

UNIT 1

Ethics in Today's World

INTRODUCTION

Ethics—the word echoes off the walls of the boardroom, the classroom, the locker room—but what does it mean? Ethics may be a buzzword of the day, but it is also one of the oldest topics of discussion. From Socrates teaching in a fifth century BC Greek forum to the U.S. Congress holding hearings on the use of steroids in sports, people have talked about ethics and ethical behavior. How important is it to do the right thing? And is the right thing always the same in all circumstances? And who decides what is right anyway? Can it be as simple as this quote from Oprah Winfrey?

“Real integrity is doing the right thing, knowing that nobody’s going to know whether you did it or not.”

LEARNING OBJECTIVES

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

- › Discuss the difference between ethics, morality, and the law and the impact that corporate scandals have on the public’s attitude toward ethics in the business world.
- › Outline specific guidelines for ethical business practice and give examples of professional associations that provide a code of ethics for their members.
- › Describe ethical issues that exist in the classroom and in the sports world and how they are being addressed.

KEY TERMS

AACSB
Big Four

ethics
morality

SEC
situational ethics

UNIT 2

Ethics and the Real Estate Professional

INTRODUCTION

Although there is a growing interest in real estate being offered as a degree option in many colleges and universities, most of today's real estate professionals still enter the business from some other line of work. Some come from the business world; others may have been teachers or members of the medical profession. Frequently, those involved in the financing side of real estate decide to try it from the sales viewpoint. In some parts of the country, there are always military or government retirees preparing for a second career. And, of course, real estate is an attractive option for those presently working in some other form of sales. Regardless of the backgrounds, whether business, academic, sales, or any other field, lessons learned from past experiences will inevitably be carried into the real estate profession.

LEARNING OBJECTIVES

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

- › Discuss the role of professional organizations and state regulators in protecting the rights of clients and customers involved in real estate transactions.
- › Provide examples of the obligations and responsibilities of residential and commercial agents as buyer agent, seller agent, dual agent, or designated agent, including property managers and leasing agents.
- › Identify potential ethical issues facing appraisers, settlement attorneys/title company agents, and lenders.

KEY TERMS

ARELLO
buyer agent
designated agent

dual agent
FSBO

Megan's Law
transaction broker

UNIT 3

National Association of REALTORS® Code of Ethics

INTRODUCTION

All new members of the National Association of REALTORS® (NAR) are required to take an orientation course that includes at least two-and-one-half hours of ethics. Unfortunately, this is not enough time to cover all of the 17 articles, plus the numerous Standards of Practice (SOP) that accompany the articles. A brief description of all the articles and some of the more significant SOPs is given in this unit. An example of the NAR-recommended use of mediation in lieu of arbitration is also presented. As of July 2017, each member of NAR is required to take a minimum of two and a half hours of ethics training every two years (formerly every four years).

LEARNING OBJECTIVES

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

- › Describe the origins of the National Association of REALTORS® Code of Ethics, the ethics training now required of all NAR members, and a brief summary of the NAR Pathways to Professionalism.
- › Provide examples of Articles 1–9 of the NAR Code—Duties to Clients and Customers.
- › Provide examples of Articles 10–14 of the NAR Code—Duties to the Public.
- › Provide examples of Articles 15–17 of the NAR Code—Duties to REALTORS®.

KEY TERMS

agent
arbitration
broker
client
CMA

customer
kickback
living document
mediation
one-stop shopping

procuring cause
SOP
stigmatized property

UNIT 4

Enforcement of the NAR Code of Ethics

INTRODUCTION

All member boards or associations of the National Association of REALTORS® are required to both maintain and enforce the NAR Code of Ethics with respect to the business practices of all members. Any violation of the Code of Ethics where there is reason to believe the **public trust** may have been violated must also be reported to the state real estate licensing authority. Public trust is defined as demonstrated misappropriation of client or customer funds or property, willful discrimination, or fraud resulting in substantial economic harm. Acceptance of the Code of Ethics depends on fair, reasonable, and impartial enforcement and must never involve a sacrifice of the right to counsel or other procedural safeguards.

LEARNING OBJECTIVES

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

- › Outline the procedures for processing ethics complaints and requests for arbitration along with recommended sanctions for persons found in violation of the NAR Code of Ethics.
- › Discuss actual case interpretations for an alleged violation of Articles dealing with Duties to Clients and Customers.
- › Discuss actual case interpretations for an alleged violation of Articles dealing with Duties to the Public and Duties to REALTORS®.

KEY TERMS

domain name
due process
expulsion

letter of reprimand
letter of warning
probation

public trust
sanction
suspension

UNIT 5

Ethical Challenges Today

INTRODUCTION

Many parts of the United States experienced a hot real estate market in the 1996 to 2006 decade. With a few exceptions, housing production and sales continued to rise throughout the country. The average home price increased steadily, reaching well over \$200,000. The percentage of people owning their own homes rose to an all-time high of 69% thanks to low interest rates and special loan products that made mortgage loans more obtainable for more people. Unfortunately, many new homeowners soon found themselves unable to make their mortgage payments and by 2007 the housing market went into serious decline leading the entire country into a time of financial crisis.

LEARNING OBJECTIVES

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

- › Describe aggressive business practices that may affect the ethical behavior of agents under changing market conditions.
- › Discuss and give examples of different real estate business models.
- › Recognize other areas that present ethical challenges.

KEY TERMS

actual conflict of interest
backup contract
discount broker
escalation clause
ESL

fee-for-service
limited service
representative
perceived conflict of
interest

potential conflict of
interest
pocket listing
virtual office