



## Ethics

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IREM was formed in 1933 by representatives of real estate firms whose primary concern was the financial responsibility of those who were managing property for others. Each founding member firm was required to follow certain ethical standards of practice – specifically, each firm agreed to avoid commingling funds, to carry a fidelity bond for employees who handled money, and to refrain from reaping financial benefit from the use of a client's funds without full disclosure. **These same IREM principles still stand today!**

William Walters Jr., CPM, 1971 IREM President, captured the significance of ethics to IREM in his book, *The Practice of Real Estate Management*. Although the book was published by IREM in 1979, the words continue to resonate today:

*“The final proof of a manager and the final demand on management is integrity, a moral soundness in business dealings that tests steadfastness to truth, purpose, responsibility and trust. Managers cannot compromise when it comes to demanding integrity from their superiors, their subordinates or themselves. No matter how knowledgeable or experienced the manager may be, if he lacks integrity he destroys himself, other people and in the long run his organization. He corrupts the purpose of the organization and destroys its spirit. Integrity cannot be taught or demanded, but is an absolute requisite for a professional property manager and one quality he must carry with him to the organization.”*

All members of IREM are obliged to uphold the [IREM Code of Professional Ethics](#), conducting their professional activities in accordance with the Code. In addition, AMO Firms must uphold the [AMO Code of Professional Ethics](#).

The Codes protect the public, promotes competition, reflects contemporary business practices, and sends a powerful message to the marketplace that IREM Members act ethically. IREM is one of the very few organizations that actively enforce its Code – violations are processed within a defined structure, including an established peer review process that may result in disciplinary actions.

## Real Life Ethics, 2nd Edition



Link on this report to view actual case studies from complaints and hearings that have gone before one or more of the IREM Ethics Boards. Guidance and prevention tips are also provided for how to conduct business in an ethical manner – and in the case of IREM Members, to help avoid actions that can result in ethical complaints being filed. Finally, this case study report helps to delineate between unethical behavior and business disputes.

*(These case studies are not official interpretations of IREM's ethical standards and do not establish binding precedent. All complaints alleging violations of the Code are considered and resolved on their merits through hearings conducted by the Ethics Hearing and Discipline Board taking into consideration all of the evidence and testimony presented.)*

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## IREM Mock Ethics Hearing

Watch this [video](#) for a snapshot of an ethics hearing based on actual cases heard by the Ethics Hearing & Discipline Board – taken from the IREM Fall Conference education session “How Ethical Are You? You be the Judge!”, presented by Ethics Committee Members. Ethics is what sets IREM Members apart from the rest of the practitioners in the industry – so it is critical that all members are always aware of the IREM Code of Professional Ethics, what it means, and how avoid a violation. The video also gives insight into how the IREM ethics process works.

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## How the IREM Ethics Process Works

While many associations have codes of ethics, a study by the American Society of Association Executives (ASAE) found that only one-third fully enforce their codes. IREM is committed to ethics as one of its core values and therefore strictly enforces its Codes, providing due process for all parties from beginning to end.

Violations of an IREM Code are processed within a defined structure by an established peer review process that may result in disciplinary actions. There are three boards that independently perform specific duties in the administration of IREM's ethics program:

### Ethics Inquiry Board

The Inquiry Board performs initial review of all allegations of possible unethical or improper conduct that come to the attention of the Institute (in the form of a complaint), determines whether there is reasonable cause to believe such conduct may have occurred, and prepares and forwards complaints to hearing as may be appropriate. Because the Inquiry Board's initial determination is based solely on the information provided in the complaint, the thoroughness of the complaint documentation is critical. The Inquiry Board may:

- Forward the complaint to hearing
- Open an investigation and request additional information from either the complainant or the respondent.
- Dismiss the complaint and notify the complainant accordingly.

### **Ethics Hearing and Discipline Board**

The Hearing Board sets and holds hearings on matters forwarded by the Ethics Inquiry Board. If the Board finds a violation of the IREM and/or AMO Code, they will determine the appropriate action to take and summarize and publish its decisions as it deems appropriate.

A member found in violation of an IREM code may receive one of the following disciplines from the Hearing Board:

- A letter of censure – which can either be published or not published. A letter of censure does not affect the respondent's membership status.
- Suspension of membership for a period of as little as one month and as much as three years – which is always published. The respondent loses all benefits of membership during the suspension period but must stay current with dues and fees. The respondent's status is automatically reactivated at the end of the suspension period provided all conditions are met.
- Termination of membership status – which is always published. The respondent may reapply for membership after five years, with the reapplication considered on its merits and under such policies as may then be in effect.

