

**Ethics** (eth'iks)

for REALTOR® Association Staff and Volunteer Leaders

*Not always a black/white issue*

Classroom Edition  
**Participant Guide  
and Facilitator Guide**

# Ethics workbook

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## I-NOTES Course introduction

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### **Introduction:**

Explain the purpose of the course, highlighting the following specific items.

- Main Course Goal:
- Conduct business practices in accordance with NAR's standards of conduct.
- The course is interactive and the successful outcome of the course is in the hands of all of you (students).

**History:** Summarize the Preface in the student workbook.

- Freedom of members to change boards lead to competitive business practices, at times the competitive business practices were taken too far and resulted in Unacceptable Business Practices.
- Ironically, only 2-3% of our members switched boards since the implementation of the board of choice.

**Summarize the objectives** as found in the workbook by stating the following:

- Through the analysis of case studies, we will identify Unacceptable Business Practices as defined by Standards of Conduct Workgroup in Unit 1.
  - Conflicts of interest are not necessarily bad. In Unit 2 we will take a look at conflicts of interests and identify methods or procedures to assure that the conflicts will not jeopardize a good business venture.
  - The third unit will address the consequences of unacceptable business practices and the benefits of engaging in ethical practices.
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## **Preface**

Since the implementation of board of choice, there have been situations in which associations have been conducting business in an unethical manner. The freedom the members have to select which association to join has resulted in competitive business practices as well as unethical business practices. In this course, you will be able to discern the difference between competitive business practices and unethical business practices.

## **Objectives**

Upon successful completion of this course, you will be able to:

### **UNIT 1 – Unacceptable Business Practices (focusing on UBP 1-4)**

- Identify the five Unacceptable Business Practices (UBPs).
- Distinguish between ethical and unethical business practices given various case situations/scenarios.
- Describe behavior(s)/step(s) that could have been taken that would have achieved the same end result but within the guidelines of ethical business practices.

### **UNIT 2 – Conflict of Interest (UBP 5)**

- Analyze situations to determine if a conflict of interest exists given various case situations/scenarios.
- Describe behavior(s)/step(s) that could have been taken that would have achieved the same end result but within the guidelines of ethical business practices.
- Understand the State(s) statute that identifies procedures/steps to handle cases of conflict of interest.
- Identify obstacles employees/subordinates may encounter when dealing with cases of conflict of interest.
- Identify procedures that may be implemented to encourage employee response to an unethical business practice of a co-worker/supervisor.

### **UNIT 3 – Benefits of Good Business Practices/Consequences of Unethical Actions**

- Identify the benefits of good business practices.
- Identify the consequences of unethical behavior.
- Identify the impact of other's unethical behavior on their own business dealings.
- Utilize a checklist to determine if your own business practices are ethical.

## I-NOTES Introduction to Unit 1

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### Intro to Unit 1:

Ask if anyone can share an experience about something that may have happened to them or a colleague that they consider was beyond a competitive business practice and would fall into a category of being unethical.

- If the response from the student is actually a good business practice, assure the class that we will identify how to handle aggressive, but acceptable business practices.
- If the response was an unethical practice, ask the questions listed below:
  - What do you think was wrong/unethical about this situation?
  - What impact did this situation have on you personally, the association, and the member?

**Optional scenario:** A state association needed to increase the length of an ethics course in order for it to be approved for CE credit. They had a copy of a course that was written and copyrighted by a local association. The state association took only one chapter of the course and added it in their existing course materials.

Ask the class the following questions -

- Was this an ethical action? *No This was an illegal action.*
- Would it have been better if NAR took the course from a state association? *No Unacceptable Business Practices can be done at any level of the association.*
- What should the state association have done to make this a good business practice? *Ask permission from the owner of the material to use it in the course.*

Explain that this is an example of why a committee was established in order to create the UBP's.

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## UNIT 1 - UNACCEPTABLE BUSINESS PRACTICES

**Definition.** Conduct identified in items 1- 5 below. Such conduct violates accepted business practices and should always be avoided.

