

# Code of Ethics Training Requirements (New Members)

Applicants for REALTOR® membership shall complete an orientation program on the Code of Ethics of not less than 2 hours and 30 min. of instructional time, effective Jan. 1, 2001.

This requirement can be satisfied through instruction provided by the local board or by another board and can include classroom instruction, home study, correspondence study, or Internet-based instruction. Any orientation program must meet the learning objectives and minimum criteria established by the NATIONAL ASSOCIATION OF REALTORS® from time to time. REALTORS® who, having completed such orientation, shall not be required to complete further Code of Ethics orientation upon application for membership in another board provided that REALTOR® membership has been continuous or that any break in membership is for one year or less.

Find answers to common questions here: [Q&A: Ethics Training Requirements for New and Continuing Members](#)

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## **I. Policy Summary for Mandatory New Member Code of Ethics Orientation**

New members or prospective new members of the National Association of REALTORS® are required to complete an orientation program on the Code of Ethics of not less than 2 hours and 30 minutes of instructional time. Associations of REALTORS® are required to provide such program to new members/prospective new members either on their own, in conjunction with other Associations, or through some other method (such as online courses). Any course offered by an Association, regardless of format, must meet the learning objectives and minimum criteria for such courses as established by the National Association of REALTORS® from time to time.

## **II. Minimum time for New Member Code of Ethics Orientation:**

A minimum of 2 hours and 30 minutes of instructional time is required. Boards and associations may choose to format this time in any reasonable blocks, including the following formats:

1. One class of 3 hours in length with two breaks of ten to fifteen minutes each. Depending on state law, this format may qualify for continuing education credit.
2. Three classes of approximately 1 hour each.
3. Inclusion of the required content and time elements into a full day or multi-day new member orientation program (which includes other topics such as legislative efforts, MLS, fair housing, antitrust, etc.).

Boards and associations should not divide the content into sessions of less than 50 minutes each (considered to be one hour of instructional time) unless the content is part of a longer program which includes other topics. For example, it would not be considered to be a reasonable division of content to have a fifteen minute presentation on the Code of Ethics at each of 10 monthly

board meetings. The nature of the content is such that a minimum of one hour of instructional time is necessary to accomplish the intended learning environment.

### **III. Learning Objectives**

Upon completion of the New Member Code of Ethics Orientation class, participants will be able to:

1. Briefly describe the history of the Code of Ethics as it relates to its origins, its influence on state licensing laws and its establishment of arbitration as the monetary dispute resolution process between REALTORS®.
2. Identify concepts in the Preamble to the Code of Ethics, including concepts such as the wide distribution of land ownership, highest and best use of the land, principles of competency, fairness and high integrity and the concept of adherence to the Code regardless of an inducement of profit and/or an instruction from clients to the contrary.
3. Identify the Golden Rule as one of the foundations upon which the Code of Ethics is built.
4. List the major categories of Articles in the Code (Duties to Clients and Customers, Duties to the Public and Duties to REALTORS®).
5. Describe the structure of the Code and its supporting materials (Articles, Standards of Practice and Case Interpretations).
6. List Articles of the Code which are commonly the subject of complaints.
7. Describe the concepts of these commonly cited Articles of the Code, including Articles 1, 2, 9, 12, and 16.
8. Given case studies, fact scenarios or similar interactive learning methods, identify possible violations of the Code of Ethics, specifically related to the commonly cited Articles.
9. Describe the professional standards enforcement process of the board or association, including the distinction between an ethics complaint and an arbitration request, and the differences between the Grievance Committee and the Professional Standards Committee.
10. Briefly describe the bases upon which a procuring cause arbitration claim is decided.

#### **Expanded Examples of how to teach each Learning Objective:**

**Learning Objective #1:** Briefly describe the history of the Code of Ethics as it relates to its origins, its influence on state licensing laws and its establishment of arbitration as the monetary dispute resolution process between REALTORS®.

This learning objective is directed to content of the following nature:

1. The Code of Ethics was adopted in 1913 as one of the first industry codes of ethics.
2. The Code of Ethics is a living document which is changed as necessary to meet the challenges of new business concepts which have developed during its history.
3. However, the Code of Ethics includes timeless concepts such as honesty, obligations to clients and avoidance of self-dealing.
4. The Code of Ethics was a precursor to state licensing of real estate practitioners.
5. The Code of Ethics was a model for many of the original state licensing laws.
6. The Code of Ethics has mandated the arbitration of money disputes between REALTORS® since its inception in 1913. REALTORS® have participated in this "Culture of Cooperation" for eighty plus years and, as a result, have a unique system in which competitors cooperate and pay commissions to each other for such cooperation. This system is clearly to the public's benefit in the efficient sale of real property.

