

CODE *of* ETHICS



Third code 1915

LIBRARY
Nat'l. Ass'n. of Real Estate Boards

National Association
of Real Estate Boards

1418 Consumers Building
Chicago, Illinois

CODE OF ETHICS

NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

SECTION 1—DUTIES OF THE BROKER TO HIS FELLOW BROKERS

Paragraph 1. *Follow the Golden Rule:* In his attitude toward fellow brokers as toward all mankind each should endeavor to the best of his ability to at all times follow the Golden Rule—"Do unto others as ye would that they should do to you."

Paragraph 2. *Criticism of Fellow Brokers:* A broker worthy of respect and confidence will never make unfair criticisms or untruthful statements regarding a fellow broker. On the contrary, he will cultivate a friendly relationship and respect for all worthy competitors.

Paragraph 3. *Speak Well of Fellow Broker's Deal.* Should a prospective buyer express interest in a property offered by a competitor, the broker should treat the proposition as well as the absent broker with fairness, however anxious he may be to sell property which he represents.

Paragraph 4. *Brokers Should Recommend and Practice Exclusive Agency:* Agents should recommend to owners and earnestly encourage exclusive agency contracts with agents making a specialty of property in the vicinity or of the character offered, because of the obvious mutual advantages accruing therefrom. Owners thereby secure services of an expert or specialist and the feeling of sole responsibility for getting results will stimulate the ingenuity and activity of the agent profitably to each. Exclusive agency avoids misunderstandings, cutting prices, and owners becoming obligated for commission when two or more brokers have worked at cross purposes on the same deal.

Exclusive agency is a FACTOR of GREAT IMPORTANCE in prevention of complications, simplifying methods and maintaining the vocation of the real estate agent upon a HIGH PROFESSIONAL PLANE.

Paragraph 5. *Negotiations to be Taken Up With the Exclusive Agent, Not Owner:* Should a broker desire to offer property, for which he knows a fellow broker holds exclusive agency, he should solicit permission from the latter only. Where the broker has no knowledge of exclusive agency, it is permissible to apply direct to owner, expressing willingness, however, to deal through owner's exclusive agent, if he has such. In such case it is the duty of exclusive agents to willingly accept a satisfactory buyer or tenant from such broker, agreeing to an equitable division of commission, provided prior negotiations are not pending.

Paragraph 6. *Listing From Other Brokers Not Exclusive Agents:* If broker "A," not being an exclusive agent, offers without solicitation to list property with broker "B," the latter is under obligation only if he accepts each listing, in which case "B" must recognize "A" until such time as the owner, without solicitation, lists the property directly with "B" or until "A's" instrumentality has ceased, and the property has again been brought to "B's" notice, by entirely separate and distinct circumstances with which "A" has no connection.

Paragraph 7. *"Relaying" Property to Third Brokers:* Broker "B" has no right to "relay" property listed with him by broker "A" by relisting with third broker "C" without consent of broker "A."

Paragraph 8. *Placing Rent or Sale Signs:* Unauthorized placing of "For Rent" or "For Sale" signs upon properties should never occur, nor posting numerous signs, even if permitted. Such practices cheapen property and broker in estimation of the public and lead to complications over price and commissions. One sign only is recommended.

Paragraph 9. *Ruining Fellow Broker's Deal:* A member of a Real Estate Board cannot honorably seek information concerning a deal of a fellow broker and make use of the knowledge for the purpose of closing the deal himself or diverting the customer to another property.

Paragraph 10. ***Maintaining Rates:*** Brokers owe it to themselves and the general public to maintain the rates of commissions and charges of the Board.

Paragraph 11. ***Settlement of Differences Between Members:*** It is the duty of members to submit all controversies to arbitration of the proper Board Committee rather than to bring suit at law against fellow members, and it is the duty of both sides to the contention to accept the decision of the Board as final.

Paragraph 12. ***In Case of Charges Against Member, He Should Report Facts to Board.*** If any member is charged publicly and openly with using questionable methods, he should voluntarily lay all facts before the Reference and Arbitration Committee of the Board, or the Board of Directors, as may be provided by the local Board. We are organized to defend each other's honor when wrongfully accused. Unless a member submits his case it will be presumed the facts will not stand the light.

