



Indiana Association of REALTORS® Legal Affairs

NAR Adopts new Code of Ethics Changes for 2022

These amendments are effective on January 1, 2022.

In an effort to reinforce our industry's dedication to greater transparency to consumers, the NAR Board of Directors adopted several changes to the Code of Ethics that reinforces our organization's long-standing commitment to serving the best interests of both buyers and sellers in every transaction. Two significant changes include the following:

Amendment to Standard of Practice Section 12-1

A change to this provision definitively states that brokerage services cannot be offered for "free" or "no cost available" unless the REALTOR® will receive no financial compensation.

The NAR Code of Ethics has always held that REALTORS® must honestly represent the scope of their services in advertising, but this amendment clarifies the word "free" cannot be used unless the service is truly free. Those brokers who offer CMAs to clients at no cost may continue to provide that service so long as they do not receive any financial compensation from any source. Below is a case interpretation where a broker advertised a CMA for free for an example.

Case #12-10: REALTOR® Advertising Free Market Analysis:

REALTOR® A advertised on his website as follows: "Free Market Analysis With No Obligation." REALTOR® B presented a written complaint to the Professional Standards Administrator of the Association filing a charge against REALTOR® A of an alleged violation of Article 12 of the Code of Ethics.

The matter was referred to the Grievance Committee which concluded the matter should be considered by a panel of the Professional Standards Committee. A hearing was convened with both REALTOR® A and REALTOR® B present.

REALTOR® A advised the Hearing Panel that he had placed the advertisement on his website and in good faith. He stated he felt his ad did present a "true picture," and was not unethical. When the panel asked if his offering of a "free market analysis" was contingent upon his obtaining a listing or commission, REALTOR® A answered in the negative. He pointed out that he charged no fee for the service and provided it as represented on his website.

In the absence of any evidence indicating that the advertising by REALTOR® A was misleading, the Hearing Panel concluded that such advertising by REALTOR® A is not prohibited by the Code of Ethics nor can such advertising be prohibited by an Association of REALTORS® unless it presents less than a "true picture." However, if a charge is filed against a REALTOR® alleging violation of Article 12 and there is a hearing before the Professional Standards Committee, determination may properly be made of the truth of any representations made.

The Hearing Panel concluded that REALTOR® A had demonstrated that his ads presented a "true picture" and that he was not in violation of Article 12.

Amendment to Standard of Practice Section 1-8

In 2018 and 2019, NAR Board of Directors codified a listing broker's ethical duty to confirm the submission of an offer. Since the adoption of this change, many have questioned why this ethical obligation does not extend to counteroffers too. As a result, the Board of Directors adopted an identical professional standard for buyer brokers by requiring their confirmation of a counteroffer.

IAR has revised the Acknowledgement of Presented Offer form for 2022 to include confirmation of counteroffers to comply with this new Amendment.

Join the [2022 Legal Update and Legislative Outlook](#) on January 10 for further discussion of this topic.

