



Unit

5

Duties to Clients and Customers

In This Unit

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Learning Objectives

When you have completed this unit, you will be able to accomplish the following.

- Describe the history and structure of the Code of Ethics and the relationship between the Code of Ethics and the requirements of the law.
- Describe ethical duties to clients, customers, and other real estate professionals.

OVERVIEW

Before 1900, real estate was transacted with the philosophy of *caveat emptor* (let the buyer beware). Real estate practitioners regularly swindled customers and speculation in real estate was rampant, featuring booms and busts. It was quite difficult for honest real estate brokers to make a living because of their customers' distrust, so many brokers decided that more needed to be done to correct the situation.

CODE OF ETHICS AND STANDARDS OF PRACTICE OF THE NATIONAL ASSOCIATION OF REALTORS®

In 1908, real estate professionals in the United States and Canada formed the National Association of REALTORS® (NAR). Five years later, the organization adopted its Code of Ethics, one of the first among professional organizations. The code is based on the concepts of public service and professionalism by its members. The Code is updated annually at the National Convention.

While only the members of the National Association of REALTORS® are bound to abide by the Code of Ethics, every real estate licensee would benefit from a careful reading and consideration of the code. In fact, courts have applied the standards of conduct in the Code of Ethics even to real estate licensees who are not members of the National Association of REALTORS®. Many standards in the code have later been made into legal requirements by state licensing boards, including Florida's. REALTORS® make a personal commitment to abide by the high standard of the Code of Ethics. The code requires members to act with honesty, integrity, fair dealing, and competency. Other brokers and sales associates can also minimize their legal liability by following the code. The Code of Ethics is reprinted in its entirety in the appendix.

STRUCTURE OF THE CODE OF ETHICS

The Code of Ethics has three main sections: Duties to Clients and Customers, Duties to the Public, and Duties to REALTORS®. The Code has 17 articles. The articles are broad statements of ethical principles. REALTORS® can be disciplined by a Board of REALTORS® only for a violation of the articles. The Standards of Practice support and interpret the articles. Case interpretations give greater understanding to the Code and its articles by demonstrating real ethics complaints and the final decisions made by the association.

THE CODE AND THE LAW

The Code must be reasonable and consistently construed with the law, but it usually imposes higher standards than those imposed by the law. If there is a conflict with state law, the law takes precedence. The Code also restates several fundamental legal principles, such as contracts, brokerage relationships, and fair housing.

CHANGES TO THE CODE OF ETHICS

The Code of Ethics, as well as the Standards of Practice and Case Interpretations, is revised when necessary at NAR Midyear Meetings and the REALTORS® Conference and Expo. The NAR Professional Standards Committee and the NAR Board of Directors must approve amendments. If a change to an Article of the Code is proposed, it must be approved by the NAR Delegate Body.

PREAMBLE TO THE CODE OF ETHICS

The Preamble to the Code of Ethics is much like a mission statement. It is the foundation for what the organization stands for. The preamble has several important points, but none of the points may be the basis for disciplining a member.

The first sentence of the Preamble is "Under all is the land," a very powerful statement that sets the stage for all that follows. REALTORS® must take responsibility for protecting the land and private property rights. The country will benefit greatly

from the widest distribution of land ownership, and it should ensure the creation of adequate housing and the preservation of a healthy environment.

REALTORS® must help eliminate practices that may damage the public or bring dishonor to the profession. As part of that pledge, members who have direct personal knowledge of willful discrimination, fraud, or misappropriation of property should report it.

REALTORS® may not attempt to gain any unfair advantage over their competitors and should refrain from making unsolicited comments about them. No inducement of profit and no instruction from clients can ever justify departure from the ideals of competency, fairness, and high integrity.

The safest guide for licensees is embodied in the golden rule: “Whatsoever ye would that others should do to you, do ye even so to them.”