Unacceptable business practices involve engaging in *one* or more of the following:

1. Knowingly or recklessly making false or misleading representations about other REALTOR® associations or the association's programs, products, or services.
2. False, deceptive, or misleading advertising or marketing practices.
3. Illegal business practices.
4. Knowing violation of state or national policies or mandated local policies.
5. Undisclosed conflict of interest.

## Competitive Challenge Scenarios

The following case scenarios are fictional and have been created for learning purposes only.

### Case 1

At local association A's monthly membership meeting, a member asked the president to respond to the recent increase in MLS fees. Terry Smith, Association A's President, recognized the majority of the audience was from small brokerage firms. Mr. Smith responded by making up the statement that Association A was not the only one that was raising their MLS fees. He continued to state that he had heard a rumor that Association B was considering changing their MLS fee structure from a per-agent fee to a per-office fee.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Yes – By making up the statement that Association B was considering changing their MLS fee structure, Terry Smith (of Assn. A) jeopardized the reputation of another association.*

2. If yes, please list all unacceptable business practices that apply. (Explain)

*UBP # 1 – Recklessly making a false statement. Rather than addressing the member's concern about the MLS fees, Terry Smith avoided the issue at hand (higher MLS fees) by making up a rumor. This is not a violation of UBP# 2 because it does not involve advertising or marketing activities.*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

*1. Focus on their own association including positive services, etc.*

*2. Don't contribute to the spread of false rumors.*

**Case 2**

Association A has recently updated their computer equipment. This additional expense comes after a recent members dues increase and the president of Association A is worried how members might react to yet another charge.

During a staff meeting, a staff member suggested adding a line to the dues invoice titled: "NAR dues assessment." The staff member commented that the recent expenses could be hidden in this line entry so that members will not be upset with the local board.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Yes – making a false statement by pointing a finger to NAR. With the addition of the new line item "NAR Dues assessment," Assn. A gave the perception that the increase was the result of a NAR dues assessment when in fact it was due to a one time charge.*

***-NOTE:*** Ask: What would the impact be on the entire REALTOR® organization? – Make NAR look bad due to no explanation/justification of the dues increase.

2. If yes, please list all unacceptable business practices that apply. (Explain)

*UBP # 1 – Knowingly making a false statement about another REALTOR® association's program, products and services. The increase in the dues amount was the result of the Association A's computer update and not NAR.*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

- 1. A one-time computer equipment update fee.*
- 2. Include benefits of equipment update – no interruption in MLS and member benefits.*

**Case 3**

The Board of Directors of Association B voted to make its MLS sales/comp information a service of the local association, available to members only. Therefore, certified/licensed appraisers must join Association B to access sales/comp information. Some members of Association C have expressed their view that this violates the spirit of board of choice, where members who join one local board will be provided access to other board's MLS services without having to join another board.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Answer depends on the class of membership:*

*If the appraiser holds a REALTOR® membership, then UBP 4 has been violated.*

*If the appraiser is an affiliate member, then no UBP has been violated.*

2. If yes, please list all unacceptable business practices that apply. (Explain)

*If REALTOR® member – UBP 4 - Knowing violation of state or national policies or mandated local policies.*

*If not a REALTOR® – no violation.*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

*1. Association B must make its services available for sale to individuals holding REALTOR® membership in another association.*

*2. Association C could educate members as to what they are/are not entitled to.*

*3. Association C should try to work with Association B - possibly provide reciprocal benefits or money.*

**Case 4**

There are two associations (A and B) in very close proximity and many brokers hold membership in both.

Toward the end of 1998, Association A sent letters to Association B members who had offices near the contiguous boundary describing Association A's program of member services and benefits. It contained an invitation to take primary or secondary membership with no initiation fee, simply payment of applicable dues (local dues and, if primary, state and national) owed through the end of the year. Also included in the letter was a dues comparisons schedule with Association B. The schedule showed that Association A's dues were \$175 and Association B dues were up to \$225.

