GREENBELT REAL ESTATE ACADEMY

Ethics, Professional Conduct, and Legal Aspects of Real Estate

3 credit hours | Ethics | Correspondence (internet, self-paced)
Course outline: narrative outline and timed outline (10 CCR 3006(c), 3007(g))

DRAFT. This course is in development. Its application to the California Department of Real Estate is being prepared; it is not an approved course. This outline is not an approved course document.

PART 1: NARRATIVE OUTLINE

This narrative outline is provided to every participant at the start of the course and is available for download from the course dashboard for the length of enrollment (10 CCR 3006(c)). It summarizes, in narrative form, what each unit teaches and why. The minutes for each topic appear in the separate timed outline.

Course purpose and design

For a renewal under B&P 10170.5(a), California requires a licensee to complete a three-hour course in ethics, professional conduct and legal aspects of real estate as part of the 45 clock hours needed to renew; a licensee who has already renewed under subdivision (a) takes a nine-hour update survey course instead (B&P 10170.5(b)). The statute requires the course to include relevant legislation, regulations, articles, reports, studies, court decisions, treatises and information of current interest (B&P 10170.5(a)(1)). The DRE's course guidelines add that an approved ethics course will generally include extensive coverage of ethical practices and, by way of example, unethical conduct that could violate one or more subsections of B&P 10176 and 10177, and they recommend court decisions, practical examples and case studies (RE 329, Ethics Course guidelines).

This course is built on those guidelines. It treats ethics as a practical discipline for working licensees: knowing where legal duties come from, recognizing the situations where those duties are tested, and having a reliable way to decide what to do when the law does not answer the question directly. Every legal statement in the course is tied to a specific statute, regulation or court decision so that students can check it for themselves. The course uses only hypothetical scenarios, clearly labeled, so that no real person or transaction is portrayed.

The course is divided into five units. Each unit opens with learning objectives, teaches its topics in short sections, works through hypothetical scenarios and a practice exercise with model answers, and closes with a summary and a six-question quiz. After a failed quiz the student sees which questions were missed, each with a link to the relevant section, but not the correct answers, and must review those sections before retaking; the retake presents the questions and answers in a new order. Correct answers and explanations are shown once the quiz is passed. A student must score at least 80 percent to unlock the next unit. The final examination opens only after all instruction time and all quizzes are complete.

Unit 1: Ethics and the Law

Unit 1 lays the foundation for the rest of the course by separating two ideas that are often confused: ethics and law. Ethics rules are standards intended to raise the level of conduct in a profession; some are voluntary and some bind members of an organization by agreement. Law, which the DRE calls professional responsibility, consists of the statutes and regulations that govern licensees, interpreted by the courts. The DRE has explained that it disciplines licenses only for unlawful conduct, and that an unethical act is not necessarily unlawful, although it often is. The unit uses the DRE's own published overview of professional responsibility to make that point in the Department's words.

The unit then contrasts state law with the code of ethics of a trade association. A trade association code, such as the National Association of REALTORS® Code of Ethics, binds that association's members because they agreed to it, and the association enforces it through its own procedures. It is not California law, and the association cannot discipline a license. The one point where the Real Estate Law reaches association membership is B&P 10177(e), which makes willful misuse of the term "realtor" or of an organization's insignia a ground for discipline.

Next, the unit maps the sources of a licensee's legal duties. These are the Real Estate Law in the Business and Professions Code, with its two principal discipline sections, B&P 10176 and 10177; the Commissioner's Regulations, adopted under B&P 10080; the duties in the Civil Code, including agency disclosure, the duty to inspect and disclose, the Transfer Disclosure Statement, MLS accuracy and appraisal independence; the fiduciary duties of an agent as described in the statutory agency disclosure form; court decisions such as Easton v. Strassburger; and federal law. Students learn the important difference in reach between B&P 10176, which applies to conduct in licensed activity, and B&P 10177(j), which reaches fraud and dishonest dealing even when the licensee acts for the licensee's own account.

Unit 1 also corrects a common misunderstanding. Many older materials cite "Regulation 2785, Code of Ethics and Professional Conduct." That code was repealed after 1996, and its ethical "suggestions" were never grounds for discipline. Today, Regulation 2785 is the only section in the Commissioner's article titled "Licensee Ethics," and it addresses improper influence of appraisers. Students learn to look for the current statute or regulation behind any rule described in an older source.

