

Council approves E&O requirement for mortgage brokers

At its January 2011 meeting, Council approved the recommendation of the Mortgage Broker Advisory Committee (the Committee) to amend the *Real Estate Act* Rules to require that mortgage broker industry members maintain professional errors and omissions liability insurance (E&O) to attain and retain an authorization from the Real Estate Council of Alberta (RECA). In addition, the mortgage broker professional liability policy will include a “fraud endorsement” and provide additional coverage for loss resulting from fraudulent acts. This new requirement will be effective with the renewal of the brokerage licence in 2011.

The program requirements will be very similar to the programs currently in place for mortgage broker industry members in Saskatchewan and Ontario. The minimum coverage for a single occurrence is \$500,000 and \$1,000,000 for all occurrences in a 365 day period for both the liability insurance and the fraud coverage.

Brokerages will be able to purchase the coverage from an insurance provider of their choosing from a list of approved suppliers that have entered into an agreement with RECA. The policy will include coverage for all industry members and employees of the brokerage for the business of its industry members dealing in mortgages.

From discussion to policy

Council considered a number of factors in making its decision including but not limited to the following:

- the extensive industry consultation by the Committee and its sub-committee on syndicated mortgages including a survey sent to all mortgage broker industry members and stakeholders. A sampling of the survey results include:
 - 74% of responders with an opinion agreed that E&O should be a requirement for mortgage brokers to deal in mortgages in Alberta
 - 63% favoured a compulsory program which means mortgage broker industry members must carry errors and omissions insurance and the insurance must be purchased from any number of private insurance providers offering the required insurance in the approved form and policy and have met the guidelines established for the program
 - lastly but not least, 65.8% of responders recommended a coverage level of \$1,000,000 for a single occurrence (requirements are \$500,000 for harmonization with other jurisdictions)
- Input and support for E&O requirements from the Alberta Mortgage Brokers Association and the Canadian Association of Accredited Mortgage Professionals

- Harmonization of E&O requirements with other jurisdictions in Canada to facilitate free trade agreements
- Harmonization with other jurisdiction so one policy could meet the requirements for brokerages with operations in multiple jurisdictions
- Real estate brokers and real estate appraiser industry members in Alberta already are required to carry E&O
- The requirements are the minimum coverage levels and brokerages may purchase additional coverage according to their risk management strategy
- Increased protection for industry members as a result of any fraud claims
- Increased protection for consumers

RECA will be entering into agreements with insurers to ensure the requirements of the program are administrative compliance requirements are included in the policy. Additional information will be forthcoming as we move forward. A list of approved insurers will be posted on RECA's website.

Council consulting the industry

In March 2011, Council goes into seclusion, emerging several days later with RECA's 2012-2015 strategic plan. Ten of 12 Council seats are made up of industry members just like you. The other two seats are filled by public representatives. As your peers, Council wants to know what direction industry should head in over the next three years.

Industry Survey

In early February, RECA created a short, broad industry member survey. The survey asked what trends, challenges and opportunities you encounter daily, and what actions RECA should take in the next year to better the industry overall. Over 300 of you took advantage of the opportunity. Popular responses included concerns about:

- Changes in technology/social media
- Mere postings/discount brokerages
- Consumer/Industry member education
- Part-time industry members
- Centralizing of appraisal firms
- Changes to mortgage qualifying rules

Thanks to all who responded to the survey. Your input goes directly to Council for their May 2011 strategic planning meetings.

2020 Forum

RECA staff also held the first 2020 Forum in Calgary and Edmonton on February 8-9. Younger real estate brokers were invited to join a discussion about industry and how it's regulated. The

morning of the 2020 Forum RECA also hosted commercial real estate industry members for a similar discussion about commercial issues. For more information about the 2020 Forum discussion, check out the article on Page 4. Another 2020 Forum will be held in the Fall.

Committees

Council will also consider the input of the industry sector advisory committees, which are made up of industry members just like you, along with council members and RECA staff. Council has also solicited the input of all relevant industry associations. There's a representative of your industry sector on Council, and they'd like to hear from you.

RECA's 2008-2011 strategic plan was ambitious and highly successful. It ushered in a second decade of efficient self-regulation of the real estate industry. The challenges of uncertain economic times tested the plan daily.

RECA and the industry are now emerging from those tough times on a very positive trend. Council is looking forward to the new challenges coming out of the strategic planning process for 2012-2015.

We are now in the final year of the 2008-2011 strategic plan created by Council in 2007.