Practice Questions

1. The Code of Ethics strives for REALTORS® to have higher standards of ethical behavior than state law.
 - a. True
 - b. False
2. Courts have occasionally applied the standards of conduct in the Code of Ethics to real estate licensees who are not members of the National Association of REALTORS®.
 - a. True
 - b. False

DUTIES TO CLIENTS AND CUSTOMERS—ARTICLES 1–9

Articles 1–9 of the Code of Ethics cover duties to clients and customers and also address working with other real estate professionals. The articles are summarized here and will be discussed in more detail later:

- **Article 1**—Protect and promote clients’ interests while treating all parties honestly.
- **Article 2**—Refrain from exaggeration, misrepresentation, or concealment of pertinent facts related to property or transactions.
- **Article 3**—Cooperate with other real estate professionals to advance your clients’ best interests.
- **Article 4**—When buying or selling for your own account, make your true position or interest known.
- **Article 5**—Do not provide professional services when you have a present or contemplated interest in a property without disclosing that interest to all affected parties.
- **Article 6**—Disclose any fee or financial benefit you will receive from recommending related real estate products or services.
- **Article 7**—Accept compensation from only one party, unless you have made full disclosure to all parties and received informed consent from the client.
- **Article 8**—Keep the funds of others in a separate escrow account.
- **Article 9**—Spell out details of agreements in writing whenever possible and give copies to the parties.

DEFINITIONS

The following terms are used in the articles:

- **Client:** The person or entity with whom a REALTOR® or a REALTOR®'s firm has an agency or legally recognized non-agency relationship.
- **Customer:** A party to a real estate transaction who receives information, services, or benefits but has no contractual relationship with the REALTOR® or the REALTOR®'s firm.
- **Prospect:** A purchaser, seller, tenant, or landlord who is not subject to a representation relationship with the REALTOR® or the REALTOR®'s firm.
- **Agent:** A real estate licensee (including brokers and sales associates) acting in an agency relationship as defined by state law or regulation.
- **Broker:** A real estate licensee (including brokers and sales associates) acting as an agent or in a legally recognized non-agency capacity.

Florida law has some other terms that are similar to those in the Code of Ethics:

- **Principal:** A buyer or seller who is owed full fiduciary duties by a single agent.
- **Customer:** A person who is not represented in a fiduciary capacity by a transaction broker or a licensee with no brokerage relationship.

Florida law prescribes specific legal duties owed by single agents to their principals, as well as duties owed by transaction brokers to their customers.

ARTICLE 1—PROTECT AND PROMOTE THE CLIENT'S INTERESTS

Article 1 has 16 Standards of Practice that help clarify the intent of the article. The article and the standards help to drive home two points: 1) protect your client's interests by putting them above everyone else, including yourself, and 2) treat all parties honestly.

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.

Be careful when buying or selling your own property. Standard of Practice 1-1 requires REALTORS®, when buying or selling for their own account in a real estate transaction, to remain obligated by the duties imposed by the Code of Ethics. However, it would be difficult to defend calling a seller a “client” when the REALTOR® is buying for himself, since the conflict of interest would be significant. It would be better for the REALTOR® to step back from an agency relationship and treat the seller as a “prospect.”

For example, REALTOR® Jim is listing a house owned by his client Barbara. Jim does a market analysis and helps Barbara set a price for her house at \$350,000. He tells Barbara that he will do everything he can to get her the best price and terms and to protect her interests. Barbara tells Jim in confidence that she hopes that she can get that price, but she might be willing to sell for \$320,000 if the house doesn't sell after a reasonable period. Jim takes a longer time than usual to put the house into the MLS and does not actively market the property. Thirty days later, Jim suggests to Barbara that perhaps the price is too high. If she really wants to sell, Jim says, he would be willing to pay her \$320,000. Barbara accepts the offer and closes on the sale. Several weeks later, Barbara learns that Jim has listed the property at \$360,000. She files an ethics complaint with the Board of REALTORS® charging that Jim did not promote and protect his client and that he put his own interests above hers.

To reduce his liability, Jim should have backed off his single agency status and told Barbara he would no longer be representing her interests in the transaction.

Don't mislead sellers as to market value. Standard of Practice 1-3 prohibits deliberately misleading the owner regarding market value. In other words, don't "lowball" sellers by intentionally getting them to list the property at a value that would get you a quick sale and a quick commission. Give the best estimate of market value and let the seller decide based on the facts.

No dual agency. While Standard of Practice 1-5 says "REALTORS® may represent the seller/landlord and buyer/tenant in the same transaction only after full disclosure to and with informed consent of both parties," Florida law states the following: "A real estate licensee may not operate as a disclosed or nondisclosed dual agent." [475.28(1)(a), F.S.] Where there is a conflict between the Code of Ethics and the law, the obligations of the law take precedence.

Submit offers objectively and quickly. According to Standard of Practice 1-6, submit offers and counteroffers objectively and as quickly as possible.