The unit closes with the consequences of violations and a decision framework. Consequences include investigation on a verified complaint, suspension or revocation after a hearing under the Administrative Procedure Act, monetary penalties in place of suspension up to $250 per day and $10,000 per decision, reinstatement conditions, civil damages, discipline based on civil fraud judgments, misdemeanor penalties for willful violations and the duty to self-report charges, convictions and other agencies' discipline within 30 days. The seven-step decision framework asks the student to name the issue, identify the people and the duties owed to each, check the law, check the broker's policies, test the options, act and document, and get qualified help. A scenario about a noisy street and a practice exercise sorting legal duties from service standards put the framework to work.

Unit 2: Honesty, Disclosure, and Misrepresentation

Unit 2 addresses the duty at the center of the profession: honesty. It begins with the three related grounds in B&P 10176: substantial misrepresentation, false promises of a character likely to influence, and a

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continued and flagrant course of misrepresentation through licensees. Students learn that misrepresentations concern facts, that false promises concern the future, and that literally true statements can still mislead. The unit gives a regulatory example of a defined misrepresentation, Regulation 2904's rule on undisclosed lender compensation.

The unit then covers the broad provisions that reach any other fraud or dishonest dealing, B&P 10176(i) and 10177(j), and the separate ground of negligence or incompetence, B&P 10177(g). It explains that a licensee can be disciplined for careless work even without dishonesty, and that an agent is responsible for the truth of what the agent places in a multiple listing service when the agent knew or should have known it was false (Civil Code 1088(b)).

The largest section of the unit covers the duty to inspect and disclose. Students learn the background of Easton v. Strassburger and the Legislature's codification of the duty in Civil Code 2079: a reasonably competent and diligent visual inspection of one-to-four-unit residential property and disclosure of material facts that an investigation would reveal, owed by the listing broker and by cooperating brokers. They study the reasonably prudent licensee standard of care, the areas excluded from the inspection, the buyer's own duty of reasonable care and the two-year limit for claims. The unit then covers the Transfer Disclosure Statement, emphasizing that it cannot be waived, even in an "as is" sale, as the Legislature stated when it cited Loughrin v. Superior Court; that agents use the form's agent section for their own disclosures; and that willful or repeated violations can lead to discipline under B&P 10176.5 and to civil liability under Civil Code 1102.13.

Unit 2 next explains that disclosure duties go beyond physical condition. The statutory agency disclosure form lists duties every agent owes both parties, including honest and fair dealing and disclosure of known material facts. Holmes v. Summer is presented as an example of a court finding that a seller's agent should have disclosed that a property was so heavily encumbered that the sale likely could not close as agreed. Scenarios about a concealed roof leak, an unverified square footage figure and a promised seller credit, along with an exercise classifying statements as facts, opinions and promises, close the unit.

Unit 3: Loyalty, Conflicts of Interest, and Compensation

Unit 3 turns to loyalty. It begins with the agency relationships recognized in California: seller's agent, buyer's agent and dual agent. Students learn that a salesperson's duty to any party is equivalent to the duty of the broker for whom the salesperson works (Civil Code 2079.13(a)), and that who pays the commission does not by itself decide whom an agent represents. The unit covers when the agency disclosure form must be delivered, the signed acknowledgment and the written declaration required if a party refuses to sign, the confirmation of the relationship in the purchase contract and the rule that an unrepresented party does not by itself create a dual agency.

The unit then covers dual agency in depth. Acting for more than one party without the knowledge or consent of all parties is a ground for discipline (B&P 10176(d)). A dual agent owes both principals a fiduciary duty, may not share either party's confidential price information without express permission, and must still disclose material facts about the property (Civil Code 2079.21). The California Supreme Court's decision in Horiike v. Coldwell Banker Residential Brokerage Co. illustrates the stakes: in a dual agency, a salesperson who worked only with the seller owed the buyer the same fiduciary duty as the brokerage.

Next, the unit addresses self-interest. It covers the written disclosure and consent required before a licensee exercises an option to purchase contained in a listing agreement (B&P 10176(h)), the prohibition on secret or undisclosed compensation (B&P 10176(g)), and a buyer's agent's duty to disclose ownership interests held by the licensee, relatives, related entities or persons with whom the licensee has a special relationship (B&P 10177(o)).

