Everyday Ethics in Real Estate

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A lthough ethics has been an important issue for real estate practitioners for many years, it has gained greater attention since 2000, when the National Association of REALTORS® mandated quadrennial ethics training for all members of the association. In addition, many states now include a course in ethics as a requirement for initial licensure as well as part of the curriculum for continuing education courses required for license renewal.

Dearborn Real Estate Education’s original ethics book, *Ethics and Real Estate*, was frequently used to meet NAR requirements, both in the classroom and online. For the second quadrennial period for mandated NAR training, *Ethics in Today’s Real Estate World* was designed with a new look at ethics and the real estate professional. Prior to creating this course, real estate industry educators and practitioners answered survey questions concerning the content of the new book. Their collective insight into important ethics issues of today helped form the framework of this book and its many features.

In 2010, *Know the Code: Real Estate Ethics* was updated to meet the NAR requirements for the third quadrennial mandatory ethics training period. This edition of the ethics book, *Everyday Ethics in Real Estate*, not only includes the latest updates, but also features additional case studies and real-life examples.

*Everyday Ethics in Real Estate* begins with a chapter on ethics that focuses on ethical situations seen in today’s boardrooms, classrooms, and locker rooms and the impact they have on the public’s attitude to ethics in general. In Chapter 2, the ethics concepts have been expanded to include a view of ethical business practices from various real estate disciplines. Colleagues from several other specialties, ranging from appraisal to property management, provided input on how they see ethics as a part of their daily practice. The coverage of the National Association of REALTORS® Code of Ethics has been expanded in this book to include commentary and examples on all of the articles of the Code in Chapter 3.

A code of ethics has limited meaning unless there is a system in place for enforcement of the tenets of the Code. Chapter 4 describes the enforcement process and includes actual case studies reproduced from the 2014 NAR Code of Ethics and Arbitration Manual. Beginning around the turn of this century, many areas of the United States found themselves in what is known as a hot real estate market. This was then followed by a sharp decline in the overall housing market and resulting economic crisis in the mortgage financing industry. Whether a hot or cold market, overwhelming changes in the real estate world can lead to aggressive behavior, which often results in unethical business practices. Many of these phenomena are described in Chapter 5.

Chapter 6 discusses the four ethical paradigms first seen in *Ethics and Real Estate*, with additional insight on the principles by which ethical decisions are made, from the writings of Rushworth Kidder, noted ethics scholar and lecturer and founder of the Institute for Global Ethics. No two cases are ever identical. Circumstances vary, people have their own particular idiosyncrasies, and the overall atmosphere of the local marketplace differs. Ultimately, someone has to make a final decision.

By reading and discussing the material and the case studies in this text, you will be better prepared the next time you are faced with your own ethical dilemma!
Doris Barrell, GRI, DREI, CDEI, has been in the real estate business for over 30 years, working first for a builder-developer, then as a general brokerage agent, and for 9 years as managing broker for a 60-agent office in Alexandria, Virginia. She has brought this wealth of real-life experience into the classroom and her writing on the subjects of real estate finance, agency, fair housing, ethics, diversity, and legal and legislative issues.

In addition to Everyday Ethics in Real Estate, Doris is author of Real Estate Finance Today, Ethics and Real Estate, Ethics in Today’s Real Estate World, and Know the Code: Real Estate Ethics; coauthor of Essentials of Real Estate Finance; and contributing editor for Real Estate Fundamentals, Reverse Mortgages for Seniors, and Virginia Real Estate Practice and Law, all published by Dearborn Real Estate Education. Most recently, she has prepared numerous online courses for continuing education in many states throughout the country.

Doris developed the Expanding Housing Opportunities course for NAR, which she both taught and trained other trainers. She spent many years as a teaching consultant for the International Real Property Foundation, bringing real estate education to countries in Eastern Europe and Southeast Asia. Additionally, Doris served for 13 years as a senior instructor for NeighborWorks® America, preparing course materials and leading training sessions at NWA Institutes held in cities throughout the United States.
Ethics in Today’s World

Learning Objectives

Upon completion of this chapter, you will be able to

■ 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; and

■ describe ethical issues that exist in the classroom and in the sports world today and how they are being addressed.