### **Ethics Appeal Board**

The Appeal Board hears appeals to a decision by the Ethics Hearing and Discipline Board upon request. The Appeal Board may:

- Adopt the decision of the Hearing Board.
- Modify the decision of the Hearing Board.
- Reject the decision of the Hearing Board.
- Refer the case back to the Hearing Board for a rehearing.

The Appeal Board summarizes and publishes its decisions as it deems appropriate.

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### **How to File an Ethics Complaint**

IREM is a membership association and as such, we have jurisdiction only over our members' adherence to our Codes of Professional Ethics. Issues involving miscommunications, business judgment, or human error are distinguished from definable unethical behavior and are generally not within the scope of the Codes. Anywhere from 10 to 20 complaints are filed each year. Typically, one-third to one-half are moved through the full ethics process – others are found to be contractual disputes or otherwise not issues that are covered by the Code of

Professional Ethics. To help you determine if an issue may be a potential violation of our Code, review [these interpretations](#).

A complaint alleging a violation of the [IREM Code of Professional Ethics](#) or the [AMO Code of Professional Ethics](#) may be filed by anyone – another IREM Member, a resident, a tenant, an employee, an employer, a client, a vendor or supplier, or a member of the public.

### **Filing a Complaint**

Here are the steps to follow in filing a complaint:

1. Determine if the individual or firm is currently a member of IREM. Follow this link to our [Membership Directory](#) and search by name or company.
2. If a member:
  - Individual Member (CPM, CPM Candidate, ARM, ACoM, Associate, Student, Academic): Review the [IREM Code of Professional Ethics](#) to determine if the individual's behavior could be in violation of the Code.
  - Firm Member (AMO): Review the [AMO Code of Professional Ethics](#) to determine if the firm's actions could be in violation of the Code.
3. If you believe that the behaviors/actions could be in violation of one of IREM's Codes, file your complaint using this [Format for Filing an Ethics Complaint](#) – all information must be provided in order for a complaint to be reviewed. Send one original copy plus one copy to:

IREM Ethics Department  
430 N. Michigan Avenue  
Chicago, IL 60611

### **When a Complaint is Received**

The individual filing the complaint is known as the "complainant", and the IREM Member against whom the complaint is filed is known as the "respondent." It is up to the complainant to show the burden of proof that an unethical violation has occurred.

Here is how a complaint is processed:

1. The complainant is sent notification that the complaint has been received and when it will be reviewed by IREM's Ethics Inquiry Board. The board meets in person two times a year (April/May and October) and periodically throughout the year via conference call.
2. The Ethics Inquiry Board reviews the complaint, which must include the articles of the IREM Code(s) that has been allegedly violation and the supporting documentation (be sure to follow the [Format for Filing an Ethics Complaint](#) very carefully), to determine whether there is reasonable cause to believe that possible unethical or improper conduct may have occurred. Because the Ethics Inquiry Board's initial determination is based solely on the information provided in the complaint, the statement of facts and supporting documentation should be as thorough as possible.
3. Decision of the Ethics Inquiry Board:

- If the Board determines that there is reasonable cause to believe that a possible unethical or improper conduct in violation of an IREM Code may have occurred, the complaint is forwarded to the Ethics Hearing and Discipline Board for a hearing.
  - The complainant is notified that a hearing has been scheduled along with detailed information about the hearing process.
  - The respondent is notified that a complaint has been scheduled for hearing along with a copy of the complaint and all supporting documentation. The respondent is given 30 days to provide a response to the charges contained in the complaint. The complaint and response together form the basis of the hearing.
  - Hearings are held twice a year in conjunction with national IREM meetings, April/May and October. Both the complainant and respondent will receive notice of the date, place, and time of the scheduled hearing. Both parties have the right to be present to testify, to provide a written statement, to be represented by legal counsel, to present evidence, and to offer testimony of witnesses.
- If the Board determines that there is not reasonable cause to believe an unethical or improper conduct in violation of an IREM Code has occurred, the complaint is dismissed. The complainant is so notified of this decision.
- In some cases, the Board may decide to open an investigation before making a final decision. In this case, either or both the complainant and respondent may be asked to provide additional information. In this case, both parties are notified of the pending decision on the complaint.

### **Questions?**

Contact IREM Headquarters at 312-329-6013 or [ethics@irem.org](mailto:ethics@irem.org).