Leadership from Association B questioned the dues amount in Association A's letter because the annual dues for both associations are the same. Association A responded by saying that as a result of your (Assn. B) RPAC fundraising, the typical member usually pays an additional \$50 for voluntary contributions, such as RPAC.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

Yes – a misleading comparison of association dues. Association A did not give an apples to apples comparison. They compared the total amount of the dues and did not itemize the items/services provided by the dues amount of each association.

2. If yes, please list all unacceptable business practices that apply. (Explain)

UBP # 2 – Deceptive advertising. A voluntary RPAC contribution is not a mandatory payment and should not be used in a dues comparison.

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

1. Focus on accurate comparison of services and fees.  
2. Differentiate themselves from other association in an honest fashion.

**Case 5**

Association A and Association B are neighbors and participate in the same regional MLS. The two share a number of member firms and the competition between the two has been pretty strong for some time. Association A is forced to delay sending the 1999 dues billing for 45 days due to a change over in membership software, and sends a general notice to the membership via newsletter, website, etc. to inform them of the delay.

Association B obtains a full list of Association A's membership from the regional MLS and sends out "official dues billings" to all of Association A's members. The billing looks just like A's normal billing statement and makes very little reference that paying would result in a change in primary board membership. Association B said it was a marketing piece.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Yes – by making their "official dues billing" look like Association A's, Association B tried to acquire Assn. A members. It is a "slamming" practice similar to long distance phone companies.*

2. If yes, please list all unacceptable business practices that apply. (Explain)

*UBP # 2 – False, deceptive marketing practices. By having the membership billings look alike, Assn. A's members might be deceived into thinking that they were paying dues for Assn. A when in fact they were for Assn. B. --they were inadvertently being switched to Assn. B .*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

*1. Use good marketing techniques to captures members and non-members.*

*2. Members should be provided information that will allow for a knowledgeable decision.*

**Case 6**

Several local associations produce an annual educational event for the REALTOR® community. This event offers continuing education credit courses, entertainment, and free promotional items. To increase attendance, this event piggybacks with one of the State Association's quarterly meetings. It was agreed upon with the State Association that this event would occur six months after the State Association annual meeting so as to not pull members away from attending the state meeting.

This year, the local event tripled its sponsorships and increased its exhibitors by 50% and member attendance by 20%. However, the State Association experienced a 20% decrease in member attendance for its annual meeting.

Realizing that most members can attend only one meeting per year, the president of the State Association decided to increase marketing efforts to attract more members to the annual meeting. Flyers were sent to all members stating that the Annual State Association Meeting is the only REALTOR® Association sponsored event offered statewide providing accredited continuing education courses.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Yes – Advertising that the state meeting is the only REALTOR® Association sponsored event offering CE courses. It implied that the local meeting courses would not be applied towards CE.*

2. If yes, please list all unacceptable business practices that apply. (Explain)

*UBP # 2 – Deceptive marketing practices. Knowing that the local board's meeting provided CE courses, the state association falsely advertised that they were exclusively providing REALTOR® Association sponsored CE courses. This is false and deceptive and could result in members no longer attending the local board's meeting.*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

- 1. Focus on reasons why members are not attending the state meeting.*
- 2. Improve and/or add services that attract members to the local meeting.*

**Case 7**

The boards of directors of Associations A and B voted to merge with a published effective date approximately 60 days later, following due diligence and final approvals. Shortly following announcement of the Directors' approval and planned merger, Association C sent a fax to the member firms of Association B stating that "Your association no longer exists. Don't risk the experience of a disruption in your member services! Call us to find out how you can continue your member benefits."

- 1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Yes – Association C tried to gain Association B's members by not disclosing that Association B was merging with Association A.*

- 2. If yes, please list all unacceptable business practices that apply. (Explain)

*UBP #1 – It is a misleading representation intended to mislead the members of Association B into thinking they had no REALTOR® association.*

*UBP #2 – Deceptive marketing and making false statements. Association C stated that Association B no longer exists, implying that members of Assn. B no longer belong to a local association and will lose member benefits. While "Association B" may no longer exist, members of Assn. B will automatically be a part of Association A due to the merger.*

- 3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

*1. Focus on how the merger could affect them (i.e., a possible disruption in services, etc.).*

*2. Differentiate themselves from other association in an honest fashion.*

**Case 8**

Association A owns a centralized lock box system and has historically provided services to some of the other associations, including Association B. Several other associations have joined together and have jointly been operating a lock box system.

