



Unit

6

Duties to the Public and to Other Professionals

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 duties that REALTORS® owe to the Public.
- Describe the duties that REALTORS® owe to other REALTORS®.
- Describe the professional standards process for enforcing the Code of Ethics, including the duty to arbitrate.

ARTICLE 10—FAIR HOUSING AND EQUAL SERVICE TO ALL

Article 10 requires REALTORS® to follow fair housing laws and equal employment opportunity laws. The Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, family status, or disability. Article 10 was amended to cover additional classes: sexual orientation and gender identity. The article also changed the term “handicap” to “disability.”

REALTORS® shall not deny equal professional services to any person for reasons of race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity. REALTORS® shall not be parties to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity.

REALTORS®, in their real estate employment practices, shall not discriminate against any person or persons on the basis of race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity.

No steering or blockbusting. Standard of Practice 10-1 says REALTORS® shall not volunteer information regarding the racial, religious or ethnic composition of any neighborhood, nor shall they engage in any activity which may result in panic selling, commonly called *blockbusting*. Blockbusting is suggesting that the neighborhood is changing because people of a minority race are moving in. This causes homeowners to quickly sell their homes, reducing property values.

Advertise fairly. Standard of Practice 10-3 tells REALTORS® not to print any advertisement about selling or renting a property that indicates any preference, limitations, or discrimination based on race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity.

Avoid discriminatory, harassing, and hateful speech. Standard of Practice 10-5, which became effective in November of 2020, states that REALTORS® must not use harassing speech, hate speech, epithets, or slurs based on race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity.

Don't discriminate when hiring employees and independent contractors. Under Article 10, REALTORS® may not discriminate in their hiring practices based on race, color, religion, sex, disability, familial status, national origin, sexual orientation, or gender identity.

Practice Question

1. When REALTOR® John listed a property, the seller asked that he not put a sign on the property or advertise it. He wanted the sale handled privately so that the buyers would be more likely to “fit into the neighborhood.” Based on the request, John’s only marketing was a letter to the residents of the neighborhood inviting them to “choose your new neighbor” by referring friends and associates.

REALTOR® John’s actions are a violation of Article 10.

- a. True
- b. False

ARTICLE 11—PERFORM COMPETENTLY

Article 11 requires that REALTORS® follow standards of practice and perform with a level of competence one would reasonably expect in the specific field. REALTORS® should not attempt to provide services when they are not professionally qualified to do so. A person who needs heart surgery would not likely want a podiatrist to operate.

Here is the text of 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.

Be knowledgeable about property types before giving an opinion of value. Standard of Practice 11-1 requires that REALTORS®, when preparing opinions of value when taking a listing or making a sale, must:

- be knowledgeable about the type of property being valued,
- have access to the information and resources necessary to formulate an accurate opinion, and
- be familiar with the area where the subject property is located.

If the REALTOR® does not meet these requirements, she must disclose that fact to the party requesting the opinion in advance.

Perform in your field with the competence reasonably expected. Standard of Practice 11-2 states:

The obligations of the Code of Ethics in respect of real estate disciplines other than appraisal shall be interpreted and applied in accordance with the standards of competence and practice which clients and the public reasonably require to protect their rights and interests considering the complexity of the transaction, the availability of expert assistance, and, where the REALTOR® is an agent or subagent, the obligations of a fiduciary.

For example, assume that REALTOR® Will, a residential broker in a one-person office, is contacted by an old friend who has purchased an apartment property with 500 units. The friend asks Will if he thinks he could manage the property. Will says “yes” and becomes the property manager. Ultimately, he makes a mess of it, resulting in a 25% vacancy rate by the second year. Will should have disclosed to his friend that he did not have the expertise to handle the management. If his friend wanted him to do it anyway, Will should have gotten assistance from a qualified property manager.

Other standards under Article 11. Standard of Practice 11-3 states that REALTORS® who provide consultation services to clients which involve advice or counsel for a fee (not a commission) must render such advice in an objective manner and not have the fee be contingent on the substance of the advice or counsel given. If the REALTOR® provides brokerage or transaction services in addition to consultation services, a separate compensation may be paid with prior agreement between the client and the REALTOR®.

