

# **Code of Ethics and Conduct of the Note Industry ("The Membership")**

## PREAMBLE

WHEREAS, brokering, investing in, financing, owning, servicing and managing real estate notes may be regulated endeavors; and

WHEREAS, the Note Industry aspires that its members not only comply with all applicable laws and regulations, but that all members attempt to comport with the highest standards of ethical conduct and professionalism even in the face of a lower legal standard of care or duty, in order to develop, cultivate and maintain a reputation of the Note Industry and its members as being synonymous with excellence and integrity in our note industry and community; and

WHEREAS, the Note Industry as a whole, imposes obligations beyond those of ordinary commerce and business practices. They impose grave social responsibility and a patriotic duty to which Note Industry members should dedicate themselves, and for which they should be diligent in preparing themselves. Note Industry members, therefore, are zealous to maintain and improve the standards of their calling and share with their fellow Note Industry members a common responsibility for its integrity and honor; and

WHEREAS, in recognition and appreciation of their obligations to note holders, note brokers, note investors, clients, customers, the public, and each other, Note Industry members continuously strive to become and remain informed on issues affecting the Note Industry, real estate and financing and, as knowledgeable professionals, they willingly share the fruit of their experience and study with others. They identify and take steps, through enforcement of this Code of Ethics and by assisting appropriate regulatory bodies, to eliminate practices which may damage the public or which might discredit or bring dishonor to the Note Industry profession; and

WHEREAS, realizing that cooperation with other Note Industry members promotes the best interests of those who utilize their services, Note Industry members will not attempt to gain any unfair advantage over their competitors; and refrain from making unsolicited comments about other practitioners. In instances where their opinion is sought, or where Note Industry members believe that comment is necessary, their opinion is offered in an objective, professional manner, uninfluenced by personal motivation or potential advantage or gain; and

WHEREAS, the term Note Industry, Note Broker and Note Investor has come to connote competency, fairness, and high integrity resulting from adherence to a lofty ideal of moral conduct in business relations. No inducement of profit and instruction from note holders or clients ever can justify departure from this ideal; and

WHEREAS, in the interpretation of this obligation, Note Industry members can take no safer guide than that which has been handed down through the centuries, embodied in the Golden Rule, "Whatsoever ye would that others should do to you, do ye even so to them."; and

WHEREAS, by endorsing this Code of Ethics and Conduct, each member: ratifies his, her or its concurrence with the foregoing aspirations; agrees to conduct the member's activities whether conducted personally, through associates or others, or via technological means within the highest principles of the free enterprise system and the highest standards of ethics, honesty, integrity, competency and fairness; Accepting this standard as their own, Note Industry members pledge to observe its spirit in all activities, adopts and agrees to be bound by and to conduct their business in accordance with the tenets set forth below, as amended from time to time hereafter.

NOW, THEREFORE, this Code of Ethics and Conduct ("the Code") is duly enacted by the Note Industry.

I. The foregoing recitals are hereby adopted as a part of this Code of Ethics and Conduct.

## **II. Code of Ethics:**

All members of the Note Industry will be held to a higher standard of business ethics, honesty, integrity, competency, fairness and behavioral conduct as a condition of becoming and remaining as a member of the Note Industry. This standard includes, but is not limited to the following:

1. The Note Industry members shall treat other members of the Industry with courtesy and respect, and shall refrain from unjust comments or criticism about fellow members nor shall they knowingly or recklessly make false or misleading statements about competitors, their businesses, or their business practices. Members will not knowingly engage in activities that will bring discredit to their fellow members or the Industry.

2. Note Industry members shall not offer or accept compensation in any form for information or acts that might unfairly prejudice, or impair the judgment, or unfairly affect the decision of another party (including the practice known as double dipping) even if permitted by law, without disclosure to all parties and the informed consent of the Note Industry members involved in the transaction.

3. The Note Industry members will act as positive role models when dealing with note holders, the public, media, and government officials while investing in and providing products or services to others.

4. The Note Industry members will not knowingly construct, maintain or facilitate the brokerage of any unlawful, unreasonable or unjust promissory notes.

5. The Note Industry members will endeavor to provide assistance to fellow members whenever prudent and appropriate. When providing advice or information, members shall do so only to the extent that they feel competent to do so.