The unit closes with compensation integrity: compensation may flow only through the responsible broker and only to properly licensed persons (B&P 10137); form listing and buyer agreements must state that commissions or compensation are not fixed by law (B&P 10147.5); exclusive agreements must have a definite termination date (B&P 10176(f)); lender compensation must be disclosed (Regulation 2904); dual roles in arranging financing must be disclosed in writing within 24 hours (B&P 10177.6; Regulation 2903); and referral kickbacks raise federal RESPA concerns (12 U.S.C. 2607). Scenarios about an in-house sale, a relative's ownership and a lender's "marketing fee," and a ten-point conflict and compensation checklist, apply the rules.

Unit 4: Trust Funds, Records, Supervision, and Fair Dealing

Unit 4 treats the handling of other people's money as an ethical test. Students learn where trust funds must go, the three-business-day deadline that begins when the broker or the broker's salesperson receives the funds, the narrow exception for holding an offer check, the salesperson's duty to deliver funds immediately to the broker, who may withdraw trust funds, and what commingling means, including the $200 bank-charge exception and the 25-day rule for mixed funds (B&P 10145; B&P 10176(e); Regulations 2832 and 2835).

The unit then covers the broker's three-year record retention duty and the DRE's right to inspect and audit (B&P 10148), and explains why complete and honest records are an ethics issue. It covers the duty of reasonable supervision, the elements listed in Regulation 2725, the corporate designated officer's responsibility, the broker's duty to report a salesperson discharged for a violation (B&P 10178) and the statutory limits on team names (B&P 10159.7). The unit finishes with fair dealing: the protected classes and prohibited conduct in Regulation 2780 and the prohibition on panic selling in B&P 10177(l) and Regulation 2781. Scenarios on a deposit left in a car, trust money used for payroll and a steering incident, and a trust fund timeline exercise, reinforce the material.

Unit 5: Advertising, Technology, Appraisal Independence, and Current Issues

Unit 5 brings the course up to date. It covers the license designation requirement and the disclosure of name, license number and responsible broker on first-point-of-contact materials, including websites and electronic media advertising (B&P 10140.6; Regulations 2770.1 and 2773), together with the rules against false claims of credentials or membership (B&P 10177(c), (e)). It then covers a statute that took effect January 1, 2026: B&P 10140.8, which requires a conspicuous disclosure and access to the original image whenever a licensee advertises property with a digitally altered image, including images altered with artificial intelligence, while excluding routine adjustments such as exposure and color correction.

The unit explains appraisal independence under Civil Code 1090.5 and Regulation 2785, including what a licensee may properly ask of an appraiser. It reviews other consumer protection rules in lending-related activity: the ban on advance fees and powers of attorney in loan modifications (B&P 10085.6), discipline

for failed loan commitments and intentional closing delays (B&P 10176(k), (l)), and the mortgage broker's fiduciary duty to borrowers (Civil Code 2923.1; B&P 10177(q)). It also reminds students how personal conduct affects a license, including honesty in license applications and renewals, criminal convictions and the 30-day reporting duty.

The course ends with three capstone scenarios that combine issues from every unit, an exercise auditing a social media advertisement, and a course summary. Students then take the final examination, with 25 questions in 25 minutes and a passing score of 70 percent.

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PART 2: TIMED OUTLINE

Credit hours requested: 3 (one credit hour = 50 minutes of instruction; 10 CCR 3006(a))

Prepared for 10 CCR 3007(g): every topic, subtopic, unit quiz and the final examination, with allocated minutes. The platform enforces these minutes with navigation time locks: a student cannot advance past a section until its minimum time has elapsed, and the final examination does not open until all instruction time and all quizzes are complete (10 CCR 3006(g), (o); 10 CCR 3007.3(j)(2)).

Minute totals

Component	Minutes
Course content (Units 1 to 5)	150
Unit quizzes (5 x 4 minutes)	20
Total instruction (content + incremental assessments)	**170**
Final examination (25 questions x 1 minute)	25
Total course time including final examination	**195**

RE 329 requires at least 150 minutes for a 3-hour Ethics course, including exam time. This course provides 150 minutes of content alone, 170 minutes of instruction including quizzes, and 195 minutes including the final examination.

Not counted in instruction time (administrative steps before the course starts): reading the General Information Page before registration (10 CCR 3007(f)), acknowledging the DRE disclaimer (10 CCR 3006(l)), and course orientation. Not counted at the end: identity verification and signing the statement under penalty of perjury before the final examination (10 CCR 3006(o); 10 CCR 3007.05), and the course evaluation notice (10 CCR 3006(i)).