**Learning Objective #2:** Identify concepts in the Preamble to the Code of Ethics, including concepts such as the wide distribution of land ownership, highest and best use of the land, principles of competency, fairness and high integrity and the concept of adherence to the Code regardless of an inducement of profit and/or an instruction from clients to the contrary.

This learning objective should be accomplished by an examination of the concepts in the Preamble to the Code of Ethics. A recommended list of concepts to be discussed include those listed in the learning objective and the following:

1. The concept of striving to become and remain informed on issues affecting real estate.
2. Willingly sharing the fruit of one's experience and study with other REALTORS®.
3. The elimination of practices which may damage the public, or bring discredit or dishonor to the real estate profession through Code enforcement and assisting regulatory bodies.
4. Urging the exclusive representation of clients.
5. The concept of not attempting to gain any unfair advantage over competitors.
6. Refraining from unsolicited comments about other practitioners and offering any opinions about competitors in an objective and professional manner.

**Learning Objective #3:** Identify the Golden Rule as one of the foundations upon which the Code of Ethics is built.

This learning objective is self-explanatory as an identification of the Golden Rule being part of the Preamble to the Code.

**Learning Objective #4:** List the major categories of Articles in the Code (Duties to Clients and Customers, Duties to the Public and Duties to REALTORS®).

This learning objective begins the process of demonstrating the structure of the Code. Information to be included in this learning objective is a discussion of the way the Code is prioritized as to its categories, Articles and Standards of Practice. The instructor should discuss

the fact that the Code is divided into these three categories by design, with the idea that Duties to Clients and Customers is the first priority in the Code, Duties to the Public is the next priority, and Duties to REALTORS® is the final priority. The instructor should also then introduce the idea that the material within the categories is also prioritized. This introduction should lead into the next learning objective.

**Learning Objective #5:** Describe the structure of the Code and its supporting materials (Articles, Standards of Practice and Case Interpretations).

Within this learning objective, the material should describe the Articles of the Code as the broadest statements of ethical principles embodied by the Code. Discussion should then proceed to the concept that the Standards of Practice further define the Article under which they are placed. Then, the Case Interpretations should be presented as hypothetical factual situations which have been described by the NAR Professional Standards Committee in which a hypothetical REALTOR® has been found in violation of the Code of Ethics or in which a hypothetical REALTOR® has been exonerated of an allegation of a violation of the Code of Ethics. In addition, further discussion should be included which describes the prioritization of the Articles of the Code beginning with the duties of highest priority (i.e. Article 1 and its obligation to protect and promote the interests of the client).

**Learning Objective #6:** List Articles of the Code which are commonly the subject of complaints.

This learning objective envisions a simple listing of Articles such as 1, 2, 9, 12, and 16, which are commonly the subject of complaints in many associations. If an association has particular experience with Articles other than those listed, it should include those Articles.

**Learning Objective #7:** Describe the concepts of these commonly cited Articles of the Code, including Articles 1, 2, 9, 12, and 16.

Content for this learning objective includes an analysis of the commonly cited Articles identified in Objective #6. The content for this learning objective can also be accomplished by the fact based methods required under Learning Objective #8. A synopsis of the concepts of the noted Articles and recommended Standards of Practice follows. The citing of recommended Standards of Practice does not preclude a board or association from using different Standards of Practice in the program.

Article 1: Basic concepts of the Article include the obligation to protect and promote the interests of the client and an explanation that this obligation is one of fidelity in the nature of a fiduciary relationship. The Article also specifies that this obligation of fidelity does not relieve the Realtor® of the obligation to treat all parties honestly. Important Standards of Practice under Article 1 which are recommended to be discussed, as time allows, include:

Standard of Practice 1-5 defines the conditions under which a REALTOR® may engage in disclosed dual agency.

Standard of Practice 1-6 specifies the obligation to present all offers and counter-offers objectively and as quickly as possible.

Standards of Practice 1-7 and 1-8 include the obligation to present all offers until closing and/or acceptance (depending on the party with whom the REALTOR® is working) and specify additional conditions as to how and when this obligation applies.

Standard of Practice 1-9 defines the obligation of confidentiality.

Standards of Practice 1-12 and 1-13 specify disclosure obligations of REALTORS® upon taking a listing or entering into a buyer/tenant agreement.

Standard of Practice 1-15 authorizes disclosure of the existence of offers on a property with a seller's approval.

Standard of Practice 1-16 cautions REALTORS® not to access or use, or allow others to access or use, listed property on terms and conditions other than those authorized by the seller.

