

Code of Ethics and Standards of Practice of the Mutual Association of Real Estate Practitioners, Inc. ("MAREP")

Effective October 1, 2005

This Code of Ethics may impose on Members obligations that are in conflict with those mandated by law, in which event, the obligations imposed by law must take precedence.

Preamble

To ensure that all members of MAREP conduct themselves with the utmost honesty, integrity and good faith, this code of ethics is hereby established.

"In the beginning, God created the heavens and the earth." (Gen. 1:1) Before man, real estate was created as place in which man could dwell. The survival of mankind depends upon the wise utilization of real estate by all citizens. As the population of the earth continues to increase, the availability of real estate continues to decrease, thereby making it increasingly more valuable and precious. In recognition of this fact, Members must always place the needs and interests of the consumers involved in these transactions above any self interests.

Members agree to abide by this Code of Ethics irrespective of whether they are serving the public as agents or in some other capacity. This includes when a Member is a principal to a transaction.

To protect the interests of the public and enhance the level of professionalism in the real estate industry, Members shall strive to remain informed on issues involving the real estate profession. Members shall consistently endeavor to assist regulatory bodies in preventing and/or eliminating practices that may harm the public or the reputation of the real estate profession. Members having direct knowledge of conduct in direct violation of this Code of Ethics or federal, state or local law shall promptly bring such matters to the attention of MAREP's grievance or ethics committee for review.

Members shall always strive to reasonably and fairly cooperate with other real estate professionals whether they are Members or not, and shall do so in good faith. Members shall not attempt to gain any unfair advantage over their competitors and shall refrain from making derogatory comments about other practitioners.

The real estate profession has long suffered from a reputation for dishonesty and lack of integrity. MAREP members recognize that there can be no higher law or moral standards than those set forth in the Ten Commandments and accept those tenets as their guide for professional conduct.

Definitions

As used in this Code of Ethics, the following terms shall have the meanings set forth below:

Agent means a real estate licensee (including brokers and affiliated licensees) acting in an agency relationship as defined by state law or regulation.

Broker means a person or entity licensed as a real estate broker in accordance with state law.

Client means the person(s) or entity(ies) with whom a Member or Member's firm has a legally recognized brokerage service agreement.

Customer means a party to a real estate transaction who receives information, services, or benefits from a Member but has no contractual relationship with the Member or Member's firm.

MAREP means the Mutual Association of Real Estate Practitioners, Inc.

Material fact means a material defect in the property or the title to the property not reasonably ascertainable to a person that may adversely affect a party's decision to list, sell, buy, lease, rent, option or exchange the property or the value or price of the property. Material facts also include material limitations on a party's ability to perform under the terms of a brokerage service agreement, sales contract, option contract, exchange agreement, lease or rental agreement.

Member means any and all members of the Mutual Association of Real Estate Practitioners, Inc.

Prospect means a potential buyer, seller, landlord or tenant who has not entered into a brokerage service agreement with the Member or Member's firm.

Transaction Broker means a licensee that assists a buyer, seller, landlord or tenant in a real estate transaction without an agency or fiduciary relationship to either party and is therefore neutral.

Duties to the Public

Article 1

When serving as an agent for a buyer, seller, landlord, tenant, or other client as an agent, Members pledge themselves to protect and promote the interests of the client. This obligation does not relieve Members from their obligation of honesty to all parties. When serving in a capacity other than as an agent for a buyer, seller, landlord, tenant or other party Members remain obligated to treat all parties with honesty and fairness in good faith.

Standard of Practice 1-1

Members shall not deliberately or negligently mislead the owner as to market value when attempting to obtain a listing and shall not deliberately or negligently mislead a buyer as to market value when working under a brokerage service agreement with the buyer.

Standard of Practice 1-2

Members shall not mislead sellers, landlords, buyers or tenants as to savings or other benefits that might be realized through use of the Member's services.

Standard of Practice 1-3

Members may represent the seller/landlord and buyer/tenant in the same transaction with informed consent of both parties and making full disclosure of the dual representation immediately upon its occurrence.