The contract between Association A and Association B expired. However, services were still being provided by Association A to Association B without any type of contract.

During this time, Association B determined it wanted to offer its own lock box service. A contract was negotiated and signed with the same vendor that provides key service to Association A. Merchandise was ordered.

The lock box company received a threatening letter from Association A stating that if it provides services to Association B, then Association A will terminate all existing agreements and seek another lock box vendor. Since Association A is a larger association, the lock box vendor has declined the order and has refused to proceed with Association B because of the threats.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

Yes – Association A threatened the vendor which lead to the vender to discontinued relations with Association B.

2. If yes, please list all unacceptable business practices that apply. (Explain)

UBP # 3 – Illegal business practice. The tactic used by Association A is illegal (tortious interference with a contract). By threatening the vendor, Association A forced the vendor to break the agreement with Association B. Intentional interference with a contract is illegal.

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

1. Association A could have negotiated with Association B – come to an agreement using the same vendor and possibly resulting in both benefiting from economies of scale.

2. Association A could have renegotiated the original contract with B.

**Case 9**

Association A has announced a new joint marketing alliance with two other area associations (Associations B and C) where they would each offer all programs, products, and services to the members of the other associations at member cost, and each would negotiate all affinity programs on behalf of all three. As word of this new alliance called "The Affinity and Alliance Associations" spread, Association D's AE contacted one of the associations in the alliance for details.

Even though they were not part of the alliance, Association D placed an advertisement in the newspaper promoting its name and services along with "Join The Affinity and Alliance Associations," using the same name chosen by the alliance. When informed by the AE of Association A that the alliance name had been registered as a service mark, Association D's AE said, "According to NAR, it couldn't be registered." Despite that it was the alliance name, Association D chose to use it anyway.

Within a very short time, Association D again used the alliance name in a promotional fax/mailer to offices in the marketplace including Association A's members. When Association D's AE was officially asked through e-mail by one of the associations in the alliance to cease and desist from using the service mark, Association D's attorney responded with request for the registration documentation.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

Yes – By using the same name as "The Affinity and Alliance Associations," Association D may have deceived members by appearing to be associated with the newly created alliance.

Association D did not respect the use of the service mark - even when asked to cease and desist.

2. If yes, please list all unacceptable business practices that apply. (Explain)

UBP # 2 – Deceptive marketing practices. Association. D marketed itself by using the same name as "The Affinity and Alliance Associations." By using the same name, members could be deceived into thinking that they are joining the newly created alliance when in fact they are actually joining.

Association. D instead.

UBP # 3 – Illegal business practices. Association D illegally used the service mark of the alliance..

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

1. Association D could have sought to have become a member of the alliance.

2. Differentiate themselves from other association in an honest fashion.

**Case 10**

A small board was providing a presentation for its members on ways to increase the broker's bottom line. During the discussion, a broker from a large firm stood up and volunteered information to the group on how to put listings into the state-wide MLS without paying full MLS fees. Many of the other participants actively asked questions and took notes. In order to avoid publicly embarrassing the broker and damaging an already fragile working relationship, the AE did not respond to the suggestions being offered and promptly changed the subject.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

Yes – the AE allowed the conversation to develop thereby creating the impression of approving inappropriate business practices.

2. If yes, please list all unacceptable business practices that apply. (Explain)

UBP # 4 – Knowing violation of state or national policies or mandated local policies (working around paying full fees for the state association's MLS). By merely changing the subject and directly halting the conversation, some may have perceived that the AE is encouraging this type of discussion and subsequently encouraging the violation of the MLS rules.

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

1. AE should have focused on how this type of action could cause the MLS fees to increase because some people are not paying their fair share.