Standard of Practice 11-4 reads: “The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly imposed by the Code of Ethics; and the duties imposed by law or regulation.”

Practice Question

2. REALTOR® Joe met a potential seller at a restaurant. The seller owned a 20-unit apartment building and wondered what kind of selling price he might get for it. Because Joe had no experience in multifamily valuation, he drove several of his associates by the property and asked what they thought the building was worth. He averaged their estimates and told the owner that the best price he could get would

be around \$250,000, offering to list it at that price. The owner thought the price was a little low and ordered an appraisal. When the appraisal came back at \$325,000, the owner filed an ethics complaint against Joe. REALTOR® Joe's actions are a violation of Article 11.

- a. True
- b. False

ARTICLE 12—HONEST ADVERTISING

REALTORS® must be truthful in all advertising and to avoid misleading advertising. REALTORS® must disclose their license status in advertising so that buyers and sellers will not believe they were dealing with a private owner. Article 12 says:

REALTORS® shall be honest and truthful in their real estate communications and shall present a true picture in their advertising, marketing, and other representations. REALTORS® shall ensure that their status as real estate professionals is readily apparent in their advertising, marketing, and other representations, and that the recipients of all real estate communications are, or have been, notified that those communications are from a real estate professional.

Using the term “free” in advertising. Standard of Practice 12-1 states that, unless they are receiving no compensation from any source for their time or services, REALTORS® may use the term “free” and similar terms in their advertising and in other representations, provided that all terms governing availability of the offered product or service are clearly disclosed at the same time and only if they clearly and conspicuously disclose:

1. by whom they are being, or expect to be, paid;
2. the amount of the payment or anticipated payment;
3. any conditions associated with the payment, offered product, or service; and
4. any other terms relating to their compensation.

Disclose terms and conditions when offering prizes. Standard of Practice 12-3 allows REALTORS® to offer premiums, prizes, merchandise discounts, and so forth when inducing prospects to list, sell, purchase, or lease. However, REALTORS® must be certain that anyone interested in receiving the REALTOR®'s offer has complete understanding of the terms and conditions of the offer.

Don't offer property for sale or quote a different price without the seller's agreement. Standard of Practice 12-4 prohibits REALTORS® from offering for sale/lease or advertising property without authority. When acting as listing brokers, REALTORS® shall not quote a price different from that agreed upon with the seller/landlord.

No blind ads. Standard of Practice 12-5 says that REALTORS® shall not advertise real estate services or listed property without disclosing the name of that REALTOR®'s firm in a readily apparent manner either in the advertisement or in electronic advertising via a link to a display with all required disclosures.

Florida law on internet advertising is similar, but more restrictive in that simply including a link is not enough. The name of the brokerage firm must be adjacent to or immediately above or below the contact information.

Florida law also requires that all advertising be in a manner in which reasonable persons would know they are dealing with a real estate licensee. All real estate advertisements, including signs, must include the licensed name of the brokerage

firm. No real estate advertisement placed or caused to be placed by a licensee shall be fraudulent, false, deceptive, or misleading.

Put “REALTOR®/owner” in your advertising, if appropriate. Standard of Practice 12-6 requires that REALTORS®, when advertising unlisted real property for sale/lease in which they have an ownership interest, disclose their status as both owners/landlords and as REALTORS® or real estate licensees.

Don’t say you “sold” a property unless you actually participated in the transaction. Standard of Practice 12-7 allows only the REALTORS® who participated in the transaction as the listing broker or selling broker to claim they “sold” the property. A selling agent may not put a Sold sign on the property without the consent of the listing broker.

Keep your website current. Standard of Practice 12-8 requires REALTORS® to keep information on their websites current. If a property is showing as a current listing but has been sold, the broker should have removed it. Having several properties showing as “for sale” on your website when they are no longer available could lead to charges of misleading advertising.

Be sure your firm’s state of licensure is in your web page. Standard of Practice 12-9 requires that REALTOR® firm websites show the firm’s name and state of licensure in a readily apparent manner. Members of the firm must also disclose the firm’s name and state of licensure in their websites.