6. Note Industry members shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, or national origin, or sexual orientation. Note Industry members shall not be parties to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, or sexual orientation.

7. The Note Industry members shall be prudent in their disclosure of personal information regarding other persons or entities and shall be treated judiciously and disclosed only when required or permitted by law or by the person or business about whom the information is disclosed. Members shall avoid exaggeration, misrepresentation, lies of omission and concealment of pertinent facts relating to any portion of a transaction.

8. The Note Industry members will not intentionally misrepresent any material facts in dealing with other members or the general public. For example, and without limiting the generality of the foregoing, members will not intentionally lie, cheat, steal or otherwise take unfair advantage of others in the conduct of their note transactions or other business dealings, nor take unfair advantage of the Note Industry.

9. The Note Industry members will endeavor to keep themselves informed on matters affecting promissory notes, mortgages, trust deeds, land contracts, housing and other real estate market information in their community, including local, state and federal laws, regulations and significant judicial decisions, and shall conduct themselves in accordance therewith. Members shall strive to improve their knowledge and competence in matters relating to note brokering and investing.

## **III. Code of Conduct:**

10. The duties imposed by this Code of Ethics and Conduct encompass all Note Industry related activities and transactions whether conducted in person, electronically, or through any other means.

11. The Note Industry members will strive to be fair and competitive commensurate with the risk for the high quality and specialized services we provide. Members will always try to propose solutions to note holders which will be beneficial and assist them with their individual needs. In all transactions, time is of the essence urgency is paramount.

12. The Note Industry members in attempting to secure a note purchase agreement or contract shall not deliberately mislead the owner as to the market value of the note.

13. When entering into note purchase agreements Note Industry members must advise note holders of the fact that the purchase transaction is still subject to underwriting criteria and verification of the information given and acceptance and approval of payor credit worthiness, valuation of subject property and clean and clear title.

14. The obligation of Note Industry members to preserve confidential information (as defined by state law) provided by their note sellers in the course of any relationship continues after termination of relationships. Members shall not knowingly during or after the professional relationships with their note holders:

- 1) Reveal confidential information of note holders or note payors; or
- 2) Use confidential information of clients to the disadvantage of clients; or
- 3) Use confidential information of clients for the Note Industry members advantage or the advantage of third parties unless the information concerning latent material defects is not considered confidential information under this Code of Ethics and Conduct.

15. Note Industry members, for the protection of all parties, shall assure whenever possible that all agreements related to note transactions including, but not limited to, purchase agreements, affidavits, broker agreements are in writing in clear and understandable language expressing the specific terms, conditions, obligations and commitments of the parties. A copy of each agreement shall be furnished to each party to such agreements upon their signing or initialing.

16. Note Industry members shall be honest and truthful in their note business communications and shall present a true picture in their advertising, marketing, and other representations including the URLs and domain names they use, and shall not:

- 1) Engage in deceptive or misleading note business websites;
- 2) Manipulate content in any way that produces a deceptive or misleading result; or
- 3) Deceptively use metatags, keywords or other devices or methods to direct, drive, or divert Internet traffic, or to otherwise mislead noteholders; or
- 4) Present content developed by others; or
- 5) Register or use URLs or domain names that present less than a true picture. picture

17. The Note Industry members understand and acknowledge that the Note Industry, its members, brokers and investors, cannot and do not have the ability, time, or means to independently verify advertisements, dealings and the represented qualifications of our membership, and that it is up to members: to sponsor only those persons for membership whom they feel in good faith will adhere to the aspirations of the Code; to bring to the attention of the Note Industry any conduct of another member or proposed member known or believed in good faith to be in material violation of the Code; and to perform such due diligence in their business dealings as the respective member reasonably deems necessary or appropriate to the circumstances, to avoid or minimize the possibility of falling victim to fraud, misrepresentation and illegal practices.

I, \_\_\_\_\_ agree to abide by this Code of Ethics and Conduct of the Note Industry.  
Print Name – Please Print Clearly

\_\_\_\_\_  
Note Industry Member Signature

\_\_\_\_\_  
Company Name, Email Address and Website Address – Please Print Clearly

***The Code of Ethics and Conduct for the Note Industry was adopted in 2011***

Modifications to existing Code of Ethics and Conduct and additional new standards are approved from time to time. Readers are cautioned to ensure that the most recent publications are utilized.