

Article One Case Study #1

Listing broker Benny received an offer from buyer #1 on Tuesday at 3pm which expired the following day at 3pm. At 1pm on Wednesday, the broker for buyer #2 contacts Benny and asks if there are any offers. Benny tells buyer #2 that indeed there is another offer, but that he'll stall on presenting buyer #1's offer until 6pm, allowing buyer #2 enough time to submit their offer. Benny calls buyer broker #1 and tells him he can't present the offer until 6pm when his client gets home from work.

Buyer #2, knowing that the seller has another offer decides to offer list price on the property, which the seller promptly accepts without any kind of counteroffer.

Discussion points:

- 1) Did the listing broker do anything wrong?
- 2) Did listing broker Benny violate the Code of Ethics? Which standard of practice?
- 3) Did Benny violate his Broker Duties?

Article One Case Study #2

Realtor Amy had a wonderful listing in the North Valley. It was on the market for over 90 days. Realtor Bob called on a Saturday afternoon to inform her that he was going to show it. Realtor Amy said that was fine because it was vacant.

Realtor Cal had shown it on Friday but had not returned Realtor Amy's call for showing feedback.

Sunday morning, April 6th, 2014, at 10:30am, Realtor Bob called Realtor Amy and informed her he was writing an offer and would get it to her by 1pm.

Around 11am, Realtor Cal faxed over an offer that was \$3,500 below list price, with the buyer asking for \$1,500 in closing cost assistance. The expiration deadline was 7pm that evening. Realtor Amy presented the offer to the seller at 3pm. As of 5pm no offer had been received from Realtor Bob.

Realtor Amy thinks the offer presented by Realtor Cal is perfect and does not tell the Seller that there may be another offer coming. The Seller accepts the offer at 5:30pm. At 6:30pm Realtor Amy receives a full price offer from Realtor Bob via email. Realtor Amy sends Realtor Bob a quick email saying "thanks, but my seller already accepted an offer today."

Realtor Bob can't believe the Realtor Amy did not inform the Seller that his Buyer planned on submitting an offer and that she did not try to get the seller the best possible price. Realtor Bob files an ethics complaint on April 17th, 2014 against Realtor Amy, saying she violated Article 1 because she knew that he had an interested Buyer and should have given his Buyer a chance to submit an offer.

Discussion points:

- 1) Did Realtor Amy do anything wrong?
- 2) Should Realtor Amy have called the other agent to let them know she had another offer?
- 3) Not wanting to lose the offer, did the seller do anything wrong accepting Realtor Cal's offer ?

Article Two Case Study

REALTOR® A listed Seller X's home and entered the listing into the MLS. The relevant MLS data field indicated the compensation REALTOR® A was offering to the other Participants if they were successful in finding a buyer for Seller X's home.

During the next few weeks, REALTOR® A authorized several Participants of the MLS, including REALTOR® C, to show Seller X's home to potential buyers. Although several showings were made, no offers to purchase were forthcoming. REALTOR® A and Seller X, in discussing possible means of making the property more salable, agreed to reduce the listed price. REALTOR® A also agreed to lower his commission. REALTOR® A changed his compensation offer in the field in the MLS and then called the MLS Participants who had shown Seller X's property to advise them that he was modifying his offer of compensation to cooperating brokers. Upon receiving the call, REALTOR® C responded that he was working with Prospect Z who appeared to be very interested in purchasing the property and who would probably make an offer to purchase in the next day or two. REALTOR® C indicated that he would expect to receive the compensation that had been published originally in the MLS and not the reduced amount now being offered to him, since he had already shown the property to Prospect Z and expected an offer to purchase would be made shortly. REALTOR® A responded that since Prospect Z had not signed an offer to purchase and no offer had been submitted the modified offer of compensation would be applicable.

The following day, REALTOR® C wrote an offer to purchase for Prospect Z. The offer was submitted to the Seller by REALTOR® A and was accepted. At the closing, commissions were dispersed reflecting the modified offer communicated to REALTOR® C by phone. REALTOR® C refused to accept the check indicating that he felt REALTOR® A's actions were in violation of the Code of Ethics. REALTOR® C filed a complaint with the Association's Grievance Committee alleging violation of Articles 2 and 3 on the part of REALTOR® A citing Standard of Practice 3-2 in support of the charge.

During the hearing, REALTOR® C stated that REALTOR® A's modification of the compensation constituted a misrepresentation through concealment of pertinent facts since he had not provided REALTOR® C with specific written notification of the modification prior

to the time REALTOR® C began his efforts to interest the purchaser in the listed property. REALTOR® A defended his actions by indicating that timely notice of the modification of compensation offered had been provided to REALTOR® C by telephone prior to REALTOR® C submitting a signed offer to purchase. REALTOR® A also indicated that his modified offer of compensation had been noticed to all Participants, including REALTOR® C, through the MLS in accordance with Standard of Practice 3-2 prior to the time that REALTOR® C had submitted the signed offer to purchase. REALTOR® A also commented that had REALTOR® C submitted the signed offer to purchase prior to REALTOR® A communicating the modified offer, then REALTOR® A would have willingly paid the amount originally offered.