Key Terms

AACSB  ethics  SEC
Big Four  morality  situational ethics
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.”

1. Learning Objective: 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.

Ethics, Morality, and the Law

The first question to be asked in the study of ethics is whether ethics and morality mean the same thing. A number of philosophy professors would argue that they are synonymous, but others define them differently. Some might argue that ethics are rules set down by man, whereas morals come from a higher being. In 1836, Ralph Waldo Emerson said that, “Ethics and religion differ herein, that the one is the system of human duties commencing from man, the other, from God. Religion includes the personality of God, ethics does not.”

One inherent problem with equating ethics and morality is that the standards of morality as set by different religions may vary. Would this mean that ethical behavior would also have many variations? If so, this is getting very close to accepting the concept of situational ethics, where behavior may always be determined by the circumstances.

Albert Schweitzer tried to simplify the definition of ethics by saying, “Ethics, too, are nothing but reverence for life. That is what gives me the fundamental principle of morality, namely, that good consists in maintaining, promoting, and enhancing life, and that destroying, injuring, and limiting life are evil.”

Just as ethics and morality are not synonymous, neither are ethics and law. Laws can be learned, mandated, and enforced, but no one has ever been able to legislate a sense of ethical behavior. In many cases, ethics go beyond the limitations of the law. The law draws a firm black-and-white line between right and wrong, while ethics tend to come in multiple shades of gray. An ethical dilemma is often likely to be a case of right versus right. When Joe breaks into Wal-Mart to steal a television, it’s pretty obvious it is a case of right versus wrong. But is it less obvious when Jim breaks into the corner grocery store to steal bread and water for his family in flood-soaked New Orleans? Therein lies the dilemma.

If a sense of ethics or morality does not come naturally, must it be learned? Or is it all merely a matter of conscience? Does every person have an inner sense of what is right and what is wrong and the ability to always do the right thing? Mark Twain said, “Morals are an acquirement—like music, like a foreign language, like piety, poker, paralysis—no man is born with them.”
Ethics and the Boardroom

Headlines of major newspapers throughout America today often present a grim picture of corporate ethics. Take the initiative to read headlines and articles about corporate scandals that appear on the front page or business section of your local newspaper or in the Drudge Report or other online news services. It comes as no surprise that the American public is highly suspicious of big business today and has lost faith in the stock market. Specific names have been eliminated in the following headlines, but they may be recognized by readers of this text:

“Top Bank Offers $2 Billion to Settle Enron-Related Claims”

“Major Healthcare Provider to Pay $100 Million to Settle Fraud Charges with SEC”

“Top Pentagon Officials Faulted for Role in Airplane Manufacturer Scandal”

“Former Fortune 500 CEOs Found Guilty”

“East Coast Communications Company and U.S. Settle for $715 Million”

“Feds Seek $5 Million from Back-Office Veterans”

From Enron to Bernie Madoff, the daily news in print or other media is full of stories of fraud, deceit, money laundering, perjury, and theft. The Olsson Center for Applied Ethics that is part of the Darden School of Business at the University of Virginia has created a Business Ethics timeline showing major ethical events over the past few years. Some of the names are familiar—Enron, WorldCom, Adelphia, Tyco, Bristol-Myers, Freddie Mac, AIG—and others less so, but all of the cases have resulted in the collapse of companies, heavy fines, and prison sentences for many of the top executives. For more details, see the website at http://dm.darden.virginia.edu/ethicstimeline/.

Where Are the Auditors?

Following the collapse in 2002 of Arthur Andersen, major accounting firm and auditor for Enron, for its conviction for obstruction of justice, the Justice Department turned its attention to the other surviving large accounting firms. Federal regulators began to investigate the “Big Four” firms for possibly setting up tax shelters to assist wealthy clients to evade taxes, thereby cheating both the U.S. government and fellow taxpayers out of billions of dollars. Is protecting the best interests of the client sufficient excuse for manipulating the law? Should the government proceed to indict another major accounting firm on a felony conviction that could result in that company losing its accounting license, or is that punishment outweighed by the potential damage to thousands of the company’s clients if the firm goes under? The solution to the existing ethical situation becomes an ethical dilemma of its own.

