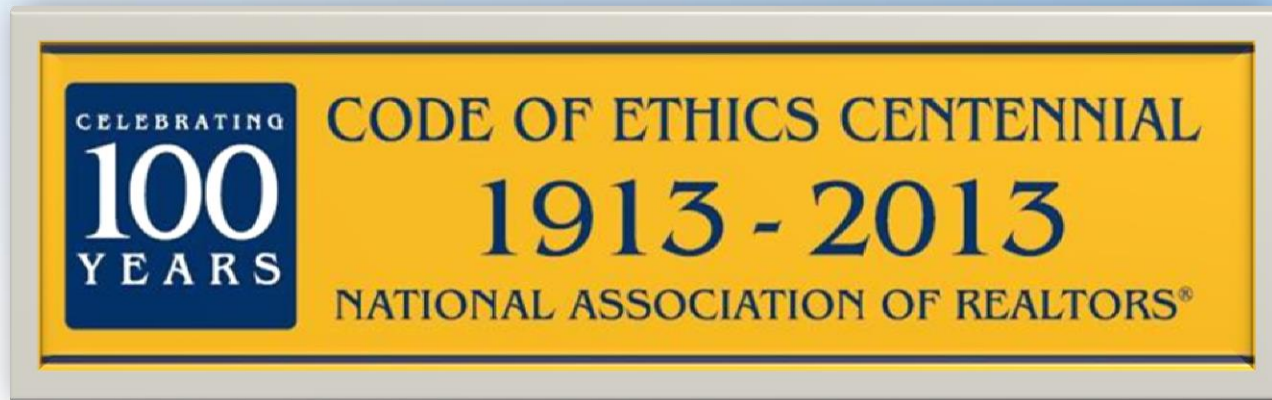


The National Association of REALTORS® Code of Ethics



A Century of Pride and Professionalism

In 2008, the National Association of REALTORS® (“NAR”) celebrated 100 years of:

- ✓ consumer protection
- ✓ education of REALTORS®

In 1913, the Code of Ethics was adopted in Winnipeg, Canada

The Code of Ethics

- * why it exists
- * how it applies
- * what the Code expects of REALTORS® - the Code's basic principles
- * how it is enforced

Why the Code Exists

* History

- ✓ one primary reason for NAR's formation was the establishment of ethical standards
- ✓ no license laws or regulations for real estate professionals existed 100 years ago
- ✓ buyers and sellers had to be careful of unethical and self-serving real estate dealers

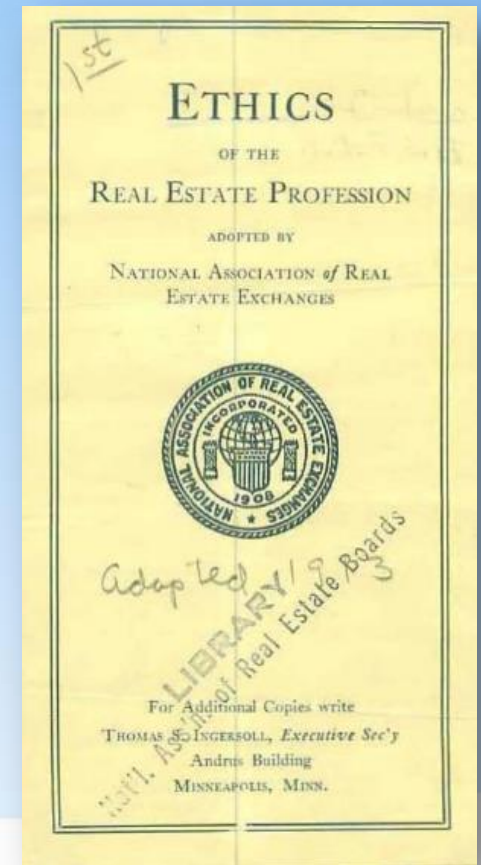
Why the Code Exists

- * NAR's founders believed that brokerage must:
 - ✓ be organized
 - ✓ be regulated
 - ✓ hold its members to high standards
- * NAR's founders wanted these high standards enforced to protect buyers and sellers

The First Code of Ethics

* First Code of Ethics adopted in 1913

- ✓ contained 23 Articles
- ✓ set forth duties to other brokers and clients
- ✓ many of the original Articles remain essentially unchanged, e.g., the concept of cooperation and resolving disputes through arbitration



The Code Changes

The Code is a living, growing (and sometimes shrinking) document.