Written affirmation that an offer has been submitted. Standard of Practice 1-7 says that REALTORS®, when acting as listing brokers, must continue to submit all offers and counteroffers until closing unless the seller has waived the obligation. Upon the written request of a cooperating broker who submits an offer to the listing broker, the listing broker must provide a written affirmation that the offer was presented.

Submit all offers to the seller. Standard of Practice 1-8 requires agents of the buyer or the tenant to submit all offers and counteroffers to the seller unless directed otherwise in writing. This conforms to the duties of a single agent under Florida law. This means that even after you have a signed contract, you should continue to submit to the seller any new offers until closing, but make sure your seller gets legal advice before accepting a second offer. Don't let your seller become obligated under two contracts without a contingency clause that allows the seller to cancel without any penalty.

New rule, effective January 1, 2019: Upon the written request of a cooperating broker who submits an offer to the listing broker, the listing broker shall provide a written affirmation to the cooperating broker stating that the offer has been submitted to the seller/landlord, or a written notification that the seller/landlord has waived the obligation to have the offer presented.

Confidentiality is forever. Standard of Practice 1-9 requires confidentiality (which is also a single agent's duty under Florida law). The duty of confidentiality continues after termination of agency relationships. According to Standard of Practice 1-9,

REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:

- 1) reveal confidential information of clients; or
- 2) use confidential information of clients to the disadvantage of clients; or
- 3) use confidential information of clients for the REALTOR®'s advantage or the advantage of third parties unless:
 - a) clients consent after full disclosure; or
 - b) REALTORS® are required by court order; or

- c) it is the intention of a client to commit a crime and the information is necessary to prevent the crime; or
- d) it is necessary to defend a REALTOR® or the REALTOR®'s employees or associates against an accusation of wrongful conduct.

Information concerning latent material defects is not considered confidential information under this Code of Ethics.

Use skill, care, and diligence. Standards of Practice 1-10 and 1-11 require REALTORS® to act with skill, care, and diligence in a real estate transaction and with respect to property management. Florida law mirrors this requirement.

Disclose your policies for cooperation with and compensation to other brokers. Standards of Practice 1-12 and 1-13 require sellers to be advised about company policies regarding cooperation and the amount of any compensation that will be offered to other brokers. This might be very important to the seller. Some brokerage firms do not cooperate with other brokerage firms, nor put the listing into the MLS. Many brokerage firms pay a 50-50 split to cooperating brokerages, but some pay less. Paying a lower split might discourage cooperating firms from showing the listing. In order for a seller to make an informed decision about listing with a particular broker, the seller should have this important information.

Are there any competing offers coming in? Standard of Practice 1-15 says that, if requested and with the seller's approval, the existence of offers on the property and the source of those offers (e.g., listing firm, cooperating broker) may be disclosed. It might be important for prospective buyers to know if they are competing with another offer. In some cases, it might be helpful to encourage a higher offer.

It's not your place! Standard of Practice 1-16 prohibits the use of property in any way that is not authorized by the owner. Examples of this are unlimited, but the principle is easy: if the owner hasn't authorized it, it isn't allowed.

Practice Questions

3. William, a Miami broker, lists a house for \$375,000. The seller, Robert, mentions that he might be flexible in that price, but he would prefer selling at full price. William tells a buyer that it's very likely that the seller might take a lower offer because the seller said he was flexible.

William is protecting and promoting his client's interests as presented in Article 1.

- a. True
- b. False

4. Harriett has a large listing inventory. She finds sellers who are motivated to sell because they are relocating and recommends listing prices that are substantially higher than the market value. This practice helps her to get more listings than her competitors. She knows that the motivated owner will reduce the price later.

This practice is aligned with the standards of Article 1.

- a. True
- b. False

5. Sally's sister has sold her home and must move out by next week. She is buying a new home, but unfortunately it won't be ready to move into for another month. Sally has a vacant listing with a two-car garage and gives her sister the keys so she can store her furniture there. Sally did not get permission from the seller to do this.

This practice is NOT aligned with the standards of Article 1.

- a. True
- b. False

6. Cary is working with his client, Ray, to list Ray's 30-acre parcel. Ray told Cary that he wanted a net price of \$200,000 for the property, and that Cary should put his commission on top of that. Cary felt the property was worth at least \$250,000 and listed it at that price. The property sold at the listed price. At closing, Cary received a commission of \$50,000 and Ray got his \$200,000. Ray calculated that this represented a 20% commission and filed an ethics complaint.