2. The AE should have address the unethical practice rather than changing the subject.

**Case 11**

In order to stay competitive among the REALTOR® Associations, Association A decided to offer free continuing education courses to its members. This was very well received by the membership. In fact, membership turn-over was decreased by 28% as a result of these free offerings. Also, new member enrollment is up by 10%. The free continuing education courses were funded by not forwarding non-members sales person assessment dollars to the state and NAR. The president of Association A justified this action by highlighting the increased revenues as the result of new member enrollment.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Yes – Association A not forwarding the appropriate funds to the state and national associations.*

*I-NOTE: Ask: Would it have been better if Association A planned on doing this only for a short time in order to raise funds?*

2. If yes, please list all unacceptable business practices that apply. (Explain)

*UBP # 4 – Violating state & national policy. Association A is required by state and NAR bylaws to forward all dues payments to the state and NAR.*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

*1. Obviously the continuing education courses were effective. Find a way to finance the courses.*

**Case 12**

The state association recently purchased a new internet-based MLS intended for small local boards that are managed by the state association. Despite concerns expressed by representatives from boards that own their own MLS, the decision was passed by the board of directors of the state association by a narrow margin.

State leaders declared that their fundamental intent was to offer MLS to the state association managed boards which cannot afford to own their MLS. The funds that were utilized to purchase this MLS system came exclusively from fees paid by the managed boards. Opponents countered that the introduction of a state-wide MLS would now open the door for unfair competition from the state level, violate the spirit of three-way agreement and could destabilize MLS membership in many of the boards that have significant investment in their MLS. Finally, opponents argued that small boards unable to afford their own systems should seek support from larger local boards in their areas.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*No - There was no sign of deceptive or illegal business practices or violations of local, state, or national policies, nor was there a sign of an undisclosed conflict of interest.*

2. If yes, please list all unacceptable business practices that apply. (Explain)

*N/A.*

*The MLS was funded from a proper source and the state association was doing its job by assisting the boards.*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

*1. Local Associations could market their services to the smaller boards just like the state did.*

**Case 13**

The Inland Board of REALTORS® decided to discontinue offering its own MLS service to its members for financial reasons. Boards to the east and west own their own MLS and wish to receive endorsements from the Inland Board of REALTORS®. The Shoreline Board, hoping to get the endorsement, offers the president of the Inland Board a free mini vacation at a popular spa resort overlooking the ocean.

The President of the Inland Board compared the MLS services and determined that the Shoreline MLS historically provided not only a better MLS service but at a lower cost. With this in mind, the Inland Board decided to endorse the Shoreline MLS and the President enjoyed a much needed vacation at the spa.

1. Were there any unethical actions or non-actions taken? (Describe the action/non-action)

*Unethical actions or non-actions in this case is dependent upon the follow-up of the president after he accepted the vacation. There is no violation if timely disclosure is made.*

2. If yes, please list all unacceptable business practices that apply. (Explain)

*If the president disclosed the fact that he was offered and accepted a vacation from the Shoreline Board, then an undisclosed conflict of interest does not exist.*

*If the president did not disclosed the vacation, then there has been a violation of UBP #5 - undisclosed conflict of interest.*

3. If yes, what alternative action(s) could have been taken to achieve the same outcome but within good business practices.

*This is a conflict of interest - whether disclosed or not.*

*Explain that a conflict of interest is not necessarily bad, but should always be disclosed.*

## UNIT 2 - CONFLICT OF INTEREST

**Definition.** Conflict of interest refers to a situation in which a decision maker such as a director, officer, or staff member is influenced in an organizational decision by personal, financial, business, or other interests unrelated to the organization's best interest.

**State Law pertaining to Conflict of Interest**  
(insert your state's law here)

## Competitive Challenge Scenarios

The following case scenarios are fictional and have been created for learning purposes only.

**I-NOTE** – Complete the first case as a group, complete the second as break out sessions.

### Case 1

Terry Smith, the President of a large local association was reviewing the outline of events for the association's annual meeting. The budget for this meeting is considerably larger than the previous year's budget, so Terry recommended adding outside speakers to the agenda. Terry handed the recommendations to Pat, the association's meeting planner, and asked that the speakers be contacted to see if they are available and interested in attending. Terry also listed the amount that the Association was willing to pay for each speaker and instructed Pat to make the offer during the initial call.