Standard of Practice 1-4

Members shall inform all parties of all written offers and counteroffers objectively and submit them as quickly as possible.

Standard of Practice 1-5

Members serving as listing brokers shall continue to inform and/or submit to the seller/landlord all offers and counter-offers until closing or a lease is signed unless the seller/landlord has waived this obligation in writing. Members shall not be obligated to continue to market listed property after final acceptance of an offer to purchase/lease.

Standard of Practice 1-6

Members serving as buyer's/tenant's brokers, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing.

Standard of Practice 1-7

Members shall recommend that all parties to a real estate transaction obtain the expert advice including but not limited to advice of legal counsel in matters beyond the expertise of the Member. Members shall recommend that the parties obtain legal advice whenever an offer or counteroffer is contingent upon the buyer closing on the sale of other property or when possession is to be delivered to the buyer at any time other than at closing.

Standard of Practice 1-8

Members shall not divulge confidential information (as defined by state law) provided by their clients in the course of any brokerage relationship recognized by law. This obligation shall survive termination of any brokerage service agreement. Furthermore, Members shall not:

1. use confidential information to the disadvantage of clients; or
2. use confidential information for the Member's or a third party's advantage unless:
 - a. The client(s) give(s) written consent after full disclosure; or
 - b. the disclosure is required by law or by court order; or
 - c. disclosure of the information is necessary to prevent the client from committing a crime; or
 - d. disclosure of the information is necessary to defend a Member or the Member's employees or associates against an accusation of wrongful conduct.

Confidential information does not include material facts that are required to be disclosed under the Code of Ethics or any state or federal law or regulation.

Standard of Practice 1-9

Prior to entering into listing agreements, Members shall advise sellers/landlords of:

1. the Member's policies regarding cooperation with other brokers and the amount(s) of compensation that will be offered to cooperating brokers;
2. the fact that buyer/tenant brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and
3. the Member's policies regarding dual agency and/or transaction brokerage and any potential for the Member to act as a disclosed dual agent or transaction broker, e.g. buyer/tenant agents or transaction brokers.

Standard of Practice 1-10

Prior to entering into buyer/tenant agreements, Members shall advise potential clients of:

1. the Member's policies regarding cooperation with other brokers and the amount of compensation that will be offered to cooperating brokers ;
2. the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties;
3. whether or not, if the Member is compensated by the seller or the seller's agent or transaction broker, the buyer/tenant may still owe remaining compensation at the closing.
4. the Member's policies regarding dual agency and/or transaction brokerage and any potential for the Member to act as a disclosed dual agent or transaction broker, e.g. seller/landlord agents, subagents or transaction brokers.

Standard of Practice 1-11

In the event that offers/counteroffers have been made, Members shall, in response to inquiries from buyers/tenants, sellers/landlords or cooperating brokers, divulge the existence of such offers/counteroffers, and shall mislead anyone regarding the existence of offers/counteroffers.

Standard of Practice 1-12

Prior to obtaining any personal or financial information from any customer Members shall always disclose to the customer or the customer's agent whether they are working as a seller's agent, subagent, buyer's agent or transaction broker and the fact that personal and/or financial information revealed may not be treated as confidential information unless the Member is working under a brokerage service agreement with the customer.

Standard of Practice 1-13

Members shall not manage the property of others without a currently effective written property management agreement or other authorization signed by all owners of the real estate or the owner(s)'s duly authorized agent.

Standard of Practice 1-14

In managing real property, Members shall, consistent with the laws of the state in which they are licensed and the terms and conditions of their property management agreement, exercise reasonable skill and care for the client and promote the interests of the client with the utmost good faith, accounting in a timely manner for all money and property received.

Standard of Practice 1-15

In managing the property of clients, Members shall always give due regard the rights, safety and health of tenants and others lawfully on the premises.

Standard of Practice 1-16

In managing the property of clients, Members shall exercise due diligence and make reasonable efforts to protect the property against reasonably foreseeable contingencies and losses.

