

# The Regulator

February 2015  

---

Vol. 21 / Issue 1

**Message from Council**

**RECA Launches New  
Licence Model Consultation**

**Stigmatized Properties: what  
are your responsibilities?**

**Mortgage Fraud: It's  
more than you think**

**Advertising Team Names**

**RECA Announces the  
Launch of the Practice  
of Residential Real Estate  
Course**

**News Bytes**

# Message From Council



Chad Griffiths,  
Chair

As this is my first message as Chair of Council, I want to begin by conveying my – and all of Council’s – appreciation to our Past-Chair, Kevin Clark, for his passion, dedication, and leadership within the real estate industry. Kevin is a committed, hardworking member of Council, and in his year as Chair, he worked tirelessly to raise the professionalism of our industry. He is a great ambassador for Alberta’s industry professionals and the industry as a whole.

My goal as Chair for the coming year is to encourage and increase industry member participation in RECA consultations and initiatives. One thing I have learned from my time on Council is how important it is to have feedback and involvement from industry professionals as

we move forward with initiatives. Ten out of 12 Council members are themselves authorized industry professionals; we know and we see firsthand how the changes we implement affect the industry, professionals and consumers.

Industry professionals have a voice as we move forward. There are ways you can participate. You can respond to consultations – such as the current consultation on a new licence model for the real estate industry. You can put your name forward to serve on RECA committees when you see an advertisement for new committee members. You can respond to feedback surveys at the completion of RECA

education courses. You can attend when RECA hosts ad hoc town hall-style information sessions.

Kevin talked extensively last year about what it means to be professional. Using your voice to help improve and strengthen your industry is part of that professionalism. Taking an active interest in the future of our industry demonstrates your commitment, dedication, and professionalism.

I have great confidence in the strength of our industry and in our authorized industry professionals. While business models, education courses, and technology changes, the one thing

that stays the same is Alberta's authorized industry professionals' resiliency, competency, dedication, and professionalism.

Now, let's continue the journey for a better industry and increase consumer confidence in industry professionals. Use your voice. Take part. Have a say. Over the coming year, help us further strengthen our industry.



# RECA Launches New Licence Model Consultation

Real estate professionals spoke and the Real Estate Council of Alberta (RECA) listened. A new licensing model is coming to the real estate industry in Alberta effective June 1, 2015.

The new licence model requires new real estate professionals to choose a specialty and to complete education for that specialty. If they want to trade in real estate in multiple specialties, they must take the education for each specialty.

## **Focussed, targeted education means more competent new professionals**

The new licence model creates more competent new industry professionals in each real estate sector. Learners are able to focus on the education most relevant to them in their chosen career. If a new real estate professional does want to trade in each area (residential, commercial and property management), they must complete comprehensive education for each.

## **Responsibility to trade only in the areas you're authorized**

All industry members must provide competent service. This requirement remains regardless of the licensing model. If RECA receives a consumer complaint regarding incompetent service, RECA will investigate.

Likewise, under the new licence model, if someone has a licence restricted to residential real estate – and RECA receives a complaint about their involvement in a commercial trade – RECA investigates for unauthorized activity. For example, mortgage brokers aren't licensed to trade in real estate, and if we get a complaint they are, we investigate.

RECA will continue to review real estate professional behaviour for competence AND unauthorized activity.

## **We Want Your Feedback**

We want the industry's help to make the transition to this new licence model as seamless as possible. We encourage you to read our [New Licence Model Consultation Paper](#) and give your feedback to RECA, either through a [short survey](#) or by sending feedback and comments to [newlicencemodel@reca.ca](mailto:newlicencemodel@reca.ca).

Thank you for your feedback. With the industry's help, we can implement a new, more effective and efficient licensing model for real estate professionals.

**[Continued on next page](#)**

## Frequently Asked Questions

---

**1. I've just completed the Practice of Residential Real Estate course within the Real Estate Associates Program. I only want to trade in residential real estate.**

**Can I become licensed under the new licence model before June 1, 2015?** No. The new licence model takes effect on June 1, 2015. We are in the consultation period as it relates to implementation, and definitions for residential and commercial real estate. It is not possible to apply for a licence under the new model until implementation on June 1, 2015. If you want to apply for your licence prior to June 1, 2015, you will need to complete the additional practice courses.

**2. I'm currently authorized to trade in residential, commercial and rural real estate.**

**What will happen to my licence as of June 1, 2015?** The new licence model will only affect new real estate professionals or those

returning to the industry after an absence of more than three years. You will continue to hold authorizations for those areas of practice after June 1, 2015.

**3. If someone begins REAP in March, but will not finish the practice courses and exams until June, would they fall under the current licence model or the new one?** It doesn't

matter when they start the education, only when they become licensed. They will fall under the new licence model if they obtain their licence after June 1, 2015. If they want to apply for a licence between now and May 31, 2015 – they fall under the current model and need to complete the residential, commercial and rural practice courses.

**4. If I get my licence after June 1, 2015 and am restricted to residential real estate, how can I become a real estate broker in the future?**

Real estate brokers need to have authorization for ALL real estate activities (residential, commercial, rural and property management) before becoming a broker. This

continues in the future under the new licence model. If a new real estate professional gets a licence restricted to residential real estate, they cannot become a broker until they get authorization for all real estate activities (residential, commercial and property management). More information about becoming a broker is available [here](#).