Corporate Scandals

Enron may have been the first big corporate scandal to come to the public’s attention, but it has certainly been followed by numerous others. Familiar names fill the business pages of major newspapers on a daily basis. Accounting firms are held responsible for giving bad (or illegal) advice to their clients. Presidents, CEOs, and CFOs of companies find themselves individually and financially liable for damages. Chief executives face both prison terms and multi-million-dollar fines. Bernie Madoff, creator of the biggest Ponzi scheme ever known, was sentenced to 150 years in prison and a forfeiture of over $17 billion.
According to federal regulators, one family has agreed to turn over 95% of its personal assets, totaling over $1.2 billion dollars, to its privately owned corporation to pay back the government and victims of a long-running fraud. The following fictional case study is based on that case.

**Case Study #1—The Mighty Have Fallen**

Mr. X, son of Italian immigrants and a pioneer in cable television, was a hero to his hometown where he built his communications company into a corporate giant. Over the years, however, a combination of unwise business decisions, over-expansion, and extravagant personal spending led to his company’s downfall. Although some people have labeled Mr. X the worst example of a CEO of the corporate scandal era for stealing from the resources of his company, others say the blame also extends to the lenders, auditors, lawyers, and analysts who should have been acting to protect the best interests of the public. A combination of commercial banks loaned Mr. X’s company over $3 billion to be repaid by the company and Mr. X’s family. Later, when the company securities lost value and the excessive personal spending of members of the family mounted, the company collapsed, filing for bankruptcy and wiping out all of the public stockholders.

The highly recognized corporate auditor of Mr. X’s company had recommended that the rarely seen co-borrowing of family and company be disclosed, but that was never done. The corporation’s board of directors actually approved the loans, and even the Securities and Exchange Commission (SEC) was apparently aware of the unusual arrangement. The whistle was eventually blown when a bond analyst was not satisfied with evasive answers given when company officials were questioned about the amount of existing corporate debt.

In one respect, Mr. X’s family differed from other corporate tycoons in that they never sold any of their stock in the company, perhaps always believing that things would eventually turn around in their favor. Back in Mr. X’s hometown, the family is still praised for the good works they provided to the town, even by some of those financially hurt by the company’s fall.

**For Discussion**

1. Should family members be held personally responsible for corporate debt?

2. Is it the responsibility of the accounting firm’s auditor to report unusual debt arrangements to an outside source?

3. Are there others who have shared in the financial responsibility to shareholders of Mr. X’s company?

4. Why would people in Mr. X’s hometown still believe in and support the family?

The greatest tragedy of the corporate scandals is the devastating impact on individuals and families who lose their life savings due to the unethical and fraudulent behavior of others. Even with the large settlements made by an indicted company, the little guys at the bottom of the pyramid are lucky to receive anything back on their investment. Sending the white-collar perpetrators to prison might provide some sense of satisfaction, but it does little to restore the consumer’s confidence in large corporations, stock brokerages, and accounting firms.

For more specific up-to-date information on corporate scandals, see the Institute for Global Ethics website at www.globalethics.org.
True/False Questions (Circle the correct answer)

1. T F Accounting firm XYZ was NOT justified in testifying in its defense that it acted only to protect the best interests of its client.

2. T F Professor Q was correct in teaching his students that ethics and morality are ALWAYS defined by philosophers as meaning the same thing.

2. Learning Objective: Outline specific guidelines for ethical business practice and give examples of professional associations that provide a code of ethics for their members.

