



### **10 scenarios that can get new agents ethics violations, lawsuits or worse**

Here are 10 hypothetical situations to help illustrate how you can avoid some very real legal and ethical problems

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*New to the industry? Get started with everything you need to know about the early decisions that'll shape your career, including choosing a brokerage, learning your market, creating an online presence, budgeting, getting leads, marketing listings and so much more. If you're a team leader or broker-owner, [New Agent Month](#) will be jam-packed with resources to help your new hires navigate.*

Even the most earnest real estate agents can accidentally make a false step that could end in an [ethics violation](#), a lawsuit or even revocation of their license. That's why it's vital to understand ethical issues and potential legal problems — especially if you're a brand [new real estate agent](#).

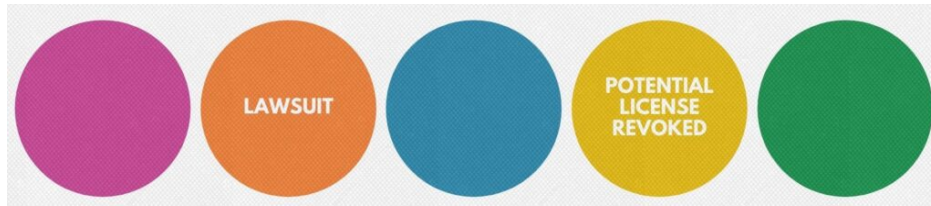
Take a look at the following common hairy situations agents encounter and the potential consequences.



#### **Scenario 1**

*A potential buyer is especially concerned about the risk of [termites](#) at a property you're representing. She asks if the home has ever incurred any damage from termites, to which you respond, "no, none."*

*But you fail to mention that there has been evidence of the presence of termites on the property in the past, though they've never caused any significant damage to date.*



**Verdict: You could be at risk of a lawsuit, or even of losing your license.**

Agents who misrepresent a property, mislead clients or fail to [disclose property defects](#) quickly make themselves vulnerable to being sued.

If the aforementioned potential buyer ultimately buys the home, then months later starts seeing termite damage on their property and is perplexed as to why, they will likely come back to the listing agent and blame them for failing to disclose the presence of termites.

The seller or listing agent could also potentially be liable even if failing to disclose termites to the buyer was not intentional. Other common related items that an agent can get into trouble for not disclosing include foundation issues, improvements made without permits or leaks.

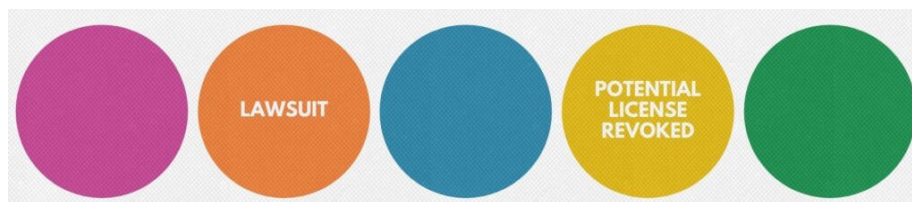
Common misrepresentation issues also include property boundaries or issues with roofs, or even an agent's relationship to the buyer, seller, or anyone else involved in the transaction.

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## Scenario 2

*Your buyer is thrilled with the "perfect" home you've helped them find, and you meet up on a Friday afternoon to collect their [earnest money](#) for escrow.*

*You take their check, put it in a safe interior pocket in your work purse, and promptly forget all about the check until you notice it in your purse the following Tuesday.*



**Verdict: You could be sued and potentially have your license revoked if you have a pattern of similar mishandling of funds.**

Earnest money needs to be deposited into escrow in a timely fashion, and agents should not take this lightly. They should also avoid moving money around, not keeping up their books, or borrowing money from clients (a big no-no).

The bottom line is, when it comes to handling clients' money, keep it organized, and get it to the appropriate parties as quickly as possible.

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## Scenario 3

*An agent calls you regarding a property you've listed, which currently has an accepted offer — with contingencies. The agent wants to know what the status is on offers and contingencies, and you curtly reply, "I'm not at liberty to discuss."*



**Verdict: You've just committed an ethics code violation.**

Article 3 of the Realtor Code of Ethics states: "Realtors shall cooperate with other brokers except when cooperation is not in the client's best interest. The obligation to cooperate does not include the obligation to share commissions, fees, or to otherwise compensate another broker."