Paragraph 13. ***Fraudulent Misrepresentations Should Be Reported:*** As a duty to the public and each other, members should report to the Board misrepresentations or any fraudulent, criminal or illegal act pertaining to real estate, which may entrap and injure innocent or ignorant persons; and the Board owes it to members and the community to take steps to stop such practices and to punish parties guilty thereof.

Paragraph 14. ***Discipline for Violation of the Code.*** It is the duty of the Board to punish violations of its adopted rules of ethical conduct by proper disciplines, or

(Your Committee here submits an optional substitute for Paragraph 14, Section I, which is recommended for adoption by those organizations which desire to insert in their Code or By-Laws a provision providing amply for discipline of members violating the Code. There may be a difference of opinion among the membership as to whether it is advisable to incorporate this paragraph.)

Proposed Amendment of Paragraph 14: Upon specific written complaint made by or through one member against another, of violation by him of the Board's adopted Code of Ethics, such complaint shall be referred to the Reference and Arbitration Committee, or Board of Directors, as the case may be, whose duty it shall be to promptly give the matter full and fair investigation, in such manner as it shall deem proper, but giving the accused an opportunity to be heard in his own defense. If the Reference and Arbitration Committee, or Board of Directors, shall find the accused member guilty of the charges made, it shall be its duty to discipline him, either by censure, suspension for a period not to exceed one year, fine not to exceed Two Hundred (\$200.00) Dollars, or expulsion from the Board; the Committee's decision to be final and its action published or otherwise to be brought officially to the notice of all members.

SECTION 2—DUTIES OF THE AGENT* TO HIS CLIENT

Paragraph 1. **Agent Should Not Accept Agency Unless Equipped to Get Results:** Should the location or character of a property offered a broker to sell or rent be such that he cannot render prompt and efficient service he should either enlist the co-operation of a fellow broker more favorably situated or recommend that the owner place the property in the hands of such broker.

Paragraph 2. **Agent Should Intelligently Advise Owner:** The broker should, if possible, inspect and appraise such properties as he accepts for rent or sale, that he may be prepared to advise the owner regarding the value of each and the prospects for securing the price desired, also that by becoming personally familiar with the property he will be able to render better service.

*The terms, "Agent" and "Broker" as used herein are practically synonymous, excepting that in some instances "Agent" implies a closer and broader responsibility to client than does the term "Broker."

Paragraph 3. *Acceptance of Agency a Guarantee of Good Service:* When a broker accepts from an owner the exclusive listing of a property, the latter has a right to understand that such acceptance is equivalent to a guarantee that the broker has good facilities for accomplishing desired results and will put forth consistent effort toward that end.

Paragraph 4. *Agent Should Advise as to Repairs:* It is a duty of the agent to suggest to his client making such repairs or improvements as will make the property more attractive to prospective tenants or purchasers and yield increased returns.

Paragraph 5. *Personal Dealings Between Owner and Broker Should Be—If at All—On Net Basis:* The agent should never buy from a client property placed in his charge to sell on commission or sell his own property to a client who has retained his services to execute a buying order, without the client's consent in each case. An agent should not accept any compensation in the deal other than his regular or agreed commission, unless his client has agreed with him on the basis of a net price.

Paragraph 6. *Fictitious Consideration in Deeds:* It is the duty of the broker to encourage naming in the deed the actual or a nominal consideration.

Paragraph 7. *Duties of Rental Agents:* The duty of the agent to owners whose property he has in charge for rental, requires him to make untiring effort to promptly secure desirable tenants, and to agree to or recommend such repairs as would be equally fair to owner and tenant, and when authorized make contracts with as careful regard to economy as if the property were his own. He should make prompt collections and remittances at regular intervals, and ever keep in mind that the exercise of patience and courtesy with tenants will not only advance the interests of the owner, but his own as well.

Paragraph 8. *Commissions on Repairs:* Under no circumstances should an agent accept any rebate or commission on bills for repairs, materials or supplies. The owners should be given all concessions or discounts. The agent should make a fair

charge directly for his reasonable compensation for superintending, unless such service be included in the rate paid.

Paragraph 9. *Agent Should Not Rent for Illegal Purposes:* The agent should guard the reputation of both the client and his property by declining under any and all circumstances to rent premises for immoral purposes. Should an owner wish him to do so, it is his plain duty to decline, even though it results in the property being withdrawn from his charge.

