

Code of Ethics: This is a synopsis of some of the most important ethical considerations you need to be aware of as a professional in the real estate industry.

Terminology:

Agency: The fiduciary relationship created between a principal and an agent whereby the agent can act on behalf of the principle for certain transactions. Agency is usually created when the principal signs a listing agreement to list their property for sale or a management contract to rent a property for instance.

Agent: The broker or sales associate acting on behalf of the principal (see Agency)

Client: The person with whom the broker or sales associate has a legal contract to represent.

Customer: Is not contractually bound to the industry professional

Principal: Person who hires an agent to act on his or behalf.

Code of Ethics:

#1: The agent has a responsibility to promote the interests of their client(s) and treat all involved in any real estate transaction in an honest and fair manner. They must disclose if they are a dual agent (representing both buyer and seller in a transaction) or a designated agent (represent either the buyer or seller depending on state law), or they are a limited representative (will provide only certain duties in the transaction per state law).

#2: Agents must openly acknowledge to clients any personal interest they might have in any transaction prior to showing a property; they must acknowledge any personal relationships involved. Ex: Agent says, "I want to disclose to you before we look at it, that this property belongs to is my brother and my sister in-law is his agent."

#3: The Agent will not allow anyone that is not pre-authorized by the owner, to access the property of the client.

#4: Never overstate benefits or attributes of a property or opportunity at any time. The agent must only state the facts.

#5: Terms of compensation with cooperating brokers must be stated before a purchase offer is made. Only the listing broker or owner can change the listing terms for realtor cooperation .compensation. All listing brokers must disclose in accordance with the legal codes and statutes for their state, "the dual or variable rate commission" (National Association of Realtors®) if an agent other than the listing agent sells the property (Barell, 2011, p. 34, Article 3).

#6: No agent can receive kickbacks or payments without having provided a service. Payments for referrals to adjunct services like inspectors, design services, etc. are not allowed. Agents

cannot receive commission from more than one party without full disclosure and written consent from all involved in a transaction. A real estate professional cannot promote or recommend legal, banking, mortgage, appraiser, or home warranty services of any kind. They also may not make any false statements with regards to any other service firms.

#7 The monies kept for escrow for clients must be placed in a separate account from the broker's. There are specific state regulations which govern how this is to be documented and how funds are to be disbursed.

#8 All transactions should first be explained to any client signing any contract. Additionally all problems or potential problems or deficiencies should be disclosed to the potential buyers. Ex: The seller who must disclose defects of a property when they list the property, has told the listing agent that there has been a severe leak in the main water pipe outside their home, must disclose this to the agent and the agent in turn must disclose this to the buyer. Another example would be a public easement allowing people in the neighborhood access to a pathway in order to access a park behind the subject property.

#9 Any changes, agreements or disclosures should be written, signed and dated by the parties involved. If not, when there are problems there will be no documentation to corroborate what was agreed, or disclosed.

#10 There should be no discrimination of any kind. This should include the type of housing or neighborhood to be shown to a client. In other words you may not steer a client to a particular neighborhood that predominantly houses that particular race, skin color, age, religious persuasion, national origin, sex, disability, or based on whether they are single, divorced, or widowed or a family with children, even if they ask for it. (See Fair Housing laws)

#11 The Agent will not mislead clients or misrepresent themselves or competitors or any of the facts or assistance that they provide. An estimate of value is just that, it is not the value according to an appraiser, it only an estimate. Any advertising must be factual and list the broker's name on any communicated medium (this includes websites etc.). If there are any incentives or bonuses etc., they must be fully disclosed and explained how these monies or benefits may be obtained.

#12 All agents or real estate professionals should cooperate with their local real estate boards or associations if any ethics violations are charged against them or anyone else they may be familiar with through a real estate transaction. They may be asked to testify should an investigation be necessary. Agents are encouraged to report any such violations to their local boards and associations to improve professional conduct in the profession.

Reference

Galaty, F. W. (2010). *Modern real estate practices* (18th ed.). La Crosse, WI: Dearborn