Cary's actions are aligned with the standards of Article 1.

- a. True
- b. False

ARTICLE 2—AVOID EXAGGERATION, MISREPRESENTATION, OR CONCEALMENT OF PERTINENT INFORMATION

"If you tell the truth, you don't have to remember anything." – Mark Twain

Article 2 of the Code of Ethics emphasizes the traits of transparency, disclosure, and honesty. This behavior is not only the right thing to do, but it's good business and a great risk management tool. Florida law requires licensees to disclose all known facts that materially affect the value of *residential* real property and are not readily observable. Article 2 requires REALTORS® to disclose pertinent facts related to both residential and nonresidential property.

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.

You don't have to inspect or discover defects. Standards of Practice 2-1 and 2-5 don't require REALTORS® to be experts in property construction or other areas beyond those required by the license law or to investigate properties to discover defects. If you have knowledge of a material defect, disclose it. If an item is not a material defect, you need not disclose it.

Don't monkey with the figures. Standard of Practice 2-4 is obvious: you shall not be involved in entering false consideration into any document (unless it involves the naming of an obviously nominal consideration such as "\$10 and other valuable consideration.")

For example, REALTOR® Larry has many lots for sale in a developer's subdivision. The initial appraisals are \$40,000 per lot, but the developer wants to get better appraisals. Larry tells the builder to sell a few lots for \$40,000 but show the price in the contract as if it were \$55,000. The buyer would like it because the inflated price might help at the time the property was resold. The builder does what Larry suggests. When the deed is signed by the seller, the documentary stamp taxes paid by the builder are for the amount of \$55,000. Now, appraisers who check the recorded deeds see that the property sold for \$55,000 and increase their appraisals. Larry's actions in this scenario are both unethical and illegal.

As another example, REALTOR® William lists a vacant lot owned by Mabel, an elderly widow. When the property does not sell, Mabel tells William that she wants to give it to her nephew. A common way to draft such a gift is to enter the sale price as "\$10 and other valuable consideration" to ensure that consideration is shown. William has not violated any laws or ethical standards because it's obvious that the amount of consideration is insignificant and nominal.

Don't say what you don't know. Making statements about construction quality or the condition of a roof without professional expertise is certain to get you in trouble. A statement such as, "The roof is in great condition—probably has 10 more years!" is trouble. Suggesting that the property value is likely to double in 10 years is going beyond salesmanship—it's exaggeration and misrepresentation. If you don't know the answer to a question, say so.

Reduce your risk. To minimize risk, you should request that all sellers complete and sign a property disclosure statement. You should give the prospective buyer a copy and get a signed receipt. Recommend to buyers that they have an expert inspect the property. This procedure will reduce the chances that you may be disciplined for failure to disclose a material defect, and it will help protect you from lawsuits.

Practice Question

7. A buyer states that the listing agent failed to disclose that the house was connected to a septic tank rather than the city sewer. All of the other houses in the neighborhood were connected to sewer, and the seller had told the listing agent that this house was connected also. Even though the buyer and the listing agent had not discussed sewers, and the listing agent had not advertised that the house was connected, the buyer felt that this was an important omission and should have been disclosed. The listing agent's actions violate Article 2 by failing to disclose a material fact.
- True
 - False

ARTICLE 3—COOPERATE WITH OTHER REAL ESTATE PROFESSIONALS

Article 3 promotes cooperation with other real estate professionals as long as that cooperation is in the best interests of your clients and customers. There is no requirement that a cooperating broker be paid any portion of the listing REALTOR®'s commission.

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.

The listing agent sets the amount of the commission split. Standard of Practice 3-1 states that the listing REALTOR® establishes in writing how much, if any, compensation she will pay to a selling broker. The selling agent should not assume that any compensation will be paid and is responsible for checking the amount of compensation offered before submitting an offer on property.

You can't change the compensation amount after an offer has been submitted. Any change to the amount of compensation offered to cooperating brokers must be communicated before a cooperating broker submits an offer. After an offer to purchase or lease property has been submitted, the listing agent may not attempt to unilaterally modify the offered compensation with respect to that transaction. This doesn't prevent the parties from mutually agreeing to change the compensation later.

Disclose dual or variable rate commissions. Standard of Practice 3-4 requires REALTORS® to disclose the existence of dual or variable rate commission arrangements (e.g., the listing agent charges the seller 5% if the listing office sells the property but charges 6% if a cooperating broker is involved).