Standard of Practice 1-17

Members shall not commingle their own funds or business funds with the funds of others entrusted to them in connection with a real estate transaction and shall not use such funds to pay personal or business expenses.

Article 2

Members shall not make substantial misrepresentations of, suppress, conceal or omit material facts relating to a property or transaction and shall avoid exaggerated statements regarding material facts. Members shall not be required, however, to disclose confidential information or to give advice on matters beyond the scope of their real estate license. Members shall not be required to discover latent defects in the property or to independently verify any statements made by the client or any independent inspector unless required to do so by the laws or regulations of the state in which they are licensed.

Standard of Practice 2-1

Members shall discover and disclose material facts as required by law in their state of licensure.

Standard of Practice 2-2

Members shall not represent to any lender or insuring or guaranteeing agency or any other interested party, either verbally or through preparation of false documents, an amount in excess of the true and actual sales price of the property or terms differing from those actually agreed upon between the parties to the transaction.

Standard of Practice 2-3

Members shall not represent to buyers or cooperating brokers or agents that an offer has been received on a property, when, in fact, it has not.

Article 3

Members shall not acquire an interest in, sell, buy, exchange, rent or lease any real estate, directly or indirectly, without first making the Member's true position and status as a licensee known in writing to the other parties involved in the transaction. Before buying, exchanging, selling or leasing real estate for another party, Members shall disclose in writing any ownership the Member has or will have and the Member's status as a licensee to all parties to the transaction. This disclosure is also required when a Member is buying, selling, leasing or exchanging real estate for a member of Member's immediate family, Member's firm or any member thereof or any entities in which the Member has any existing or potential future ownership interest. The disclosure shall be provided prior to the signing of any contract.

Article 4

Members shall not undertake to provide professional services concerning a property or its value where they have an existing or potential future interest unless such interest is specifically disclosed in writing to all parties involved.

Article 5

Members shall not accept or receive any form of compensation, rebate or profit on expenditures made for their clients without the client's informed consent. Members shall not accept or receive any form of fees for referrals to settlement service providers (i.e. title companies, escrow companies, appraisers, attorneys, insurance companies, lenders, inspectors, etc.) other than real estate referral fees from other brokers. Members shall not refer clients or customers to other business entities in which they have an ownership interest without first disclosing their ownership interest in writing.

Article 6

Members shall not accept or receive compensation from more than one party to a real estate transaction without the informed, written consent of all parties to the transaction.

Article 7

Members shall maintain and deposit in a special account, separate and apart from their personal or other business accounts, all moneys belonging to others entrusted to them while acting as a real estate licensee, as escrow agent or as the temporary custodian of the funds of others until the transaction involved is consummated or terminated, unless all parties having an interest in the funds have agreed otherwise in writing.

Article 8

For the protection of all parties, Members shall ensure, whenever possible, that all agreements pertaining to real estate transactions in which Members are involved, are (a) in writing, (b) in compliance with the laws of the state in which they are licensed, (c) in clear and understandable language and (d) express the specific agreements, terms, conditions, provisions and obligations of the parties. A complete, legible copy of each agreement shall be provided to each party upon obtaining his/her signature or initials. Members shall use reasonable skill and care to ensure that all written agreements are kept up-to-date and accurately reflect the current agreements of the parties through the use of written extensions and/or amendments or addenda.

Article 9

Members shall, within a reasonable time, account for or remit (as required by written agreement or state law) any moneys, valuable documents or other property coming into their possession which belongs to others.

Article 10

The services that Members provide to the public shall conform to the standards of practice and competence reasonably expected by this Code of Ethics and law or regulation, in the specific real estate disciplines in which they engage; specifically real estate brokerage (residential, commercial, industrial, agricultural and international), property management, real estate consulting, appraisal, real estate syndication, real estate inspection and real estate auctioneering. Members shall not attempt to provide specialized professional services concerning a type of property or service that is outside their field of expertise or unless they engage the assistance of a professional that is competent as to such type of property or service or unless the fact of their lack of expertise is fully disclosed to the client or customer. Members shall not attempt to provide specialized professional services not duly authorized by their license.