Do not advertise in a deceptive or misleading manner. Standard of Practice 12-10 requires REALTORS® to present a true picture in their advertising, including internet content, images, and the URLs and domain names they use. This standard also prohibits REALTORS® from:

- engaging in deceptive or unauthorized “framing” of real estate brokerage websites;
- manipulating (e.g., presenting content developed by others) listings and other content in any way that produces a deceptive or misleading result;
- deceptively using metatags, keywords or other devices or methods to direct, drive, or divert internet traffic;
- presenting content developed by others without attribution or without permission; or
- otherwise misleading consumers, including the use of misleading images.

Don’t sell consumer information without disclosure of that policy. Standard of Practice 12-11 requires REALTORS® who intend to share or sell consumer information gathered via the internet to clearly disclose that possibility.

Don’t use domain names that misrepresent. Standard of Practice 12-12 prohibits REALTORS® from registering or using URLs or domain names that present less than a true picture.

Don’t falsely claim to have a CCIM designation. Standard of Practice 12-13 says REALTORS® can use and display only professional designations, certifications, and other credentials to which they are legitimately entitled.

ARTICLE 13—UNAUTHORIZED PRACTICE OF LAW

REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

REALTORS® should refrain from giving legal advice and should recommend that buyers and sellers engage a lawyer when their interests would be better served by doing so. Real estate licensees who attempt to prepare residential leases that have not been approved by the Florida Supreme Court, deeds, notes, mortgages, or powers of attorney are guilty of practicing law without a degree, which is a third-degree felony.

ARTICLE 14—COOPERATING WITH PROFESSIONAL STANDARDS INVESTIGATIONS

Article 14 is supported by four Standards of Practice. The article states:

If charged with unethical practice or asked to present evidence or to cooperate in any other way, in any professional standards proceeding or investigation, REALTORS® shall place all pertinent facts before the proper tribunals of the Member Board or affiliated institute, society, or council in which membership is held and shall take no action to disrupt or obstruct such processes.

Only one board can hear the complaint. Standard of Practice 14-1 says that REALTORS® shall not be subject to disciplinary proceedings in more than one board of REALTORS® or affiliated institute, society, or council in which they hold membership with respect to alleged violations of the Code of Ethics relating to the same transaction or event.

Hearings are confidential. Standard of Practice 14-2 cautions REALTORS® against making unauthorized disclosure or dissemination of the allegations, findings, or decision developed in connection with an ethics hearing.

Don't threaten anyone involved in an ethics hearing. Standard of Practice 14-3 bars REALTORS® from obstructing the Board's proceedings by suing or threatening to sue for libel, slander or defamation against any party to a professional standards proceeding or their witnesses based on the filing of an arbitration request, an ethics complaint, or testimony given before any tribunal.

Don't file multiple complaints based on the same transaction. Standard of Practice 14-4 warns REALTORS® about intentionally impeding the Board's investigative or disciplinary proceedings by filing multiple ethics complaints based on the same event or transaction.

Practice Question

3. A prospect saw a sign on a house reading "For Sale—Call 224-8200." When he called the number, REALTOR® Sam answered the phone and offered to give details on the listing. The prospect thought he would be calling a For Sale By Owner. REALTOR® Sam's actions are a violation of Article 12.
 - a. True
 - b. False

4. REALTOR® Henry, having been charged with a violation of Article 1 of the Code of Ethics, was requested by the grievance committee to provide a specific document. Henry denied the charge and said he wouldn't give the committee the document until the time of the professional standards hearing. This is permissible under Article 14.
- True
 - False

DUTIES TO REALTORS®

REALTORS® have a duty to act in ways that improve the public reputation of real estate professionals. REALTORS® should not make false statements about other real estate professionals or their practices, shall not interfere with another REALTOR®'s relationship with a client, and must agree to mediate or arbitrate disputes with other REALTORS®.

Article 15: False or Misleading Statements

REALTORS® shall not knowingly or recklessly make false or misleading statements about other real estate professionals, their businesses, or their business practices.

Don't file false ethics complaints. Standard of Practice 15-1 tells REALTORS® that they must not knowingly or recklessly file false or unfounded ethics complaints.

Don't repeat false statements made by others. Standard of Practice 15-2 requires REALTORS® to refrain from making false or misleading statements about other real estate professionals, their businesses, and their business practices, including the duty to not knowingly publish or repeat false or misleading statements made by others.