While referring to the list, Pat called Bob, one of the potential speakers. Bob's wife Mary answered the phone and said "hold on one minute please, I'll get my husband on the phone". Pat then heard Mary say in the background, "Honey, it's your Uncle Terry's REALTOR® organization. Please pick up the extension." After hearing the proposal and confirming the date was open for Bob, he accepted the invitation to speak at the meeting.

1. Does a conflict of interest exist? (Describe)

Yes - the hiring of a family member. The potential exists that a relative of the president will be hired.

2. If yes, are there any factors that may inhibit disclosure and/or exposure of the conflict. Explain from the perspectives of:

**Bob:** Fear of getting his Uncle in trouble and possibly forfeiting future opportunities.

**Pat:** Pat may feel threatened to report the President. Possibly does not understand that this is not necessarily bad.

**Terry** Would others feel like Terry is showing favoritism?

3. If yes, what action or follow up procedure is required and who is responsible for that action?

Terry should disclose that Bob is a family member.

Bob should disclosed that he is related to Terry.

Pat, whom unintentionally discovered the relationship, should inform Terry of the potential of problems that may result in having an undisclosed conflict of interest.

## Case 2

Chris Brown is the AE for the state association. The state association also provides management services for the local chapter of a property management organization. While planning the state association's annual inaugural banquet, it was decided to look into a number of different types of entertainment. Request for Proposals were sent out to a number of entertainers. A 7-piece orchestra replied with a fee that was competitive with the others and included with the proposal was a long list of satisfied previous clients and a cassette tape demonstrating the quality of the orchestra.

It was apparent that the orchestra had done some homework because they knew that Chris not only was the executive for the state association, but that she had oversight for the management of the local property managers' association, too. The proposal offered a considerable discount to the state association if the orchestra was to play at the property management association annual convention. Chris decided to offer the orchestra the opportunity to play at both events, thereby saving the state association money.

After typing up an advertisement which included the name of the orchestra, the assistant complimented Chris on the decision to select this orchestra. The assistant stated that they were very good and also mentioned that the violinist is the spouse of a member of the Board of Directors for the state association.

1. Does a conflict of interest exist? (Describe)

Yes - 2 conflicts. Even though the conflict was discovered after-the-fact, a member of the BOD's spouse will receive payment for services. The state association will benefit at the expense of the property management Association.

2. If yes, are there any factors that may inhibit disclosure and/or exposure of the conflict. Explain from the perspectives of:

Chris Brown: Chris may possibly feel uncomfortable to address the conflict with the BOD member. Chris may not want the property mgmt. assoc. to know that the state association is benefiting at the property mgmt. expense.

The assistant: Is the assistant obligated to follow up with the disclosure? The assistant may feel threatened by possibly getting the boss in trouble.

Board Member: After the board member finds out his spouse will be playing, is there an obligation to disclose? - Yes, it could be perceived that Chris will receive some sort of benefit (i.e. a promotion) for hiring the spouse of a board member.

3. If yes, what action or follow up procedure is required and who is responsible for that action?

Chris should have disclosed to the state and property management assocs. that both organizations were being used to leverage a deal. Also, after Chris found out about the BOD's wife, he should have informed the assn. president so they could disclose it to the BOD. The obligation to disclosed a conflict of interest applies to all levels of an organization. The assistant should have discussed with Chris the need to disclosed the conflict of interest.

## **Sample Policies**

### **Ownership Disclosure Policy**

1. When NAR has an ownership interest in an entity and a member has an ownership interest in that same entity, such member must disclose the existence of his or her ownership interest prior to speaking to a decision making body on any matter involving that entity.
2. If a member has personal knowledge that NAR is considering doing business with an entity in which a member has any financial interest, then such member must disclose the existence of his or her financial interest prior to speaking to a decision making body about the entity.
3. If a member has a financial interest in any entity that the member knows is offering competing products and services as those offered by NAR, then such member must disclose the existence of his or her financial interest prior to speaking to a decision making body about an issue involving those competing products and services.