Standard of Practice 10-1

In preparing written opinions or estimates of property value, such opinions or estimates shall include, at a minimum, the following:

1. identification of the subject property;
2. the date prepared;
3. the estimated value;
4. a statement of any limiting conditions including statements of purpose and intended use;

5. any present or potential future interest of the preparer, including the possibility of a brokerage relationship with the seller, landlord, buyer or tenant;
6. all relevant information leading to the estimate or opinion, including applicable market data; and
7. if the estimate or opinion is not an appraisal, a clear, conspicuous statement to that effect.

Standard of Practice 10-2

In providing consulting services, Members shall render advice in an objective manner and shall not charge a fee contingent on the substance of the advice or counsel given and shall disclose their fee structure to the clients or customers prior to rendering such service. Members serving as real estate consultants shall always suggest the parties obtain advice from competent professionals in matters beyond the Member's expertise. If additional brokerage services are to be provided, the Member may charge a separate fee for those services with prior written agreement between the client or customer and the Member.

Standard of Practice 10-3

Members 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.

Article 11

Members shall at all times comply with federal laws relating to or affecting the real estate profession including, but not limited to the federal Fair Housing Act, the Real Estate Settlement Procedures Act, the Americans with Disabilities Act, antitrust laws, the Interstate Land Sales Full Disclosure Act, the Lead-Based Paint Hazard Reduction Act, the Equal Employment Opportunity Act and the Truth-in-Lending Act, the Right to Financial Privacy Act and the Bank Secrecy Act. Members shall also endeavor to assist sellers, landlords, buyers and tenants in complying with such laws.

Standard of Practice 11-1

Members shall not deny equal professional services to any person on the basis of race, color, religion, national origin, gender, familial status or disability. Members shall not be party to any plan to discriminate against any person or persons on such bases.

Standard of Practice 11-2

Members shall not deny employment or refuse to hire the services of an independent contractor on the basis of race, color, religion, national origin, gender, age, marital status, familial status or disability.

Standard of Practice 11-3

In their professional practice, Members shall endeavor to make readily achievable, reasonable accommodations to meet the needs of disabled clients, customers, employees and independent contractors.

Article 12

Members shall always be careful to present a true picture in their advertising and representations to the public and shall not engage in any false or misleading advertising and shall ensure that their professional status (broker, sales agent, appraiser, property manager, real estate consultant, etc.) is clearly identified in their advertising.

Standard of Practice 12-1

When offering free products or services and similar terms in their advertising and other representations to the public, all terms governing availability of the offered products or services must be clearly disclosed at the same time. Members may represent their services as free or without cost even if they expect to receive compensation from a source other than the client or customer provided such arrangement and the source of compensation is clearly disclosed at the same time.

Standard of Practice 12-2

Members shall not use prizes, money, gifts or other valuable consideration as inducement to secure customers or clients to purchase, sell or list property when the awarding of such prizes, money, gifts or other valuable consideration is conditioned upon the purchase, lease, sale or listing. Members shall not solicit, sell or offer for sale real property by offering free lots or conducting lotteries or contests, or offering prizes for the purpose of influencing a purchaser or prospective purchaser of real property.

Standard of Practice 12-3

Members shall not advertise, place a sign on a property or otherwise offer it for sale or lease without the currently effective, express written consent of all owners and shall not offer property at any other price or under any other terms than those authorized by the owner.

Standard of Practice 12-4

Members shall not engage in any advertising practice that would lead the public to believe a listed property is “for sale by owner,” and shall always include the name of the broker or the firm name in advertising of listed properties.

Standard of Practice 12-5

When advertising their own properties for sale that are not listed with a broker, Members shall always disclose their status as owners/landlords and real estate licensees.

Standard of Practice 12-6

Prior to closing a broker who participated in the transaction as the listing broker or cooperating broker may place a “sold” sign on the property provided the owner has given written consent. A cooperating broker may post a “sold” sign on the property only with the consent of the listing broker and the owner of the property.