As such, you're obligated to disclose if an offer has been expected and what the current status is in case the agent and their client want to submit a backup offer.

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#### Scenario 4

*Your clients are shopping for homes in a new city and want to know crime rates in different neighborhoods to help them make their homebuying decision. So, you generate crime reports with a variety of crime statistics on every neighborhood in the city and provide them to your client.*



**Verdict: You've committed an ethics code and fair housing violation.**

Such practices that might potentially sway a buyer toward wanting to live in one neighborhood versus another are considered steering under the [Fair Housing Act](#) and the National Association of Realtors (NAR) ethics guidelines.

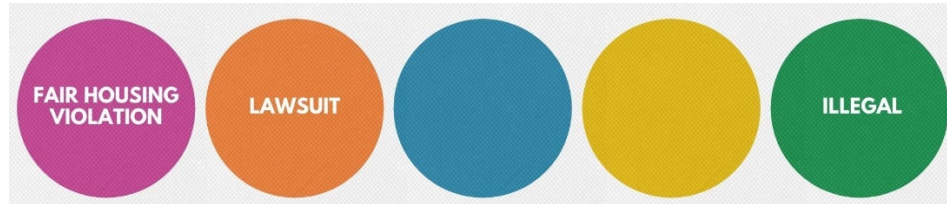
To avoid a potential slip into [steering](#), agents can be sure to do things like suggest listings to clients based on a home's objective features or price point and refer clients to third parties if they have questions about things like schools or ethnicities in a neighborhood.

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#### Scenario 5

*Your seller receives a buyer love letter in one offer on their home that hits them in a personal way — the buyer couple reveals that they have two kids the same age apart as the seller's, and the seller now envisions their family growing up in their home.*

*The seller accepts their offer, and later on, a competing buyer who is single learns that the seller accepted the offer of the other buyer because they had a family.*



**Verdict: The seller and/or listing agent could be sued, and this is a fair housing violation.**

When buyers give away personal details in [buyer love letters](#) that might sway sellers, it opens up sellers to liability in a fair housing lawsuit.

At a Realtors Conference in 2020, Barbara Betts, broker-owner of the Betts Realty Group and a director of the National Association of Realtors, the California Association of Realtors and the Pacific West Association of Realtors, suggested that listing agents speak with their sellers about not accepting these kinds of letters at all because of their potential for liability.

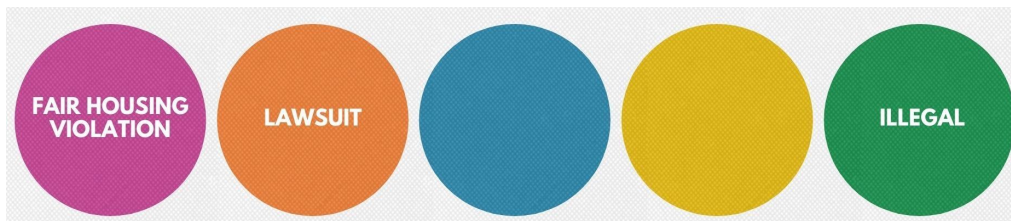
Of course, if letters only discuss the merits of the house buyers are hoping to win, that's a different story. But it's impossible to know the content of a love letter in advance.

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### Scenario 6

*You notice a property pop up in the multiple listing service (MLS) that checks off all the boxes of what your buyer wants in their new home. But, you also notice that the listing agent works at a discount brokerage known for offering lower than the typical cooperating compensation for buyer's agents.*

*So, you decided not to alert your client to the listing. There are plenty of other listings out there anyway.*



**Verdict: This practice could quickly get agents sued if they're caught, and it's considered a fair housing violation.**

In fact, several Houston-area real estate agents were recently targeted in lawsuits [by REX Real Estate](#) when the discount brokerage acquired recordings of agents revealing that they wouldn't show buyers homes listed by the discount brokerage because of the smaller commission they would receive. Buyers have a right to know about all the potential options available to them.