Discussion points:

- 1) Can you understand REALTOR® C's point of view? Would you expect the original compensation amount?
- 2) What steps could you take to make sure this didn't happen to you?
- 3) In your opinion, did REALTOR® A violate Article Two?
- 4) There a standard of practice that directly applies to this situation. Where is it found?
- 5) Was Realtor A's modification of the compensation in the MLS done in compliance with the Code of Ethics? Which standard of Practice applies to this situation?

Article Three Case Study

REALTORS® A and B were members of the same Association and Participants in the MLS. REALTOR® A, cooperating with REALTOR® B on REALTOR® B's listing, submitted an offer to purchase signed by buyers offering the listed price, and a check for earnest money. The only contingency was a financing contingency, and REALTOR® A shared with REALTOR® B the buyers' loan prequalification letter. The following day, REALTOR® B emailed the offer back to REALTOR® A with "REJECTED" written on it and initialed by the

seller, and explained that the seller had accepted another offer secured by one of REALTOR® B's sales Associates. REALTOR® A inquired about the seller's reason for rejecting the full price offer with only a mortgage contingency, and what had caused the seller to accept the other offer. REALTOR® B responded that he did not know, but with equal offers, he supposed the seller would favor the offer secured by the listing broker.

Later, REALTOR® A saw the seller at a dinner party. The seller thanked him for his efforts in connection with the recent sale of the seller's home. The seller hoped REALTOR® A understood there was nothing personal in his decision, adding that the money he saved through his "special agreement" with REALTOR® B had been the deciding factor. When REALTOR® A asked about the "special agreement," the seller explained he had signed a listing agreement for the sale of his property which authorized the submission of the listing to the Multiple Listing Service and specified a certain amount of compensation. However, the seller stated that he had also signed an addendum to the listing agreement specifying that if REALTOR® B sold the listing through his own office, a percentage of the agreed compensation would be discounted to the seller's credit, resulting in a lower commission payable by the seller.

REALTOR® A filed a complaint with the Association of REALTORS® against REALTOR® B, alleging a violation of Article 3. After its review of the complaint, the Grievance Committee requested that an ethics hearing be arranged.

Discussion points:

- 1) Was the listing broker's "special arrangement" in violation of the Code?
- 2) In your opinion, was REALTOR® B in violation of Article 2? Article 3? How about Article 1?
- 3) Did REALTOR® B attempt to gain an unfair advantage over REALTOR® A?
- 4) Which Standard of Practice most directly applies to this case study?

Article 11 Case Study

Sean considers refinancing a twenty-three unit apartment building he has owned for several years to unlock some of the equity. The lending firm, ABC Mortgage, orders an appraisal for the property from REALTOR® Paul, who happens to be a licensed appraiser and a commercial real estate broker. The appraisal report is complete with the property address, date prepared, value, purpose, and market data. After receiving the appraisal, Sean is surprised to learn how much the building has appreciated and decides to sell the property instead of refinancing it.

Because Sean likes how thorough REALTOR® Paul was with the appraisal process and knowing that he is a commercial broker, Sean hires Paul to represent him as his listing broker. Within one week, an offer is made on the property and accepted.

During the loan application, the prospective purchaser informs the new lender that the property was recently appraised for ABC Mortgage. The lender is surprised to learn that Paul is both the listing broker and the appraiser, and that no disclosure was made about his “contemplated interest” as established in Standard of Practice 11-1.

Discussion points:

- 1) As used in Standard of Practice 11-1, does Paul have a “present or contemplated interest” in the property when he does the appraisal?
- 2) Is Paul in Violation of Article 11?

Article 16 Case Study

REALTOR® Barbara has an exclusive listing on Sue’s property – a banquet hall that seats 2400 people. An offer for the property is submitted by Buyer Broker Mike. Barbara takes Mike with her to present the offer to Seller Sue later that evening. Sue is interested, but wants time to think it over.

The next day, Mike thinks about what an inept job Barbara did presenting his client’s offer -- it was as if she didn’t fully understand it. There were several important considerations that

Barbara did not explain to Sue. Because he attended the presentation and was involved in the negotiations, Mike decides to contact Sue directly to ask if she has any questions and to explain some of the finer points of the offer. Although the offer is less than the list price, Mike thinks it is fair and recommends that Sue accept it. After a little more discussion, Sue agrees. The contract is signed and a copy is faxed to Mike's office.

When Mike calls Barbara to tell her about the sale, she becomes very upset because Mike worked directly with Sue, rather than her.

Discussion points:

1. Identify the Standard of Practice that applies to this situation?
 - a. 16-2
 - b. 16-4
 - c. 16-13
 - d. 16-14

2. Is there an obligation on Mike's part to work through Barbara?
 - a. No, the fact that Barbara had introduced Mike to Sue opened the door for him to carry on the negotiations with Sue directly.
 - b. It depends on whether Barbara had expressly precluded Mike from contacting Sue directly.
 - c. No. Mike has always been able to contact Sue directly.
 - d. Yes. Mike should have worked only through Barbara, Sue's listing agent.