Standard of Practice 12-7

When using photographs or video in their advertising, Members shall use current, accurate photographs or video of the listed property and shall not use any misleading photographs or video that would cause or lead the public to believe the property contains any features, amenities or benefits other than it actually contains as of the date of the listing.

Article 13

If charged with violating any state or federal law or regulation relating to their real estate practice or if asked to present evidence or to cooperate in a legal proceeding or investigation in any other way, Members shall provide all pertinent facts and information required of them in a prompt and expeditious manner and shall reasonably cooperate with the legally authorized authorities and shall take no action to disrupt or obstruct such processes.

Duties to Other Licensees

Article 14

One of the greatest benefits to the public in hiring real estate practitioners is the cooperation between brokerages. Members shall cooperate with other brokers except when cooperation is not in the client's best interest or when the client has specifically instructed the Member not to cooperate with other brokers. The obligation to cooperate does not include the obligation to share commissions, fees, or to otherwise compensate another broker, except that, Members shall not unreasonably refuse to share compensation with cooperating brokers, especially when it is in the best interest of the client.

Standard of Practice 14-1

The terms of cooperation between brokerages shall be set forth in written cooperation agreements before beginning efforts of cooperation. If the cooperating brokers are members of a listing service that includes a unilateral offer of cooperation and the compensation split is set forth on that service, no other written cooperation agreement is required.

Standard of Practice 14-2

As between members that have entered into a cooperation agreement, an agreement with the client to reduce compensation shall not be deemed to be a proportionate reduction of the cooperating broker's compensation. Members wishing to reduce compensation of a cooperating broker must obtain agreement from the cooperating broker for such reduction.

Standard of Practice 14-3

Members must disclose to potential cooperating brokers the existence of any arrangement in which the commission might vary and the difference in compensation split that may result in a cooperative transaction (such as when one amount of compensation is payable if the listing broker is the procuring cause and a different amount is payable if the owner or a cooperating broker is the procuring cause). If the buyer is a client of the cooperating broker, the cooperating broker shall disclose such information to his/her client before the making of an offer to purchase or lease.

Standard of Practice 14-4

Subagents owe the same duties and responsibilities to the agent as the agent owes to clients and shall promptly disclose to the agent all pertinent information about the transactions in which they are involved both before and after the signing of a lease or purchase agreement.

Standard of Practice 14-5

Once an offer to purchase or lease has been accepted, even if there are unresolved contingencies, Members shall disclose the existence of the accepted offer to any broker seeking to cooperate.

Standard of Practice 14-6

When seeking information from another broker concerning property under a listing or management agreement, Members shall disclose their brokerage relationship (i.e. subagent, buyer's agent or transaction broker) and whether their interest is personal or on behalf of a client.

Standard of Practice 14-7

Members shall not misrepresent to other brokers the availability of access to show or inspect a property under a listing or management agreement.

Article 15

Members shall not knowingly, recklessly or maliciously make false or misleading statements about competitors, their businesses or their business practices and shall not knowingly or recklessly file false or unfounded ethics complaints, grievances or complaints against the license of another broker or sales agent.

Article 16

Members serving as cooperating brokers, subagents or transaction brokers shall not take any action inconsistent with the terms of the brokerage service agreement made with the client of another Broker. Aggressive or innovative business practices that are otherwise ethical and disagreements with other brokers involving commissions, fees, compensation or other forms of payment or expenses are not prohibited by this article.

Standard of Practice 16-1

Members shall not knowingly solicit or enter into a brokerage service agreement with a person or entity if another broker already has an unexpired exclusive type brokerage service agreement with that person or entity as to the same subject matter or property. However, if the potential client initiates the discussion, and provided the Member has not directly or indirectly solicited the discussion, the Member may enter into a brokerage service agreement with that person or entity, dated to take effect after the existing brokerage service agreement expires, in which event the Member shall notify the other broker of the new brokerage service agreement. This standard of practice does not prohibit Members from making general announcements to prospects about their services even though some may have entered into brokerage service agreements with other brokers.