■ Corporate Code of Ethics

Business corporations today are all encouraged to develop a written code of ethics. The very act of sitting down to prepare such a code has proven to be extremely helpful in raising a sense of awareness of the importance of ethical business behavior. A list of companies with a corporate code of ethics includes many familiar names: AT&T, Burger King, Campbell Soup, Coca-Cola, Costco, FedEx, Hewlett-Packard, Honda of America, IBM, John Deere, Johnson & Johnson, Kraft Foods, Lockheed Martin, Lowes, Motorola, NIKE, Pepsi, RE/MAX, Sara Lee, Schweppes, Shell, Texas Instruments, Verizon, Weyerhaeuser, and Williams-Sonoma. In our current hi-tech world we also see Amazon, Apple, Dell, Facebook, Google, Intel, Netflix, LinkedIn, Microsoft, Twitter, and Yahoo with a written Code of Ethics. And if you are looking to write a Code of Ethics for your business, there is even a website that will help you—see Business-in-a-Box.com. You must remember, however, that the most perfectly written Code of Ethics will make little difference in the day-to-day operations of the business unless everyone affiliated with the company from the President or CEO down to the file clerk not only reads it, but is given time to discuss the issues involved and to see the Code in action on a daily basis.

Guidelines for Ethical Business

The George S. May International Company provided consulting services to businesses in a wide variety of categories for over 85 years, serving more than 500,000 clients in over 3,000 different industries. After May’s death in 1962, the company continued successfully under varied leadership for many years. Unfortunately, after a series of upper management problems, the company was closed in 2011. Although written many years ago, the original George May “Guidelines for Ethical Business Operations” continue to provide a sound basis for ethical business practice. See Figure 1.1.
As you read the guidelines carefully, ask yourself how these may be applied to your own practice of real estate.

The first guideline is Laws. We have local, state, and national laws that affect our real estate business. Every state requires that real estate professionals be licensed and complete a specified number of hours of continuing education for relicensure. Most states have laws requiring disclosure to the consumer of agency relationships, property condition, and environmental issues. There are federal laws governing areas of communication by way of telephone, email, and faxing.

Next are Rules and Procedures. The state licensing authority publishes rules and regulations for obtaining and renewing salesperson or broker licenses, establishment of brokerage offices, handling of escrow funds, and numerous other aspects of operating a real estate business. Local REALTOR® associations have regulations regarding MLS entries and use of lockboxes and keys. Individual companies should have printed policies and procedures regarding agency representation of clients, in addition to procedures to be followed for all listings and sales.

Values and Conscience begin at the top. The sense of values and social conscience of the principal broker/owner is usually reflected in the actions of the agents affiliated with that particular office.

Promises are best described by the saying, “Underpromise and overdeliver!” The sure way to gain someone’s trust is to promise what you will do—and then do it.

As to Heroes, who are yours? Do you try to be like your own personal hero? Do you see yourself as a hero to a new agent in your office, to the young first-time homebuyers you helped find a home, or to the immigrant family of eight who no one else would take the time to assist?
**Professional Associations and Companies**

Do companies, including real estate brokerage companies, really want to follow these guidelines and strive to perform in an ethical manner at all times? Or is the best description of the marketplace “a place set apart where men may deceive one another,” as said by philosopher Anacharsis over 2,500 years ago? Although there is still a good deal of deception going on in our modern-day marketplace, apparently there is also a perceived desire on the part of companies to act honorably and ethically. This is shown in the number of professional organizations and associations that stress the importance of a code of ethics and the development of standards for ethical behavior. A brief sampling of these groups follows:

- The Better Business Bureau (BBB) has promoted fairness and integrity in the marketplace since 1912 with a stated goal to “promote and foster the highest ethical relationship between businesses and the public through voluntary self-regulation, consumer and business education, and service excellence.” The BBB website will direct you to your local Better Business Bureau. ([www.bbb.org](http://www.bbb.org))

- The Ethics and Compliance Officer Association (ECOA) was founded in 1992 and currently has over 1,200 members representing the largest number of ethics and compliance practitioners in the world. ([www.theecoa.org](http://www.theecoa.org))

- Seven set principles make up the code of ethics for the Financial Planning Association (FPA) and are designed to guide members in the practice of professional ethics in the field of financial planning. ([www.fpanet.org](http://www.fpanet.org))