- * **First Code:** 23 Articles
- * **Current Code:** 17 Articles
- * **Longest Code:** 36 Articles (1915)
- * **Shortest Code:** 17 Articles (currently, since 1994)
- * Undergoes continuous review and scrutiny
- * Code has been amended approx. 40 times since 1913

Structure of the Code of Ethics

- * Preamble (aspirational)
- * Three sections
 - ✓ Duties to clients and customers
 - ✓ Duties to the public
 - ✓ Duties to other REALTORS®
- * 17 Articles (enforceable)
- * 88 Standards of Practice

The Code's Preamble

“Under all is the Land”

Preamble to Code of Ethics

- ✓ Code represents a “gift of vision” of professionalism
- ✓ the “Golden Rule”
- ✓ private ownership of land indispensable to a viable democracy and prosperous society
- ✓ common responsibility for integrity and honor

Structure of the Code of Ethics

17 Articles

- * each section is comprised of Articles – broad statements of ethical principles
- * only Articles of the Code may be alleged to have been violated. A REALTOR® may only be disciplined for violating an Article.

Structure of the Code of Ethics

Standards of Practice

- * support, interpret, and amplify each Article
- * may not be alleged to have been violated, but may be cited in support of an alleged violation of an Article

Basic Principles of the Code of Ethics

Article 1:

Protect and promote your client's interests,
but be honest with all parties.

Basic Principles of the Code of Ethics

Article 2:

Avoid exaggeration, misrepresentation, and concealment of pertinent facts.

Do not reveal facts that are confidential under the scope of your agency relationship.

Basic Principles of the Code of Ethics

Article 3:

Cooperate with other real estate professionals to advance your client's best interests.

Basic Principles of the Code of Ethics

Article 4:

When buying for yourself, immediate family, your firm, or any member thereof, make your true position in the transaction known to the owner or owner's broker.

Basic Principles of the Code of Ethics

Article 4 (continued):

When selling property you own, or in which you have a legal interest, reveal your ownership or interest in writing to the purchaser or purchaser's representative.

Basic Principles of the Code of Ethics

Article 5:

Disclose your present or contemplated interest in any property to all parties.

Basic Principles of the Code of Ethics

Article 6:

Avoid side deals without your client's informed consent.

When recommending real estate products or services, disclose any financial benefit or fee you will receive as a result of the recommendation.

Basic Principles of the Code of Ethics

Article 7:

Accept compensation from only one party, except with full disclosure to all parties and the informed consent of your client(s).

Basic Principles of the Code of Ethics

Article 8:

Keep the funds of clients and customers in a special account in an appropriate financial institution, separate from your own money.

Basic Principles of the Code of Ethics

Article 9:

Assure, whenever possible, that transactional details are in writing, in clear and understandable language.

Provide a copy of each agreement to each party upon their signing or initialing.

Basic Principles of the Code of Ethics

Article 10:

Provide equal service to all clients and customers.

Do not discriminate in your employment practices against any person on the basis of race, color, religion, sex, handicap, familial status, national origin, or sexual orientation.

Basic Principles of the Code of Ethics

Article 11:

Be knowledgeable and competent in the fields of practice in which you ordinarily engage. Obtain assistance or disclose lack of experience, if necessary.

Basic Principles of the Code of Ethics

Article 12:

Communicate honestly in all of your real estate communications. Present a true picture in your advertising, marketing and all representations.