After making the necessary disclosure, a member may participate in the discussion and vote on the matter unless that member has a conflict of interest as defined below.

### **Conflict of Interest Policy**

A member of any of NAR's decision making bodies will be considered to have a conflict of interest whenever that member:

4. Is a principal, partner or corporate officer of a business providing products or services to NAR or in a business being considered as a provider of products or services ("Business:"); or
5. Holds a seat on the board of directors of the Business unless the person's only relationship to the Business is service on such board of directors as NAR's representative; or
6. Holds an ownership interest of more than 1 percent of the Business.

Members with a conflict of interest must immediately disclose their interest at the outset of any discussions by a decision making body pertaining to the Business or any of its products or services. Such members may not participate in the discussion relating to that Business other than to respond to questions asked of them by other members of the body. Furthermore, no member with a conflict of interest may vote on any matter in which the member has a conflict of interest, including votes to block or alter the actions of the body in order to benefit the Business in which they have an interest.

March, 2000

## UNIT 3 - BENEFITS OF GOOD BUSINESS PRACTICES AND CONSEQUENCES OF UNETHICAL ACTIONS

**I-NOTES** – Make a list on a flip chart, suggested answers are provided.

Unacceptable business practices involve engaging in *one* or more of the following:

1. Knowingly or recklessly making false or misleading representations about other REALTOR® associations or the association's programs, products, or services.
2. False, deceptive, or misleading advertising or marketing practices.
3. Illegal business practices.
4. Knowing violation of state or national policies or mandated local policies.
5. Undisclosed conflict of interest.

Using the spaces provided below, list the worst possible consequences that can occur if you partake in any of the four unacceptable business practices.

1. Harm to personal and/or association reputation
2. Lawsuit
3. Increase tension between associations
4. Increase tension within an association
5. Possible mediation
6. Decrease in membership
7. Loss of revenue (membership plus non-dues revenue)
8. Increase in tension among vendors

List the worst possible consequences that can occur if your business practices are ethical:

1. None –
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_

**I-Notes** Discussion of the current status of the development of the mediation process.

## GUIDELINES

### Conflict of Interest Checkpoint

1. Did you or others benefit personally from the transaction? **Yes** **No**
2. Did another organization in which you hold a level of responsibility benefit from the transaction? **Yes** **No**

If:	Then:
<b>One or more answers are Yes</b>	A conflict of interest exists that must be disclosed. <i>Follow your association's disclosure policy.</i>
<b>Both answers are No</b>	There is no conflict of interest.

## Standards of Conduct Checklist:

Below is a checklist to be used by individual staff members as a guideline for conducting business in an ethical manner. It is recommended that a copy is given to each staff member.

### 14-point Checklist

#### ✓ Standards of Conduct:

- 1. Maintain the highest standards of personal conduct.
- 2. Actively promote and encourage the highest degree of ethics at all levels within the real estate industry.
- 3. Maintain loyalty to the REALTOR® association, and pursue its objectives in ways that are consistent with member and public interest.
- 4. Abide by association policies, procedures, and laws impacting REALTOR® associations.
- 5. Strive for excellence in all aspects of leading and managing the association.
- 6. Serve all association members fairly and impartially.
- 7. Accept no personal compensation from business-related activities, which might create a conflict of interest, without full disclosure and knowledge of the association's governing board.
- 8. Maintain confidentiality of privileged information entrusted or known by virtue of an office or position, unless disclosure is necessary to protect the interests of the association.
- 9. Refuse to engage in, or countenance, activities for personal gain at the expense of the association or the real estate industry.
- 10. Refuse to engage in, or countenance, unlawful discrimination.
- 11. Ensure that communicated data and information is accurate and truthful.
- 12. Cooperate in every reasonable and appropriate way with other association executives and officers, and work with them in the advancement of the association and the real estate industry.
- 13. Create and promote a positive public image and role for the REALTOR® association and the real estate industry.
- 14. Ensure that the objective of all association actions and pursuits is to provide the best possible services for the REALTOR® member.