- The Institute of Business Ethics (IBE) believes that companies should always uphold the highest standards of behavior and professional conduct. In addition to stating the IBE’s own Code of Ethics on their website, they also provide suggestions for making a code of ethics effective and information on applicable content for a code of ethics company policy. ([www.ibe.org.uk](http://www.ibe.org.uk))

- In 1978, the Office of Government Ethics (OGE) was established as a result of the Ethics in Government Act. As an agency within the Executive Branch, it acts to prevent and resolve conflict of interest situations occurring with government employees. The most complex changes to the executive branch ethics program in 2013 came as a result of passage of the STOCK Act (Stop Trading on Congressional Knowledge Act of 2012). ([www.usoge.gov](http://www.usoge.gov))

- The Institute for Global Ethics (IGE) is dedicated to promoting ethical behavior in individuals, institutions, and nations through research, public discourse, and practical action. The IGE publishes a free *Ethics Newsline*® that serves as an online source for information on ethics and current events. To subscribe to the Newsline, visit the IGE home page at [www.globalethics.org](http://www.globalethics.org).

- The National Association of REALTORS® (NAR) provided a Code of Ethics for its members as early as 1913. This “living document” is constantly under review and modified to meet the challenge of ongoing changes in the real estate market. The NAR code will be discussed at length in later chapters.

**True/False Questions (Circle the correct answer)**

1. **T**  **F**  As long as a company has a published code of ethics, there will **NEVER** be a problem of unethical behavior on the part of its employees.

2. **T**  **F**  The requirement that ethics be included in the business school curriculum was initiated by the Institute for Global Ethics.
3. Learning Objective: Describe ethical issues that exist in the classroom and in the sports world and how they are being addressed.

■ Ethics and the Classroom

Mark Twain tells us that no man is born with morals. He is also credited with saying that, “It is noble to be good, and it’s nobler to teach others to be good—and less trouble!” This leads us to the position of ethics in the academic environment of today.

Ethics is an important classroom issue at many levels: course curriculum, instructor choices, and student behavior.

Business Ethics Courses

Courses in business ethics are becoming more popular and are often required on college campuses throughout the country. Following in the wake of corporate scandals, business schools in particular are recognizing the need to instill ethical standards and a basis for ethical behavior in today’s students. In a study conducted by the Aspen Institute in 2003, MBA students in the United States, Canada, and Britain expressed their concerns that their schools were not doing enough to prepare them for the ethical dilemmas they might face in the business world.

Changes began early at the Akron College of Business Administration, the Prudential Business Ethics Center at Rutgers, the Fisher College of Business at Ohio State, the Kellogg School of Management at Northwestern University, the Katz School of Management at the University of Pittsburgh, and the Haas School of Business at the University of California-Berkeley. According to the Aspen Institute, between 2001 and 2011 the percentage of schools requiring courses dedicated to social, ethical, and environmental issues went from 34% in 2001 to 79% in 2011. By 2011, the Aspen Top 10 list was headed by the business schools at Stanford, Notre Dame, Yale, Northwestern, and University of Michigan. Harvard Business School did not participate in the Aspen study but has been actively involved in ethics training since the 1980s. Likewise, the Stern School of Business at NYU claims to have required a course in ethics for the past 30 years.

One concern is that this revived interest in the study of ethics that has come about as a result of recent corporate scandals will fade over time. Schools continually face the pressure to expand their curricula to include topics that are focused on technology, the internet, globalization, and the environment to the point that there is a concern that the study of business ethics may once again become neglected.