Paragraph 10. *Duty of Broker to Fit Himself to Intelligently Perform the Functions of an Agent:* The agent or broker owes it to his clients, as well as himself, to embrace every opportunity, through reading, study, inquiry, discussion, observation, lectures and addresses, affiliation with the Real Estate Board and other public-spirited organizations, to increase his knowledge of things pertaining to real estate in his community, such as special assessment, taxation, sanitation, fire protection and legal liabilities for damages on various accounts to which owners and agents of real estate are liable.

Paragraph 11. *Do Not Give Advice to Clients Unless Qualified:* When applied to by a client for information or advice on a real estate matter, the agent or broker should never turn the applicant away with an illy considered or "curb-stone" opinion. He should either decline to advise or take time to familiarize himself with the essential details of the case, making a fair professional charge therefor, when the circumstances warrant. Unless he is thoroughly informed, the broker should not undertake to give his client legal, engineering, architectural or other technical advice; he should refer him to an expert in that line.

SECTION 3—DUTIES OF THE AGENT TO THE CUSTOMER

Paragraph 1. *Duty to Owner Can Never Justify Misleading the Customer:* An invitation to do business with him extended by an agent to the public should be a guarantee of honorable and straight-

forward dealing; and no instruction from clients can justify him dealing in any other manner.

Paragraph 2. *Agent Should Inspect Property Before Offering:* In order to accurately describe property, its location and surroundings, to avoid error, exaggeration or charges of bad faith, an agent offering it, should if possible, make a personal examination of property before presenting it to a customer.

Paragraph 3. *Agent Should State Facts Only in Offering Property:* The agent should offer each property solely on its merits as to location, convenience, plan, quality and price, affording full opportunity to inspect, making no exaggerated or misleading statements, giving truthful replies to questions asked and not in word, act or any other manner become chargeable with deception.

Paragraph 4. *Broker Should Advise Examination of Title by Buyer:* When dealing with inexperienced clients, the agent should recommend that title of the property be certified as good by a competent examiner.

Paragraph 5. *Duties of Agent in Closing Deal:* In negotiating and closing deals the agent, in the absence of attorneys representing both principals, should exercise care to see that all papers, adjustments and details are correct, unless he is specifically relieved from such responsibility.

Paragraph 6. *Broker Should Collect But One Commission on Each Property Dealt On:* A broker employed by a customer to buy or rent property is the customer's agent and cannot act for and accept commission from the seller without knowledge and consent of both parties.

SECTION 4—SUGGESTIONS TO OWNERS AND INVESTORS

Paragraph 1. *Don't Expect Brokers to Ask More Than You Are Quoting:* A self-respecting agent will not attempt to

procure a customer for property at a given price when aware the owner is offering it for less.

Paragraph 2. **Broker's Information Confidential:** Names of customers and terms of propositions from brokers are confidential. This information is valuable and if repeated may result in injury to him who intrusted you with the facts.

Paragraph 3. **Exclusive Agency and One Sign Only Advised:** Promiscuous listing does not procure adequate service. A broker will not spend time on property he knows others have made common. One agent and one sign are strongly advised.

Paragraph 4. **Secure Competent Advice and Service:** Investors should put their proposition in one reliable broker's hands. Good investments are secured through a knowledge of facts governing development and relative growth of localities which will make and maintain values, or facts regarding building character and cost, problems of rentals, expenses, management and income—truly a complex subject, the only master of which is the agent whose years of study and practical experience have given him the right to high professional standing.

SECTION 5—DUTY TO ORGANIZE

Paragraph 1. **Benefits of Organization of Real Estate Brokers:** One of the first duties of real estate brokers toward each other and to the community is to be associated together in a Real Estate Board, this in turn to become a member of the National Association of Real Estate Boards. Such organization indicates primarily recognition of mutual interests. Holding frequent meetings soon demonstrates that the welfare of the individual broker is greatly enhanced through discussion and co-operation. It is also found that in this association, distrust, jealousy and antagonism melt away and are replaced by mutual respect, confidence and good fellowship.

This Code of Ethics was adopted by the National Association of Real Estate Boards at the Eighth Annual Convention in Los Angeles, June 21-24, 1915.

*For additional
copies write*

NATIONAL ASSOCIATION
OF REAL ESTATE BOARDS

220 S. State St.

Chicago, Ill.