Tell the cooperating broker if the property is under contract. Standard of Practice 3-6 requires the disclosure of the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation.

When calling another broker for information on their listing, disclose your REALTOR® Status. Standard of Practice 3-7 requires REALTORS®, when seeking information from another REALTOR®, to disclose their REALTOR® status and whether their interest is personal or on behalf of a client and, if on behalf of a client, their brokerage relationship (e.g., single agent, transaction broker) with the client.

Be honest about a listing's availability for showing. Standard of Practice 3-8 prohibits REALTORS® from misrepresenting the availability of access to show or inspect a listed property. If a cooperating broker wants to show the property and you have a buyer thinking about making an offer, you might be tempted to tell the other broker, "The property is not available for showing until Friday." That violates Article 3.

Avoid discriminatory practices. Standard of Practice 3-11 prohibits REALTORS® from refusing to cooperate on the basis of a broker's race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity.

Practice Question

8. A REALTOR® brought an offer on the commercial listing of another REALTOR®. The offer was accepted by the seller. At closing, the selling broker claimed that she was owed half of the commission. The listing REALTOR® disagreed, saying, "I thought you were being paid by the buyer." The listing REALTOR® has violated Article 3.
- True
 - False

ARTICLE 4—DISCLOSE PERSONAL INTERESTS WHEN BUYING OR SELLING

Article 4: REALTORS® shall not acquire an interest in or buy or present offers from themselves, any member of their immediate families, their firms or any member thereof, or any entities in which they have any ownership interest, any real property without making their true position known to the owner or the owner's agent or broker. In selling property they own, or in which they have any interest, REALTORS® shall reveal their ownership or interest in writing to the purchaser or the purchaser's representative.

ARTICLE 5—DISCLOSE PERSONAL INTERESTS WHEN PROVIDING SERVICES

REALTORS® provide various professional services for buyers, sellers, and third parties.

Article 5: REALTORS® shall not undertake to provide professional services concerning a property or its value where they have a present or contemplated interest unless such interest is specifically disclosed to all affected parties.

ARTICLE 6—DISCLOSE FEES OR FINANCIAL BENEFITS FOR RECOMMENDING SERVICES

REALTORS® must have the client's agreement before accepting any sort of commission or profit on expenditures made for the client.

Article 6: REALTORS® shall not accept any commission, rebate, or profit on expenditures made for their client, without the client's knowledge and consent.

When recommending real estate products or services (e.g., homeowner's insurance, warranty programs, mortgage financing, title insurance, etc.), REALTORS® shall disclose to the client or customer to whom the recommendation is made any financial benefits or fees, other than real estate referral fees, the REALTOR® or REALTOR®'s firm may receive as a direct result of such recommendation.

For example, a REALTOR®/property manager may not bill his client for supplies and cleaning materials at retail if the manager is buying the items at wholesale prices. It would also violate Article 6 if a REALTOR®/property manager billed the client for lawn care services but got a rebate of 10% of the cost without disclosing it.

Don't use a title insurance company you own for a client's closing without disclosure. Standard of Practice 6-1 says REALTORS® shall not recommend or suggest to a client or a customer the use of services of another organization or business entity in which they have a direct interest without disclosing this interest at the time of the recommendation or suggestion.

ARTICLE 7—COMPENSATION FROM MORE THAN ONE PARTY

Article 7: In a transaction, REALTORS® shall not accept compensation from more than one party, even if permitted by law, without disclosure to all parties and the informed consent of the REALTOR®'s client or clients.

The previous four articles addressed conflict-of-interest situations. For example, you can't show a house to a client, decide you want it yourself, and then buy it before he can. Also, don't take a rebate from a supplier after paying for the product with client funds. The possibilities for conflicts of interest are endless and can't all be imagined, much less provided here. It's important to understand what constitutes a conflict of interest and how to address one when it arises.

Disclose actions that could be viewed as a conflict of interest, and remember to document the disclosure in case the issue is raised in the future. If you have listed your client's house and decide you want to buy it, the safest course is to stop being the single agent and give the seller full disclosure. You could have problems later if you helped set the price while you were the seller's agent.

The important point is make sure your client is informed and agrees, and then put that disclosure in writing.