The Association to Advance Collegiate Schools of Business (AACSB) that accredits business schools now requires that ethics be included in the course curriculum. In 2013, the AACSB completed a major revision to their accreditation standards. The new standards place a greater emphasis on social responsibility and ethics. An interesting sidelight has been the use of convicted (and now released) felons to weave more ethics training into the classroom. The following case study is based on a real-life couple.
Case Study #2—The Duo of Deceit

For Discussion

John Q had a busy and successful career as a municipal attorney, trial lawyer, law school professor, and former business partner of a well-known football star. It all came to an end, however, when he and his wife were arrested, tried, and convicted on 19 counts of fraud and tax evasion. Prosecutors in their 1999 trial brought out incidences of tax evasion, consorting with mobsters, and looting their children’s trust funds. Mr. Q served five years in federal prison and his wife served four. Known as the “duo of deceit,” they had lived by the mantra, “Everybody does it.” Finding legal loopholes to justify their actions had become a way of life for them. Today, they have started a new career giving lectures at business schools on how to avoid going astray as they did. In their seminars, the couple now stresses the importance of not letting success inflate your ego, choosing your partners wisely, and listening to your own conscience.

1. Does wealth in and of itself lead to unethical behavior?
2. Are students more, or less, apt to listen to the advice of convicted felons?
3. Despite accusations of many types of corrupt behavior, what was the couple ultimately convicted of and sent to prison for?
4. Does support of John Q’s new teaching career imply forgiveness or condoning of his former bad behavior?

Cheating

An even more immediate problem in colleges and universities today is that of cheating. An extraordinarily high percentage of students admit to having cheated on exams during their college years. An even greater problem is that of students pirating information from the internet and presenting it as their own work. In some cases, entire thesis papers have been downloaded and submitted. The problem is so large that there are actually websites designed to monitor students’ papers and to catch such offenders. Turnitin is an internet-based service that can be purchased by schools and universities that is designed to prevent plagiarism by the students. In some cases, a teacher may find that an entire assignment has been “lifted” from the internet. In others, only selected sections of the paper have been copied. Often, the problem is just the lack of proper citation of the originator of the information. Working with the system, the teacher and student can often work out the problem satisfactorily whereas in the past, the student would have just received a failing grade.

The internet is a fantastic source for research on any subject and can make the scholar’s task much easier. The downside is that there is so much incorrect information appearing on the internet today that it just gets perpetuated from one article or blog to another. Good research requires careful attention to the actual source and verification of the information given. Gone are the days of searching out volumes in the library, laboriously writing out notes, and then spending long hours compiling that information into a term paper or a master’s or doctoral thesis. Fewer hours spent in front of a computer in the comforts of home or dorm are certainly preferable but are not intended to provide the student with an easy way out. One professor at a small business school told of a student who was unable to defend his master’s thesis at the oral jury presentation because he didn’t really understand what some of the words meant!
In other cases, professors are bribed to raise a grade or turn a blind eye to classroom cheating just to keep a particular student in school because the parents are major contributors to the athletic or alumni fund. In one case, it was actually the ethics professor who was involved!

**Future Outlook**

There are some encouraging changes with regard to ethics in the academic world. A few colleges have actually dropped athletic programs in favor of more concentration on scholastic achievement. Colleges and universities are developing stricter policies to circumvent internet pirating. Hopefully, the trend toward more required courses in business ethics will diminish the number of corporate fraud cases that have been seen in recent days. Unfortunately, there is always a chance that Mason Cooley was right when he wrote in *City Aphorisms*, New York, 1988, “Reading about ethics is as likely to improve one’s behavior as reading about sports is to make one into an athlete.”

**Ethics and the Locker Room**

The shadow of steroids and other performance-enhancing drugs hangs over all aspects of the sports arena today. Famous sports heroes are paraded through congressional hearings; gold medals are revoked and awarded to the runners-up; and competitions are plagued with drug testing—all because some athletes are so determined to win that they will do anything to increase their physical status and power.

It broke many people’s hearts when Olympic gold medalist Marion Jones admitted to using performance-enhancing drugs in 2007. She lost her medals for track-and-field events and was sent to prison for six months for lying to investigators. Today, she shares her story with young athletes in hopes that they will choose to avoid taking the drugs.

