

Poor business vs. ethics violation: What's the difference?

The IREM[®] Code of Professional Ethics ("IREM Code") outlines ethical standards for real estate managers. It's important to distinguish between **poor business practices** and **potential ethics violations**. Below is a short summary of each Article in the IREM Code, with examples of common scenarios provided by the IREM Ethics Committee for purposes of illustration only. The examples are not intended to be all-inclusive, and finding an ethical violation is subject to the hearing policies and procedures set forth in the IREM Bylaws and/or policies.

- **Poor business practices:** substandard or inefficient actions that may be legal and do not violate the IREM Code but can result in unfortunate outcomes or client dissatisfaction.
- **Potential ethics violation:** direct breaches of the IREM Code and may involve dishonesty, conflict of interest, or failure to uphold fiduciary duties; these actions and/or behaviors may lead to disciplinary action by one of the IREM ethics panels.

Article 1. Loyalty to client, firm, and/or employer

- Put the client's interests first if/when a conflict arises.

Poor business practice: Prioritizing personal convenience over client needs, leading to delayed responses or missed opportunities, or not following up with a maintenance concern in a timely matter.

Potential ethics violation: Working for a competitor while still employed by a firm, taking business away from their current employer, or sharing information about a client's financial situation, such as speculation about bankruptcy, and/or proprietary business practices.

Article 2. Confidentiality

- Keep client information private unless the client gives permission or if the law requires disclosure – intention is key.

Poor business practice: Discussing client strategies in casual conversations, inadvertently sharing sensitive information, or accidentally sending client's financial report to a wrong email.

Potential ethics violation: A manager intentionally provides confidential client information to a third party for personal or professional (company's) gain.

Article 3. Accounting and reporting

- Be accurate and timely in financial reporting; don't mislead or omit key information.

Poor business practice: Submitting financial reports with minor errors or delays, causing confusion but not intentional harm.

Potential ethics violation: Falsifying financial records to conceal mismanagement, embezzlement, or to make financial results appear better than they are; not sending financial reports at all.

Article 4. Protection of funds

- Keep client funds separate and secure – act as a fiduciary with care and diligence.

Poor business practice: Holding onto rent payments before depositing due to being unorganized, or an employee accidentally using a company credit card for personal expense (one-time, not reoccurring).

Potential ethics violation: Using client funds for personal expenses, or intentionally depositing checks into an incorrect bank account.

Article 5. Relations with other members of the profession

- Be honest and respectful toward competitors and fellow professionals.

Poor business practice: Having an unpleasant or unfriendly attitude towards a competitor.

Potential ethics violation: Spreading false claims about a competitor's competence or making slanderous comments about another member's character.

Article 6. Contracts

- Contracts must be transparent and accurately reflect agreed-upon services and responsibilities; leave nothing open for interpretation.

Poor business practice: Using a verbal agreement or outdated contract, or including vague and ambiguous language in a contract.

Potential ethics violation: Deliberately including misleading or deceptive clauses in a contract, or conducting business without a signed contract with the intent to mislead.

Article 7. Conflict of interest

- Avoid conflicts of interest or disclose them fully in writing before proceeding.

Poor business practice: Using the same vendor out of habit versus shopping around for other options that would be better suited for a client.

Potential ethics violation: Accepting undisclosed kickbacks from vendors or not disclosing personal relationships; sharing vendors pricing/bids in order to award the job to a preferred service provider.

Article 8. Managing the assets of the client

- Take good care of client properties – maintain, protect, and manage them responsibly.

Poor business practice: Delaying preventive maintenance to cut short-term costs, but creating deferred maintenance and increased costs in the future.

Potential ethics violation: Intentionally neglecting property maintenance to increase short-term profits, despite long-term damage – or engaging in unpermitted work without the client’s knowledge; knowingly not maintaining adequate insurance.

Article 9. Duty to former clients and former firms or employers

- Continue to respect confidentiality and professionalism even after a business relationship ends.

Poor business practice: Not cooperating with a past client or employer by withholding information they need to continue business or operations.

Potential ethics violation: Using insider knowledge from a former client to solicit their residents/tenants.

Article 10. Compliance with laws and regulations

- Know, understand, and follow all real estate laws and regulations.

Poor business practice: Failing to keep up with changing laws, rules, regulations, or codes leading to inadvertent non-compliance.

Potential ethics violation: Violating or ignoring applicable laws, rules, regulations, or codes for expedience or personal gain.

Article 11. Equal opportunity

- Do not discriminate; provide equal opportunity and service regardless of protected status.

Poor business practice: Neglecting diversity in hiring outreach.

Potential ethics violation: Refusing services, such as providing housing or employment opportunities, to someone based on any protected characteristic under applicable discrimination laws.

Article 12. Duty to tenants and others

- Respect tenant rights and maintain safe and habitable conditions.

Poor business practice: Delayed repairs due to poor record keeping, time management, or disorganization.

Potential ethics violation: Failing to disclose conditions or code violations that endanger the safety and well-being of tenants and/or the public.

Article 13. Duty to report violations

- IREM members must report unethical actions or behaviors of other members if made aware of them.

Poor business practice: Failure to recognize or understand misconduct due to mismanagement.

Potential ethics violation: Knowingly hiding evidence of another member’s ethical breach.