Basic Principles of the Code of Ethics

Article 13:

Do not engage in the unauthorized practice of law. Recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

Basic Principles of the Code of Ethics

Article 14:

Place all pertinent facts before the proper tribunal:

- ✓ grievance committee functions like a grand jury
- ✓ hearing panel functions like a judge and jury
- ✓ board of directors functions like an appellate body

Basic Principles of the Code of Ethics

Article 14 (continued):

Be a willing participant in Code enforcement procedures.

Take no action to disrupt or obstruct the Code enforcement process.

Basic Principles of the Code of Ethics

Article 15:

Ensure that your comments about other real estate professionals are truthful, and not misleading. Make no false or misleading statements about other real estate professionals, their businesses or their business practices.

Basic Principles of the Code of Ethics

Article 16:

Respect the exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with their clients.

Basic Principles of the Code of Ethics

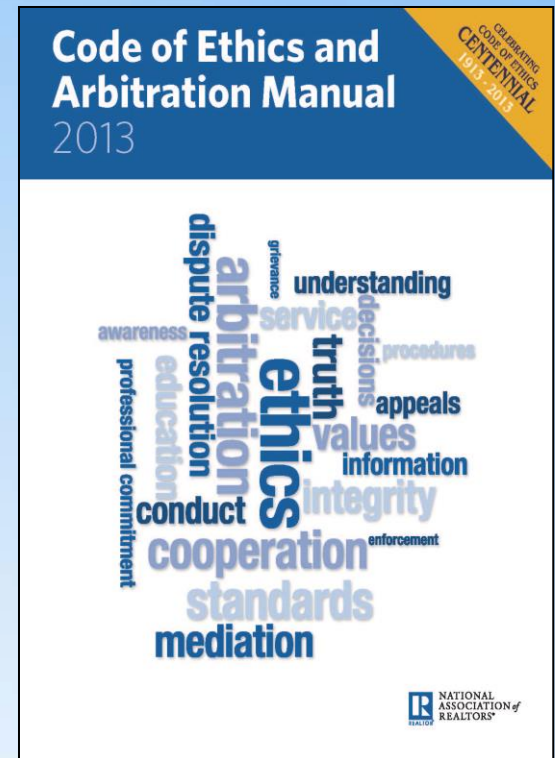
Article 17:

Arbitrate and mediate contractual and specific non-contractual disputes (see Standard of Practice 17-4) with other REALTORS® and with your clients.