Possibly the most notorious of the athletes caught up in a doping scandal is Lance Armstrong. Armstrong won seven Tour de France titles in cycling along with many other medals. As a cancer survivor, he gained the admiration and respect of millions of people. When accused of taking performance-enhancing drugs, he denied their use, and fought hard to defend his position for many years. When he ultimately confessed to using the drugs, maintaining a defense of “everybody does it,” it rocked not just the cycling world but all those who had believed in him and supported him. The USADA (United States Anti-Doping Agency) stripped him of his medals and banned him from cycling. He resigned as chairman of the Lance Armstrong Foundation (now the Livestrong Foundation), a supporting group for cancer victims which he had founded in 1997.

Many Major League Baseball stars have been caught up in the use of steroids scandals in recent years. Some of the most well-known are Roger Clemens, Barry Bonds, Mark McGwire, and most recently, Alex Rodriguez (A-Rod). In July, the League was considering banning Rodriguez from baseball for life. Ultimately, the decision was to ban him from the 2014 season. You have to wonder: was it worth it? Clemens and Bonds were recently made aware of the long-reaching effects of these accusations. Despite being two of the biggest names in baseball history, they were both rejected in the current year’s voting for the National Baseball Hall of Fame.
Promising high school athletes are wooed by major universities with scholarships, new cars, and allowances to ensure that the school gain or retain high standings in the athletic world. This has been a common practice for many years but also raises some ethical questions. Is it fair for these athletes to receive special treatment like upgraded dorm facilities, higher-quality meals, and weekly allowances? Should the star football players be excused from classes on Fridays in order to rest up for Saturday’s game? Is it really okay for a professor to move a grade from D+ to C- just to maintain a basketball player’s eligibility?

**Case Study #3—Is Winning Everything?**

A TV news magazine told the story of a small New England prep school that had enjoyed a good reputation for graduating well-behaved, knowledgeable young men into the community for over 100 years. Unfortunately, school enrollment was dropping and the school was about to go under. The decision was made to bring in outstanding young basketball stars from all over the country (on scholarships, of course) to build a team that would win honors and trophies, generating new exposure for the school, increased enrollment, and greater financial support. It worked. The school is back in a strong financial position; more young men are achieving a good academic education; and the basketball team continues to win games. Is there an ethical problem here?

**For Discussion**

Relating the basic concept of this story to a real estate office, answer the following questions:

1. Would it be right for broker W to pay for top-of-the-line laptop computers, PDAs, and camera cell phones for four new agents that he believed would raise the level of professionalism (and bring in more business) for his office?

2. Would the other agents in broker W’s office be justified in complaining that this was an unfair decision?

3. If more business is generated for the office, will everyone benefit?

4. What would be a better way to achieve broker W’s desired result?

**True/False Questions (Circle the correct answer)**

1. T  F  There is no guarantee that the emphasis given today on including business ethics in the approved curriculum will continue into the future.

2. T  F  Maria forgot that she has a six-page report due tomorrow on the impact brown fields have on city development. Her BEST solution is to research the internet for an article on that topic, copy it, and turn it in on time.


**Conclusion**

Would merely having a corporate code of ethics have prevented a major business tycoon from stealing money from the corporation’s accounts? Does signing a pledge at the end of a master’s thesis guarantee that the student has not copied material directly from the internet? Does pledging to follow the Code of Ethics mean that every REALTOR® will always protect the best interests of a client? Obviously, the answer is no in all cases. Neither written rules and regulations nor a published code of ethics will ever be able to ensure ethical behavior on the part of all individuals. The written word can, however, provide a place to start.

Whether in the boardroom, the classroom, the locker room, or the real estate salesroom, time devoted to honest discussion of ethical principles can make a difference. Reviewing a case study based on an actual experience gives people an opportunity to examine different aspects of a situation without it becoming a personal issue. There is often more than one answer to an ethical question. Hearing and discussing different sides of these hypothetical case studies might be helpful the next time a person faces a similar ethical dilemma.

The exposure of misdealing at the corporate level, the emphasis on required business ethics courses for tomorrow’s chief executives, the requirement for more ethics training for real estate professionals—all of these efforts will hopefully lead to higher standards of ethical behavior in today’s world and that of tomorrow.
■ Review Questions

1. Situational ethics can be BEST described as ethics based on
   a. the early teachings of Socrates.
   b. always doing the right thing.
   c. behavior determined by circumstances.
   d. congressional rulings.