Unit 1: Ethics and the Law: Where a California Licensee's Duties Come From (30 minutes + 4-minute quiz)

Section / subtopic	Minutes
1.1 Welcome and how this course works	**3**
Course requirement under B&P 10170.5(a)(1); course map	1
Unit 1 learning objectives; how citations are used	2
1.2 Ethics and law are not the same thing	**6**
Ethics rules vs. law ("professional responsibility")	2
Trade association codes contrasted with state law; B&P 10177(e)	2
Why study ethics; reflection exercise	2
1.3 Where a licensee's duties come from	**7**
Real Estate Law: B&P 10176 vs. 10177 and their reach	2
Commissioner's Regulations (B&P 10080; B&P 10177(d))	1
Civil Code duties (2079 et seq., 1102 et seq., 1088, 1090.5)	1.5

Fiduciary duty (Civil Code 2079.16)	1
Court decisions (Easton) and federal law; B&P 10176(m)	1.5
1.4 What happened to Regulation 2785, Code of Ethics	**4**
The former code and its repeal after 1996	2
Regulation 2785 today (appraiser influence); finding current rules	2
1.5 Enforcement and consequences	**5**
Investigation, hearing, suspension and revocation (B&P 10100, 10175, 10176)	2
Monetary penalty, reinstatement, restricted licenses (B&P 10175.2, 10182, 10177(k))	1
Civil liability and criminal penalties (Civil Code 1102.13, 2079.4; B&P 10177.5, 10185)	1
Duty to self-report (B&P 10186.2)	1
1.6 A framework for ethical decisions	**5**
Seven-step decision framework	1.5
Hypothetical scenario 1.A	1.5
Practice exercise 1.B: ethics rule or legal duty?	2
Unit 1 Quiz (6 questions, remediation)	**4**

Unit 2: Honesty, Disclosure, and Misrepresentation (32 minutes + 4-minute quiz)

Section / subtopic	Minutes
2.1 Misrepresentation and false promises	**6**
Substantial misrepresentation, half-truths, Reg. 2904 example (B&P 10176(a))	3
False promises (B&P 10176(b))	2
Continued and flagrant course through licensees (B&P 10176(c))	1
2.2 Fraud, dishonest dealing, negligence and incompetence	**5**
Catch-all fraud and dishonest dealing (B&P 10176(i), 10177(j))	2
Negligence and incompetence (B&P 10177(g))	2
MLS accuracy (Civil Code 1088(b))	1
2.3 The duty to inspect and disclose	**8**
Easton v. Strassburger and codification (Civil Code 2079.12)	1
Statutory duty, scope, standard of care, exclusions (Civil Code 2079 to 2079.3)	3
Buyer's duty and time limit (Civil Code 2079.4, 2079.5)	1
Transfer Disclosure Statement: no waiver, agent's section, discipline (Civil Code 1102, 1102.1, 1102.13; B&P 10176.5)	3
2.4 Disclosure beyond the physical condition	**5**
Duties owed to both parties; confidentiality vs. concealment (Civil Code 2079.16)	2
Holmes v. Summer: transactional risks	2
Judging materiality; specific disclosure statutes	1
2.5 Scenarios and practice	**8**

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Scenario 2.A: "Don't mention the roof"	2
Scenario 2.B: square footage from tax records	2
Scenario 2.C: the promised credit	1
Practice exercise 2.D: fact, opinion or promise?	3
Unit 2 Quiz (6 questions, remediation)	**4**

Unit 3: Loyalty, Conflicts of Interest, and Compensation (30 minutes + 4-minute quiz)

Section / subtopic	Minutes
3.1 Agency relationships and fiduciary duty	**6**
Who is the agent; salesperson duties equal the broker's (Civil Code 2079.13(a))	1.5
The three roles; compensation not determinative (Civil Code 2079.16, 2079.19)	1.5
Disclosure form delivery, acknowledgment, refusal, confirmation (Civil Code 2079.14, 2079.15, 2079.17)	2
Unrepresented parties (Civil Code 2079.22)	1
3.2 Dual agency	**6**
Consent requirement (B&P 10176(d)) and dual agent's duties	2
Confidential price information (Civil Code 2079.21)	2
Horiike v. Coldwell Banker and in-house sales	2
3.3 Self-interest: ownership, options and secret profits	**6**
Options to purchase (B&P 10176(h))	2
Secret or undisclosed compensation (B&P 10176(g))	2
Ownership interests (B&P 10177(o)); disclosure habits	2
3.4 Compensation integrity	**6**
Who may pay and be paid (B&P 10137)	1.5
Commissions negotiable; exclusive agreement end dates (B&P 10147.5, 10176(f))	1.5
Lender compensation and dual financing roles (Regs. 2903, 2904; B&P 10177.6)	1.5
RESPA referral fees and kickbacks (12 U.S.C. 2607)	1.5
3.5 Scenarios and practice	**6**
Scenario 3.A: the in-house sale	1.5
Scenario 3.B: "My cousin owns it"	1
Scenario 3.C: the "marketing fee"	1
Practice exercise 3.D: conflict-and-compensation checklist	2.5
Unit 3 Quiz (6 questions, remediation)	**4**