Article 2: Article 2 might be commonly termed the "property or transaction disclosure" article. Its principles include the obligation not to exaggerate, misrepresent or conceal pertinent facts about the property or the transaction. Article 2 is limited, however, in that it does not include an obligation to discover latent defects, advise on matters outside the scope on one's real estate license or to disclose facts which are confidential under the scope of agency duties. Standards of Practice 2-1 should be discussed in that it further clarifies the obligation to discover and disclose adverse factors. The discovery obligation extends only to those factors which would be within the expertise required by the real estate licensing authority and does not impose an obligation of expertise in other professional or technical disciplines.

Article 9: Article 9's primary concept is to require REALTORS® to assure, whenever possible, that agreements be in writing, expressing the specific terms and obligations of the parties. In addition, Standard of Practice 9-1 amplifies this obligation by requiring REALTORS® to use reasonable care to ensure that these documents are kept current through the use of written extensions or amendments.

Article 12: Article 12 might be called the "truth in advertising" article. Its call is for REALTORS® to present a "true picture" in real estate related advertising and representations to the public, including those online and in social media. Standard of Practice 12-7 should be included for discussion. This Standard of Practice covers the use of the term "sold" in signs and advertising.

Article 16: Article 16 encompasses the idea of non-interference with agency and other exclusive relationships of other REALTORS®. Its central premise is that a REALTOR® shall not engage in any practice or take any action which is inconsistent with the agency or other exclusive relationship that other REALTORS® have with clients. While Article 16 is a relatively short Article, it has many Standards of Practice which have been established to support it. Discussion of the following Standards of Practice is recommended as time allows:

Standard of Practice 16-2: This Standard of Practice clarifies the types of personal, mail and other forms of written solicitations which are ethical and unethical. Explanation should be given that "general" types of solicitation, as defined in the Standard of Practice, are not unethical and that the Standard of Practice is narrow and specific as to the types of solicitations which are recognized as unethical under Article 16.

Standard of Practice 16-4 and 16-6: These two companion Standards of Practice specify the appropriate conduct of a REALTOR® when confronted with issues regarding solicitation of a listed property. While the basic premise of Standard of Practice 16-4 is that solicitation of a listing which is currently listed exclusively with another REALTOR® is unethical, procedures are set out in Standard of Practice 16-4 and 16-6 which modify this basic premise under certain limited conditions. Standard of Practice 16-5 deals with parallel issues in the solicitation of buyers/tenants subject to exclusive buyer/tenant agreements.

Standard of Practice 16-9: This Standard of Practice specifies the conditions under which a REALTOR® is required to inquire of a prospective client as to the client being subject to another exclusive agreement. The Standard of Practice requires REALTORS® to make reasonable efforts to determine whether the client is subject to another current, valid, exclusive agreement prior to the REALTOR® entering into an agency agreement or other exclusive relationship with the client.

Standard of Practice 16-13: Standard of Practice 16-13 sets out the obligation not to deal with another REALTOR®'s client who is subject to an exclusive agreement unless the client's agent or broker gives consent or unless the client initiates such dealings.

**Learning Objective #8:** Given case studies, fact scenarios or similar interactive learning methods, identify possible violations of the Code of Ethics, specifically related to the commonly cited Articles.

Minimum content for this Learning Objective includes at least one interactive exercise which demonstrates some of the principles of the Articles and Standards of Practice discussed under Learning Objective #7. Associations may use interactive methods to accomplish Learning Objectives #7 and #8 together.

**Learning Objective #9:** Describe the professional standards enforcement process of the association, including the distinction between an ethics complaint and an arbitration request, and the differences between the Grievance Committee and the Professional Standards Committee.

This Learning Objective is not intended to require a complete "course" on Professional Standards Enforcement Procedures. The minimum content required by this Objective is a brief description of the Professional Standards enforcement process, including the following concepts:

1. The basic steps in processing an ethics complaint and an arbitration request; that is, a written submission to the Grievance Committee, and if the complaint/request meets the standards set out

by the procedures, the forwarding of the complaint/request to the Professional Standards Committee for a full hearing.

2. The difference between the Grievance Committee as an initial screening committee and the Professional Standards Committee as the decision making committee.
3. The difference between an ethics complaint which deals with a member's conduct and an arbitration request which deals with a money dispute between REALTORS®.
4. The types of discipline which may be imposed for a violation of the Code of Ethics.

**Learning Objective #10:** Briefly describe the bases upon which a procuring cause arbitration claim is decided.

This Learning Objective is not intended to be a course on arbitration or procuring cause. However, the minimum content for this Objective should include a brief discussion of the concept of procuring cause as the standard by which REALTOR® to REALTOR® commission disputes are decided; that the concept of procuring cause is determined by the factors specified by the NAR Professional Standards Committee in the Code of Ethics and Arbitration Manual; that no one factor, such as who showed the property first, who wrote the successful offer to purchase, or who secured a written agency agreement with the buyer, will determine the outcome of the case.