2. The greatest tragedy resulting from the corporate scandals is the
   a. bad publicity for formerly admired companies.
   b. exposure of lack of ethics in the business world.
   c. impact on individuals losing their life savings.
   d. former CEOs and CFOs sent to jail.

3. All of the following statements regarding ethics and law are true EXCEPT
   a. ethics and law are not synonymous.
   b. ethical behavior cannot be legislated.
   c. ethics never go beyond the limitations of the law.
   d. the law draws a firm black and white line between right and wrong.

4. After the collapse of Arthur Andersen, the government began to investigate the remaining “Big Four” accounting firms for
   a. obstruction of justice.
   b. filing erroneous tax forms.
   c. setting up tax shelters to assist clients evading taxes.
   d. cheating their clients.

5. The primary reason for the collapse of the Arthur Andersen accounting and auditing firm was
   a. the lack of response to the Securities and Exchange Commission.
   b. a felony indictment against the CEO of the firm.
   c. giving advice to a major client that led to tax evasion and fraud.
   d. overspending by the board of directors.

6. The MOST important element of developing a corporate Code of Ethics is the
   a. way the code is written.
   b. act of sitting down to prepare a code.
   c. number of articles in the code.
   d. number of people preparing the code.

7. Of the six practical guidelines for ethical business behavior outlined in May’s “Guidelines for Ethical Business Operations,” the ones MOST likely to result from the “top down” are
   a. Laws.
   c. Values and Conscience.
   d. Promises and Heroes.

8. George May’s first guideline for ethical business concerns laws. In the real estate business, this can be seen in all of the following EXCEPT
   a. state licensure law.
   b. federal and state fair housing law.
   c. MLS and lockbox procedures.
   d. mandatory disclosure of environmental hazards.

9. The “hero” in a real estate office would MOST likely be the agent who
   a. made the most sales for the year.
   b. had the highest number of listings.
   c. was willing to work with low-income renters.
   d. provided a Christmas party for all agents.

10. The first organization to promote fairness and integrity in the marketplace was the
    b. Ethics and Compliance Officer Association.
    c. Institute of Business Ethics.
    d. Office of Government Ethics.

11. A dean of a small college is apt to run into ethical questions in all of the following situations EXCEPT the
    a. behavior of individual students.
    b. selection of course curriculum.
    c. decisions made by professors.
    d. calculation of grade point averages.
12. The revived interest in the study of ethics in business schools came about due to the
   a. overall changes in curriculum prevalent today.
   b. drug scandals in the sports world.
   c. large number of corporate scandals that have occurred.
   d. increased amount of plagiarism.

13. Cheating has always occurred in universities, but today’s biggest problem is
   a. one student taking an exam for another.
   b. bribing the professor for a higher grade.
   c. claiming information taken from the internet as original work.
   d. professor ignoring cheating in the classroom.

14. The sports scandals that have received the **MOST** attention are those concerned with
   a. deliberately injuring another competitor.
   b. placing bets either for or against one’s own team.
   c. the use of steroids and other performance-enhancing drugs.
   d. bribing officials.

15. Many athletes have been punished for unethical behavior over the past few years. Who was forced to give back at least seven major medals?
   a. Alex Rodriguez
   b. Lance Armstrong
   c. Marion Jones
   d. Barry Bonds
### Features

- **Case Studies**—Based on real-life agency situations as well as scenarios specific to appraisal, commercial real estate, and property management
- **Discussion Questions**—With 15 of the book’s case studies, for classroom interaction
- **NAR Code of Ethics and Case Interpretations**—In-depth discussion of the National Association of REALTORS® Code of Ethics, plus 11 NAR Case Interpretations
- **Issues**—Typical issues today’s real estate professionals are apt to encounter
- **Making Ethical Decisions**—Guidelines to apply when debating whether a decision is ethical

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