Practice Questions

9. A real estate licensee managed a large apartment building for his client. The licensee arranged to have several vending machines installed in the building without the owner's knowledge, and he made a small profit from the machine sales. The licensee's actions are aligned with Article 6.
 - a. True
 - b. False
10. A real estate licensee, while working to find a home for her client, sees an MLS listing that offers a \$10,000 bonus to the selling brokerage firm. After the buyer sees the home, the licensee convinces the buyer that the home is just right for her and is likely to be the best home available on the market. The licensee does not tell the buyer about the bonus. There are several other homes that match the buyer's tastes, but the licensee does not show them. The listing agent mentions the bonus at the closing, which is a surprise to the buyer.

The licensee's actions are aligned with Article 7.

- a. True
- b. False

ARTICLE 8—TRUST FUNDS TO REMAIN SEPARATE

Article 8 is a basic rule for all brokers: don't mix money belonging to other people with your own money. Failure to keep funds separate is an illegal act called *commingling*. Using trust funds for personal use is called *conversion*.

Florida law has very specific procedures for receiving, depositing, and disbursing escrow funds. The Florida Department of Business and Professional Regulation vigorously enforces the laws relating to escrowed funds.

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.

ARTICLE 9—PUT IT IN WRITING

Article 9 encourages REALTORS® to put real estate agreements—including listing agreements, purchase contracts, and leases—in writing. It is important to use clear and understandable language that expresses the conditions and promises of the parties. A copy of the document must be given to each party when they sign an agreement.

Article 9: REALTORS®, for the protection of all parties, shall assure whenever possible that all agreements related to real estate transactions including, but not limited to, listing and representation agreements, purchase contracts, and leases are in writing 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 to such agreements upon their signing or initialing.

Get contract changes and extensions in writing. Standard of Practice 9-1 stresses that REALTORS® should, when a contract is changed or extended, get written extensions or amendments and give them to the parties when signed.

Be able to explain the contract. Standard of Practice 9-2 directs REALTORS® to make reasonable efforts to explain the nature and disclose the specific terms of a contract to a party before it is signed.

Practice Question

11. A REALTOR® shows a property to her buyer and writes an offer that is accepted by the seller. The closing date is set for September 30. On September 28, the buyer tells the REALTOR® that a family emergency requires that she travel to California, and that she would like to close on October 15, if that's agreeable to the seller. The REALTOR® calls the listing agent, who later says, "The seller says that'll be fine." On October 3, the seller receives a new offer for a substantially higher price. The seller accepts the offer and terminates the original contract.

If the REALTOR®'s buyer makes an ethics complaint, the Professional Standards committee will find that the REALTOR® violated Article 9.

- a. True
- b. False

Case Study

ACT WITH FIDELITY AND TRANSPARENCY TO YOUR CLIENT

● **Facts:** A REALTOR®'s client wanted to list a vacant lot and believed it was worth about \$100,000 based on some other sales in the area. The REALTOR® said that the lot wasn't exactly similar to the other sales and should be listed at \$82,000. The client agreed to list the property at \$82,000. About two weeks later, an offer came in at the listed price and the REALTOR® strongly urged the seller to accept based on market conditions. The seller accepted the offer.

A month later, the seller learned that the original buyer of his lot had sold it for \$105,000 several days after buying it. Additionally, the seller learned that the original buyer was the REALTOR®'s brother. The seller filed an ethics complaint against the REALTOR®.

● **Practice Questions:**

12. What would be the best course of action if a REALTOR® wants to show and sell property of his client to his relative?
 - a. Because disclosure is necessary only if the relative is immediate family, the REALTOR® does not have to make any disclosure.
 - b. If the seller gets what is considered a fair selling price, there is no need for disclosure.
 - c. The REALTOR® should disclose the facts of the relationship to the seller and terminate the client relationship before selling the property.
 - d. The REALTOR® should send his relative to another brokerage firm to complete the sale to avoid having to make a disclosure.
13. Which most closely fits this case?
 - a. Article 4—Disclose personal interests when buying or selling.
 - b. Article 5—Disclose fees or financial benefits for recommending services.
 - c. Article 6—Disclose personal interests when providing services.
 - d. Article 7—Disclose compensation from more than one party.

● **What Really Happened?** The hearing panel concluded that the REALTOR® had deceitfully used the guise of rendering professional service to a client in acting as a speculator; that he had been unfaithful to the most basic principles of agency and allegiance to his client's interest; and that he had violated Articles 1 and 4 of the Code of Ethics.