Unit 4: Trust Funds, Records, Supervision, and Fair Dealing (28 minutes + 4-minute quiz)

Section / subtopic	Minutes

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4.1 Trust funds	**7**
Where trust funds go (B&P 10145(a)(1))	1
Three-business-day rule and offer-check exception (Reg. 2832)	2
Salesperson's duty; who may withdraw (B&P 10145(a)(2), (c))	2
Commingling and its narrow exceptions (B&P 10176(e); Reg. 2835)	2
4.2 Records and accountability	**4**
Three-year retention, inspection and audit costs (B&P 10148)	2
Records as an ethics issue; ephemeral messages	2
4.3 Supervision	**6**
Broker and corporate officer duty (B&P 10177(h), 10159.2)	1.5
Elements of reasonable supervision (Reg. 2725; Reg. 2705(n))	2
Salesperson's role; discharge reporting (B&P 10178)	1
Teams (B&P 10159.7)	1.5
4.4 Fair dealing and nondiscrimination	**5**
Discriminatory conduct (Reg. 2780)	2.5
Panic selling (B&P 10177(l); Reg. 2781)	1.5
The ethical dimension; consistent procedures	1
4.5 Scenarios and practice	**6**
Scenario 4.A: the deposit in the glovebox	1.5
Scenario 4.B: "Just float it until Monday"	1
Scenario 4.C: steering	1
Practice exercise 4.D: trust fund timeline	2.5
Unit 4 Quiz (6 questions, remediation)	**4**

Unit 5: Advertising, Technology, Appraisal Independence, and Current Issues (30 minutes + 4-minute quiz)

Section / subtopic	Minutes
5.1 Honest advertising and license disclosure	**6**
License designation (B&P 10140.6(a); Reg. 2770.1)	1
First-point-of-contact disclosures (B&P 10140.6(b); Reg. 2773)	2.5
Credentials, membership and fictitious names (B&P 10177(c), (e); B&P 10159.5; Reg. 2731)	2.5
5.2 Digitally altered images, including AI	**5**
The disclosure rule (B&P 10140.8(a))	2
What counts as altered (B&P 10140.8(b))	1.5
Applying the rule	1.5
5.3 Appraisal independence	**4**
Civil Code 1090.5	1

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Regulation 2785 improper influence list	2
Permitted requests (Reg. 2785(b))	1
5.4 Other current consumer protection rules	**4**
Loan modification fees (B&P 10085.6)	1.5
Loan commitments and closing delays (B&P 10176(k), (l))	1
Mortgage-related duties (B&P 10177(q); Civil Code 2923.1)	1.5
5.5 Personal conduct and the license	**4**
Honesty with the DRE; convictions; conduct warranting denial (B&P 10177(a), (b), (f))	2.5
Reporting duty and address updates (B&P 10186.2; Reg. 2715)	1.5
5.6 Capstone scenarios and course summary	**7**
Capstone 5.A: the "perfect" listing	1.5
Capstone 5.B: the low appraisal	1
Capstone 5.C: the friendly favor	1.5
Practice exercise 5.D: audit an advertisement	2
Course summary	1
Unit 5 Quiz (6 questions, remediation)	**4**

Final examination

Item	Minutes
Final examination, Form A (25 questions, 1 minute each, timed, open book limited to course text)	25
Retake if needed, Form B (25 different questions), taken at a later session; not added to the course total	(25)

Check sums

Unit	Content	Quiz	Unit total
1	30	4	34
2	32	4	36
3	30	4	34
4	28	4	32
5	30	4	34
Units total	**150**	**20**	**170**
Final examination			25
Course total			**195**

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