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### Scenario 7



*You list a property and clearly state in the MLS that no showings will be available on the property until a certain date the sellers have specified, when they plan to go on an extended vacation.*

*The day before the sellers were supposed to leave, they mention to you that they left early and have already vacated the house.*

*A potential buyer had reached out to you wanting to see the house ASAP, so you contact them and let them know you can now show them the house this afternoon, a day before you said on the MLS it would be open for showings.*



**Verdict: You have violated the Realtor Code of Ethics.**

Realtors are obligated under the Realtor Code of Ethics to cooperate with other brokers, unless it's not in their client's best interest.

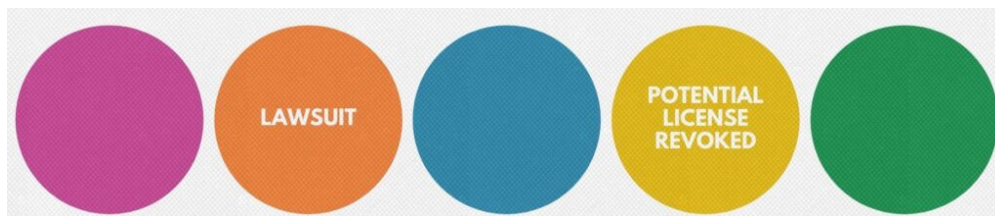
By showing the home yourself a day before publicly stating when it would be available to see, you're misrepresenting the availability of access to the property and going against their obligation to share information about the property and make it available to other brokers.

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### Scenario 8

*You've hit a bit of a dry spell and could really use some new leads. You remember an old leads list you have in your database from before you started a texting plan through your CRM, and think, "Bingo! Why didn't I text these leads before?"*

*You add their cell numbers into your texting campaign plan and wait for those leads to warm on up.*



**Verdict: You've just done something illegal and made yourself vulnerable to a lawsuit.**

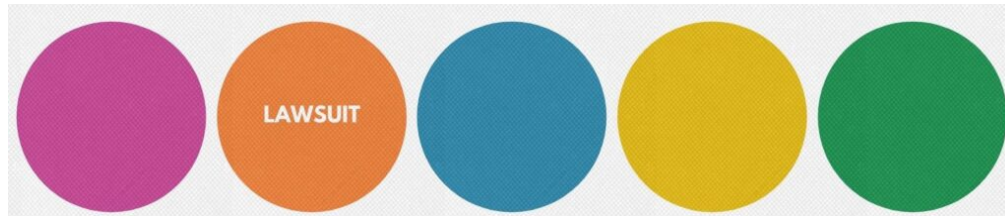
According to the [Federal Communications Commission \(FCC\) regulations](#), consumers must give their consent to receive marketing communications. Just because someone opted in to receive communications from you previously does not mean they now want to start receiving new text messages from you.

"That is a major no-no," Robby Trefethren, an inside sales agent (ISA) coach at Hatch Coaching, told Inman. "You are opening yourself up to major legal and financial liability, and I don't recommend doing that to anyone."

## Scenario 9

*Your client is interested in a property and have poured over the listing multiple times, but really wish they could get a video tour of the home before deciding whether or not to go see it in person.*

*The only problem is, the listing doesn't have any kind of video or [virtual tour](#) of the home with it. You tell your clients, no problem, you can go visit the property for them and take some videos on your iPhone while you're there to pass along to them.*



**Verdict: You've made yourself vulnerable to a lawsuit.**

By recording video footage of a home without the seller's consent, you've given them the option to take legal action against you.

Sure, it's possible that the listing agent just didn't have the tech or know-how to create a video tour of the home, but it's also possible that the sellers did not want to have video footage of their home on the internet. Without asking, you have no way of knowing.

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## Scenario 10

*Some friends of one of your current clients reaches out to you because they're unhappy with their current Realtor, whom they say, "Just isn't getting the job done."*

*Because you are responsible and kind and want your clients to see that you're willing to help their friends, you tell them you'd be happy to help out and are sorry their current Realtor isn't doing their job right.*



**Verdict: You've just violated Article 16 of the Realtor Code of Ethics.**

If a client already has a representation agreement in place with another Realtor, you're violating Article 16 by agreeing to work with them before their existing contract with the other Realtor expires.

It is, however, permissible to discuss with someone like this who reaches out to you what you could do to help them once their existing contract does expire.

"If they make incoming contact to me, I absolutely can have a conversation about what I will do for them after their contract has expired," Betts told attendees at the aforementioned [Realtors conference in 2020](#). "You cannot talk about right now. You cannot tell them their Realtor isn't doing their job."