How the Code is Enforced

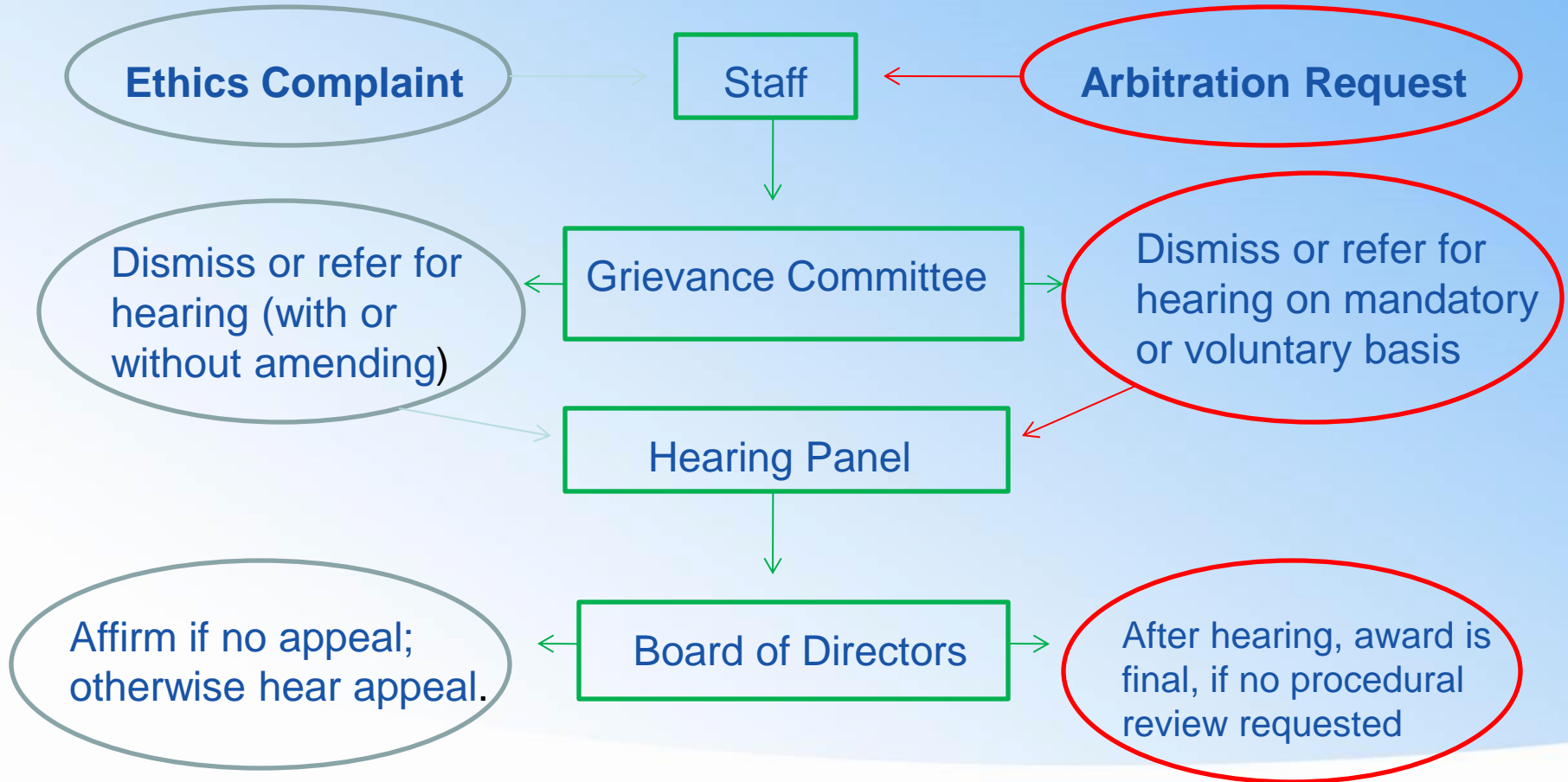
Code of Ethics and Arbitration Manual

- * The “blueprint” for administering the professional standards process to enforce the Code and resolve financial disputes between REALTORS®
- * Features Case Interpretations -- fact situations to which each Article and/or Standard of Practice are applied.



How the Code is Enforced

Professional Standards Process



How the Code is Enforced

Authorized Hearing Panel Discipline

- * Letter of Warning
- * Letter of Reprimand
- * Education
- * Fine not to exceed \$5,000
- * Probation for 1 year or less
- * Suspension for not less than 30 days nor more than one year
- * Expulsion from membership for a period of 1 to 3 years
- * Suspension or termination of MLS privileges

REALTOR® Code of Ethics Centennial: A Century of Pride and Professionalism

For the last 100 years, the REALTOR® Code of Ethics has held members of the National Association to a higher criterion of excellence, reaffirming their commitment to encouraging and protecting property ownership and ensuring wise stewardship of our nation's land and resources.

REALTOR® Code of Ethics Centennial: A Century of Pride and Professionalism

In its second century, the Code will continue to adapt to the needs of a vibrant, professional, ethical real estate community and continue to distinguish REALTORS® and their commitment to integrity.

REALTOR® Code of Ethics Centennial: A Century of Pride and Professionalism

For more information on how you can celebrate the Code of Ethics Centennial, please visit <http://www.realtor.org/coecentennial>

Or contact the Member Policy Department at the National Association of REALTORS®:

Telephone: 800-874-6500, extension 8399

Email: Member_policy@realtor.org