Remove false or misleading statements by others from your website. Standard of Practice 15-3 requires REALTORS® to publish a clarification about or to remove false or misleading statements made by others on electronic media the REALTOR® controls. An example of this would be a forum on the REALTOR®'s website that allows public comments.

Article 16—Respecting Exclusive Representation Agreements

Article 16 is clear in its wording, but there are 20 Standards of Practice to help clarify and guide REALTORS® in some real-world situations. There is often strong competition to secure a listing, but when the client enters into a listing contract, the competition is over. Direct solicitation of the client must now stop.

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.

You may use aggressive business practices if they are ethical. Standard of Practice 16-1 states that Article 16 is not intended to prohibit aggressive business practices which are otherwise ethical. It also does not prohibit disagreements with other REALTORS® involving compensation.

General announcements to prospects are not unethical. Under Standard of Practice 16-2, REALTORS® may make general announcements to

prospects even though some recipients may have entered into exclusive relationships with another REALTOR®. Examples of general announcements include a telephone canvass, general mailing, or distribution addressed to all prospects in a given geographical area or in a given profession.

However, two basic types of solicitations *are* unethical:

1. Targeted telephone or personal solicitations of property owners who have been identified by a real estate sign, multiple listing compilation, or other information service as having exclusively listed their property with another REALTOR®
2. Targeted mail solicitations to prospects whose properties are exclusively listed with another REALTOR®

Contacting another REALTOR®'s client for a different type of service is okay. Standard of Practice 16-3 allows REALTORS® to contact the client of another broker offering to provide a different type of real estate service unrelated to the type of service currently being provided (e.g., property management as opposed to brokerage) or from offering the same type of service for property not subject to other brokers' exclusive agreements. However, information received through a multiple listing service or any other offer of cooperation may not be used to target clients of other REALTORS® to whom such offers to provide services may be made.

What if you don't know if an exclusive relationship exists? Standards of Practice 16-4 and 16-5 prohibit REALTORS® from soliciting a client's listing or a buyer's agreement with another broker. However, if the listing broker or buyer's broker, when asked by the REALTOR®, refuses to disclose the expiration date and nature of such an agreement (e.g., exclusive right to sell, exclusive agency, open listing, buyer brokerage agreement), the other REALTOR® is allowed to contact the client to secure such information and may discuss the terms upon which the REALTOR® might take a future listing or provide services to the buyer. So the upshot here is to disclose the information to the other REALTOR®, or he can go around you by contacting your client.

What if the client of another REALTOR® contacts you? Standard of Practice 16-6 says as long as you have not initiated the contact, you may discuss the terms upon which you might enter into a future agreement or, alternatively, may enter into an agreement that becomes effective upon the expiration of any existing exclusive agreement.

Previous exclusive agreements. Under Standards of Practice 16-7 and 16-8, REALTORS® are not precluded from seeking an exclusive agreement simply because a person previously had an exclusive agreement with another REALTOR®.

Determine whether an exclusive agreement exists. Standard of Practice 16-9 requires REALTORS® to determine, before entering into a representation agreement, whether a prospect is currently subject to an exclusive agreement to provide the same type of real estate service. This is reinforced by Standard of Practice 16-13.

Disclose your buyer single-agency relationship. Standards of Practice 16-10 and 16-11 require you to disclose your single agent status to a seller/landlord and the seller's/landlord's broker at first contact, and put the disclosure in writing, before the seller signs a purchase or lease agreement. If the property is not listed, make the disclosures to the seller/landlord directly. If you want a commission

from the seller, you should make the request at the first contact. Standard of Practice 16-12 requires similar disclosure to a buyer/tenant if the REALTOR® acts as a seller's agent.

Don't deal directly with another REALTOR®'s client. Standard of Practice 16-13 requires that REALTORS® deal with the client's representative or broker, and not with the client of another REALTOR®. Don't present an offer to another REALTOR®'s client unless the other REALTOR® is present or has given permission.

Before providing substantive services (such as writing a purchase offer or presenting a CMA) to prospects, REALTORS® must ask prospects whether they are in an exclusive representation agreement, and REALTORS® shall not knowingly provide substantive services except with the consent of the prospects' exclusive representatives or at the direction of the prospects.