Standard of Practice 16-2

This Article 16 is not intended to prevent Members from contacting clients of other brokers to offer different types of services not related to the type of service being provided by the other broker or from offering the same type of service for property not subject to the other broker's exclusive brokerage service agreement. Members may not use information obtained from multiple listing or other types of listing services or any other form of offer of cooperation to target clients of other brokers for the purpose of offering to provide services.

Standard of Practice 16-3

The fact that a Member has been retained by a prospect under an exclusive type brokerage service agreement does not preclude other Members from seeking such prospect's future business or from entering into a similar brokerage service agreement after expiration of the existing agreement.

Standard of Practice 16-4

Members working under brokerage service agreements with buyers or tenants shall disclose that relationship to the seller or landlord's broker upon first contact and shall provide written confirmation of the disclosure not later than the signing of an offer to purchase or lease.

Standard of Practice 16-5

Members shall respect the exclusive brokerage agreements of other brokers and shall deal with the brokers rather than directly with the clients of the other brokers, except with the consent of the other broker or if the other broker's client initiates the dealings. Before providing substantive services to prospects, Members shall ask prospects if they have entered into an exclusive brokerage service agreement with another broker. Members shall not provide substantive services to prospects that are parties to exclusive brokerage service agreements with other brokers except with the consent of the other brokers or at the direction of the prospects. Substantive services include such services as writing up an offer to purchase, preparing a market analysis, etc.

Standard of Practice 16-6

Members may enter into brokerage service agreements with sellers, landlords, buyers or tenants that are not parties to an exclusive brokerage service agreement with another broker but shall not knowingly obligate them to pay more than one commission except with their informed consent. Members who solicit exclusive brokerage service agreements from sellers that are parties to an open listing with another broker must inform the sellers that they may owe more than one commission if the property is sold by a broker holding a pre-existing open listing. Before entering into an open listing with an owner, Members shall inform the owner that, if the owner lists with more than one broker, the owner may be obligated to pay more than one commission.

Standard of Practice 16-7

In cooperative transactions, Members shall compensate the cooperating brokers and shall not compensate or offer compensation to sales agents affiliated with other brokers.

Standard of Practice 16-8

Members shall not solicit compensation from another broker unless a cooperation or referral agreement existed between the Member and the other broker prior to seeking the compensation.

Standard of Practice 16-9

Members acting as subagents or buyers or tenants' brokers shall not use the terms of an offer to purchase or lease to attempt to coerce the seller's broker to modify the offer of compensation from the listing broker nor make the submission of an offer to purchase or lease contingent upon the listing broker's agreement to modify the offer of compensation.

Standard of Practice 16-10

Members acting as subagents or buyers or tenants' brokers shall not attempt to extend a listing broker's offer of compensation to other brokers without the consent of the listing broker.

Standard of Practice 16-11

Members shall not attempt to enter into buyer/tenant brokerage agreements with clients of listing brokers based upon information obtained through offers of cooperation by the listing brokers.

Standard of Practice 16-12

Members whose affiliation with a principal broker is terminated shall not contact clients of that principal broker to attempt to induce them to break their existing brokerage service agreements for the purpose of replacing them with new brokerage service agreements at the Member's new firm. This does not

preclude Members from entering into new brokerage service agreements with the clients of the former principal broker after the existing agreements have expired.

Standard of Practice 16-13

In the event of disputes over commission between Member brokerages or disputes regarding a breach of this Code of Ethics, Members may submit their dispute to the appropriate MAREP grievance or ethics committee for disposition. In such event, all Members involved shall cooperate reasonably with the committee and shall timely submit true and accurate copies of all related documents, records and information requested by the committee.

Members may submit disputes regarding violations of law to the appropriate regulatory authority and/or institute appropriate civil action.

Standard of Practice 16-14

For purposes of Standard of Practice 16-13 above, the grievance and ethics committees of MAREP shall be made up of not less than three Members per committee duly elected by a majority of voting Members. Committee membership shall be for a term of not more than one year. In the event that no grievance or ethics committee has been duly elected, then the Board of Directors of MAREP shall convene to decide the issue.