Some of the broad highlights of that plan included:

- Development of the over 100 Information Bulletins
- Develop the agency relationships video, advertising guide and other tools for industry and consumers
- Develop consumer buying and selling guides
- Education initiatives, including core values, taking over of development and delivery of licensing courses, develop and deliver re-licensing courses, and the development of the property management module.
- Launch redesigned website
- Implement an integrated Case Management System
- Various internal governance initiatives

2020 Forum

RECA met recently with younger industry practitioners in Calgary & Edmonton to discuss current issues facing the real estate industry. These RECA 2020 Forums provided an opportunity to share information and ideas on the following:

- contemporary business practices

- important trends, opportunities and challenges in the real estate industry
- compare & contrast generational perspectives
- why & how business practices will evolve 3, 5, 10 or more years into the future

It was an opportunity for RECA to informally engage with tomorrow's industry leaders in positive, open channel communication.

Discussion topics brought forward by participants included:

- apprenticeship / mentorship opportunities for new industry members
- business planning module(s) for REAP
- harmonized standards of business practice
- contemporary technology and mobility
- social media marketing and communications
- sufficiency of current industry standards for entry and for education
- enhancing competency and professionalism
- enhancing industry credibility

The groups will meet again this fall to continue these important discussions.

RECABlog Launched

Introducing RECABlog - your source for timely industry information.

Engaging with RECA has never been easier. RECABlog's aim is to keep you up-to-date. It's another platform you can use to let us know what you think. We're always interested in your input.

RECABlog connects to you personally in text and Vlog posts. Think of it as another tool in your professional success toolbox.

If there's a topic you'd like us to discuss, just comment below each post.

Thanks for reading.

Ensure you don't miss anything - sign up for the RSS feed.

News Bytes

Mere Postings

The strategic planning survey conducted in early February revealed strong concern for the way the real estate industry could change in light of the Consent Order between the Canadian Real Estate Association and the Commissioner of Competition.

In response to that decision, RECA drafted an information bulletin on Mere Postings in December 2010. Consumers must know what services will be provided and, perhaps of equal importance, what services will not be provided. Industry members must ensure the role of the industry member is clearly understood by their clients and third parties.

2009-2010 Annual Report Available

The 2009-2010 Annual Report is available on the RECA website. We've also included the audited financial statements for your review.

RECA will be highlighting and expanding certain portions of the annual report in RECABlog, requesting your input on certain statistics and trends revealed in the report.

RECABlog currently features the Re-Licensing Education Program stats and discussion.

Updated Complaint Form and Complaints Guide

RECA has created a new complaint form and updated the Guide to Complaints for Consumers.

The Guide to Complaints has been updated with the aim of facilitating genuine complaints and preventing those complaints that may be frivolous or fall outside RECA's jurisdiction. It also makes complainants aware of:

- The role of RECA and the purpose of the investigation process;
- The types of complaints that fall inside and outside of RECA's Jurisdiction;
- The requirement to cooperate throughout the investigation process;
- The complaint and its supporting information may be fully disclosed to the industry member under investigation;
- The information obtained through the investigation process cannot be used in civil proceedings.

The new complaint form can be filled out digitally before being printed and signed, making the entire process more efficient.

It also requires the complainant to commit in writing to:

- cooperate throughout the investigation;
- Acknowledge that full disclosure will be provided to the industry member under investigation;

- Acknowledge RECA will not award or recover damages or intervene in civil disputes; and,
- Acknowledge that the Real Estate Act prohibits the use of information obtained through the investigation process in civil proceedings or the prosecution of other offences.

We believe these updates will be beneficial to complainants, industry members and RECA. Consumers will be provided with information on how to better resolve their concerns, it may prevent some industry members experiencing the inconvenience of unnecessary investigations, freeing RECA's investigation resources to focus on matters that affect consumer protection and impact the integrity of the industry.

Council Members 2010-2011

BILL BUTERMAN

Appointed from non-AREA industry members

KEVIN CLARK

Appointed from residential real estate industry members

CINDY DUBRAY

Appointed from the property management sector

GORDON GRAYDON

Appointed from the public

CONNIE LECLAIR

Appointed from the public

WAYNE MCALISTER, CHAIR-ELECT

Appointed from the Calgary Real Estate Board

KEN MCCOY

Appointed from the Edmonton Real Estate Board

WENDY ROBSON

Appointed from boards outside of Calgary and Edmonton

RALPH SALOMONS, PAST CHAIR

Appointed from commercial real estate sector

CHERYL SCHINDEL

Appointed from boards outside of Calgary and Edmonton

GARY SIEGLE

Appointed from the mortgage brokerage sector

ROBERT TELFORD, CHAIR

Appointed from the real estate appraisal sector

Contact RECA

Case Summaries is published by the Real Estate Council of Alberta. Please forward your comments and suggestions to communications@reca.ca.

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Director of Audit and Investigations - Joseph Fernandez

Director of Corporate Services – Dale Cawsey

Director of Education – Kirk Bacon

Director of Industry Standards – Charles Stevenson

Director of Legal Services - Jean Flanagan