Don't obligate prospects to pay more than one commission. Standard of Practice 16-14 allows REALTORS® to negotiate with sellers/landlords, buyers/tenants, or others who are not subject to an exclusive agreement, but REALTORS® must not knowingly obligate them to pay more than one commission.

Don't pay cooperating sales associates any compensation. Standard of Practice 16-15 says payment of compensation may be made only to the broker. Florida law says the same.

Don't use the purchase contract to modify the commission split. Standard of Practice 16-16 prohibits using the terms of an offer to purchase to attempt to modify the listing broker's offer of compensation.

Get the seller's approval before putting a sign on the property. Standard of Practice 16-19 reads as follows: "Signs giving notice of property for sale, rent, lease, or exchange shall not be placed on property without consent of the seller/landlord."

Don't steal your broker's listings. Standard of Practice 16-20 warns REALTORS® who leave their present firm against asking the clients of the current firm to cancel their listing contracts with the firm.

Practice Question

5. REALTOR® Jack saw a deteriorated For Sale sign on a nonresidential property. Jack called REALTOR® Lori, whose sign was on the property, and asked whether there was an exclusive listing on the property. REALTOR® Lori said, "that's not your business," and refused to give the information. REALTOR® Jack then contacted the seller directly and sold the property. REALTOR® Lori immediately filed an ethics complaint, citing Article 16 of the Code of Ethics. The result will be that REALTOR® Jack violated Article 16.
- True
 - False

ARTICLE 17—ENFORCEMENT OF THE CODE OF ETHICS

Associations of REALTORS® enforce the Code of Ethics. The associations also provide mediation services and arbitration hearings. Non-REALTORS® are not subject to the Code. An association does not determine whether laws or regulations

have been violated. Those decisions are made by the regulatory bodies and the courts.

Article 17 says:

In the event of contractual disputes or specific non-contractual disputes as defined in Standard of Practice 17-4 between REALTORS® (principals) associated with different firms, arising out of their relationship as REALTORS®, the REALTORS® shall mediate the dispute if the Board requires its members to mediate. If the dispute is not resolved through mediation, or if mediation is not required, REALTORS® shall submit the dispute to arbitration in accordance with the policies of their Board rather than litigate the matter.

In the event clients of REALTORS® wish to mediate or arbitrate contractual disputes arising out of real estate transactions, REALTORS® shall mediate or arbitrate those disputes in accordance with the policies of the Board, provided the clients agree to be bound by any resulting agreement or award.

The obligation to participate in mediation or arbitration contemplated by this Article includes the obligation of REALTORS® (principals) to cause their firms to mediate or arbitrate and be bound by any resulting agreement or award.

Mediation is different from arbitration. Mediation between the parties is handled by a mediator who attempts to find a meeting of the minds, but who does not decide the matter. The decision in an arbitration is binding on all the parties, similar to a court decision. The local board decides whether mediation is mandatory or optional.

Important Standards of Practice for this article include the following:

- **Standard of Practice 17-1.** The action of a REALTOR® who files suit and refuses to drop the suit if it's an arbitrable matter constitutes a refusal to arbitrate, which could result in disciplinary action.
- **Standard of Practice 17-2.** REALTORS® are not required to mediate if all parties agree in writing not to mediate. This does not relieve REALTORS® of the duty to arbitrate unless all parties to the dispute advise the Board in writing that they choose not to arbitrate before the Board.
- **Standard of Practice 17-3.** If a REALTOR® acts solely as a principal in a real estate transaction, she is not obligated to arbitrate disputes with other REALTORS®.
- **Standard of Practice 17-4.** Five non-contractual disputes are subject to arbitration pursuant to Article 17:
 1. Where a listing broker has compensated a cooperating broker and another cooperating broker subsequently claims to be the procuring cause of the sale or lease.
 2. Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease.
 3. Where a buyer or tenant representative is compensated by the buyer or tenant and, as a result, the listing broker reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease.
 4. Where two or more listing brokers claim entitlement to compensation pursuant to open listings with a seller or landlord who agrees to participate in arbitration (or who requests arbitration) and who agrees to be bound by the decision.

5. Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, claims to be the procuring cause of sale or lease.
- **Standard of Practice 17-5.** A REALTOR® must arbitrate even if the complainant is out of state if the complainant agrees to submit to arbitration conducted by the board.

Once the board has completed the arbitration proceeding, neither party can request a second arbitration before a different board based on the same matter.

The Code of Ethics also includes the following explanatory notes to make the reader aware of certain policies:

In filing a charge of an alleged violation of the Code of Ethics by a REALTOR®, the charge must read as an alleged violation of one or more Articles of the Code. Standards of Practice may be cited in support of the charge.

The Standards of Practice serve to clarify the ethical obligations imposed by the various Articles and supplement, and do not substitute for, the Case Interpretations in *Interpretations of the Code of Ethics*.

Modifications to existing Standards of Practice and additional new Standards of Practice are approved from time to time. Readers are cautioned to ensure that the most recent publications are utilized.

PENALTIES FOR VIOLATIONS OF THE CODE OF ETHICS

As stated in the Code of Ethics and Arbitration Manual, REALTORS® who violate the Code of Ethics are subject to stringent disciplinary action, including one or more of the following:

- (a) Letter of Warning
- (b) Letter of Reprimand
- (c) Requirement that the member attend the ethics portion of the Board Indoctrination Course or other appropriate course
- (d) Appropriate and reasonable fine not to exceed \$15,000
- (e) Membership suspended for a stated period not less than 30 days nor more than one year, with automatic reinstatement of membership in good standing at the end of the specified period of suspension
- (f) Expulsion from membership with no reinstatement privilege for a specified period of one to three years, with reinstatement of membership to be by application only after the specified period of expulsion
- (g) Suspension or termination of MLS rights and privileges (suspension of MLS services may be no less than 30 days nor more than one year; termination of MLS services shall be for a stated period of one to three years)
- (h) REALTORS® who participate in the MLS or otherwise access MLS information through any board or association in which they do not hold membership are subject to the Code of Ethics in that board or association on the same terms and conditions as members. Discipline that may be imposed may be the same as but shall not exceed the discipline that may be imposed on members.
- (i) Members may also be required to cease or refrain from continued conduct deemed to be in violation of the Code, or to take affirmative steps to ensure compliance with the Code, within a time period to be determined by the hearing panel.

Case Study

COOPERATION WITH OTHER BROKERS

● **Facts:** REALTOR® Fred had a listing priced at \$450,000. REALTOR® Mary called and told him she had a buyer coming to town in a week and needed more information. When she asked whether Fred would pay a portion of the listing commission, Fred said, “Yes, I have a 7% commission agreement from the seller and I’ll split it 50-50 with you. The seller really needs to sell, so see what you can do.”

Two weeks later, Mary wrote an offer for the property at the asking price and delivered it to Fred. Fred said they could present it together that evening. Then he told Mary, “By the way, I meant to call you about the commission amount. The seller is having some financial difficulties, and I agreed to reduce my commission to 6%. We’ll still do the 50-50 split if that’s okay.”

Mary said that was not okay, but she agreed to present the contract that evening. The contract was accepted that evening. The next day, Mary filed an ethics complaint against Fred.

● **Practice Questions:**

6. What Standard of Practice under Article 3 applies to this case?
 - a. Standard of Practice 3-4 (dual or variable rate commissions)
 - b. Standard of Practice 3-1 (terms of compensation offers)
 - c. Standard of Practice 3-3 (mutually agreed changes in compensation)
 - d. Standard of Practice 3-2 (changes in compensation offers)
7. Has Fred violated the Code?
 - a. Yes. He didn’t timely communicate the change of compensation before Mary produced an offer to purchase.
 - b. No. Listing brokers establish the terms and conditions of offers to cooperate, and Mary had the obligation to ascertain those terms.
 - c. No. The selling broker must accept whatever the listing REALTOR® agrees to pay.
 - d. No, because Mary had an opportunity to speak to the sellers about the commission when presenting the offer.

● **What Really Happened?** The hearing panel concluded that Fred violated the code by failing to timely communicate the compensation change. After an arbitration hearing, Fred was required to pay Mary the amount of compensation originally agreed upon.