# Stigmatized Properties – What are your responsibilities?

Imagine you've found the perfect property for your clients. It meets every one of their needs and wants, and they're excited to make an offer. Then the neighbours tell you it's haunted. Or a former grow-op. Or the site of a major crime scene. Now what do you do?

Alternatively, you're at a listing appointment with a new client and they tell you that before they bought the property, someone committed suicide in an upstairs bedroom. Now what do you do?

These properties are likely "stigmatized." A stigmatized property is one that has an unfavourable quality, which may make it less attractive for reasons not connected to its physical condition or features. Some buyers are more concerned about stigmatized properties than others.

As a real estate professional, there are many things to consider when dealing

with stigmatized properties and there are ways you can assist both your buyer and seller clients.

Here are some tips.

## How to Help Buyer Clients

### Discover Your Client's Concerns Before You Look for Properties

Most buyer clients will eagerly tell you what they want, but it's also important to talk about what they don't want. These discussions shouldn't be limited to the obvious (e.g. no bungalows, no attached homes); they should also include stigma issues. Maybe a client is strongly opposed to a property where a

murder has taken place. Or perhaps a client doesn't want to live in a remediated grow-op. Finding out your client's "must nots" will settle issues regarding stigmatized properties before you even start looking.

Other things you can do to help buyers:

- Neighbours are a great source of advice and information. They will almost always know if a major crime occurred on the property or if the house was once a marijuana grow-op. If you see them outside when you're visiting a property, say hi.
- A simple Internet search of the



buyers away. Make sure you discuss this possibility with the seller. Ultimately, though, it is the seller's decision whether to disclose. Your role is to advise them of the pros and cons of each situation.

property's address or the name of the condominium building will often uncover if the property has been the site of a major crime or other unfortunate event. It is very uncommon for a murder or other major crime to go unreported in the news.

disclosure of the situation.

Your seller client can:

- refuse to answer a buyer's question(s) about possible stigma
- truthfully answer a buyer's question(s) about the existence of stigma

If a buyer asks about stigma associated with your seller's property, and the seller is willing to answer – they must do so honestly. The seller cannot outright deceive possible buyers about stigma, but again, they can choose to not answer any such questions.

When a seller (through his or her representative) is unwilling to answer questions about possible stigma, it may scare some

## How to Help Seller Clients

On the other side, an initial conversation with a seller client about possible stigma is also important. It is up to a seller to decide if they want to disclose a stigma associated with their property. If your client indicates the existence of stigma, talk to them about how they want to approach

# Mortgage Fraud - It's more than you think

Mortgages involve money. Lots of it. And they provide a significant opportunity for fraud. Mortgage fraud comes in many different forms, and can be difficult to spot, but competent, vigilant industry professionals can help stop fraud before it happens.

## Fraud for profit vs. fraud for housing

Mortgage fraud is generally committed for one of two reasons: fraud for money or fraud for housing.

Fraud for profit is the type of mortgage fraud that is more likely to make the evening news. This fraud is committed by sophisticated criminals, and often on a massive scale. They commit fraud for the monetary reward, not because they actually want to own or live in the properties in question. These fraudsters are sophisticated and often have large networks of people working together to make the fraud happen. These networks can be difficult for law enforcement to crack, and those at the top may be insulated from the actual fraud, making convictions difficult.

Fraud for housing is when the end goal is the property, not

money. This is usually a one-time fraud that occurs when someone creates a fraudulent document or statement while applying for a mortgage. For example, someone might indicate a higher salary than they actually earn on an employment letter, or sign a gift letter for a down payment, knowing the money isn't actually a gift and must be repaid at some point. People who commit fraud for housing typically do so because they really want the property in question and don't believe they'll qualify for the mortgage otherwise. This may seem minor compared to the activities of organized crime, but it is still fraud.

## What to look for

Real estate and mortgage brokerage professionals see a lot of the paperwork that's required for purchases, sales and

mortgage applications. They are in a perfect position to spot fraudulent transactions or activities.

Below are some red flags to think about throughout a real estate transaction. There may be innocent explanations for why these things happen, but if the red flags start piling up, it may be time to look into it a bit further. Fraud can involve someone's identity, the value of the property, the industry professional or lawyer. For a full list of mortgage fraud red flags, click [here](#).

## Fraud for Profit: Red Flags

- client won't provide photo ID, when asked

Continued on next page

- transaction involves a licensed professional's relative
- land title records don't match the seller's information
- buyer is a numbered company seeking a high-ratio mortgage
- professionals involved in the transaction have no formal office; communication is by cell phone, email and fax;
- deposit is provided in cash or by money order
- chattels are used as deposit or as partial payment
- purchase price is same as, or higher than, list price
- property list price or purchase price is unusual for the neighbourhood
- quick succession of trades on one property
- listing associate refers people to an unlicensed person for showings or information
- names appear to have been added to or deleted from the contract
- purchase contract indicates both parties signed at the same time
- deposits not held at brokerage
- industry professional's lifestyle is not consistent



with income received through the brokerage

- someone other than the real estate associate witnesses the signatures
- industry professional lends the down payment to the client

### **Fraud for Housing: Red Flags**

Fraud for housing can sometimes be more difficult to spot. Typically, the person committing the fraud doesn't raise any red flags during the process. They plan on paying the mortgage they are fraudulently applying for, and they intend to live in the property.

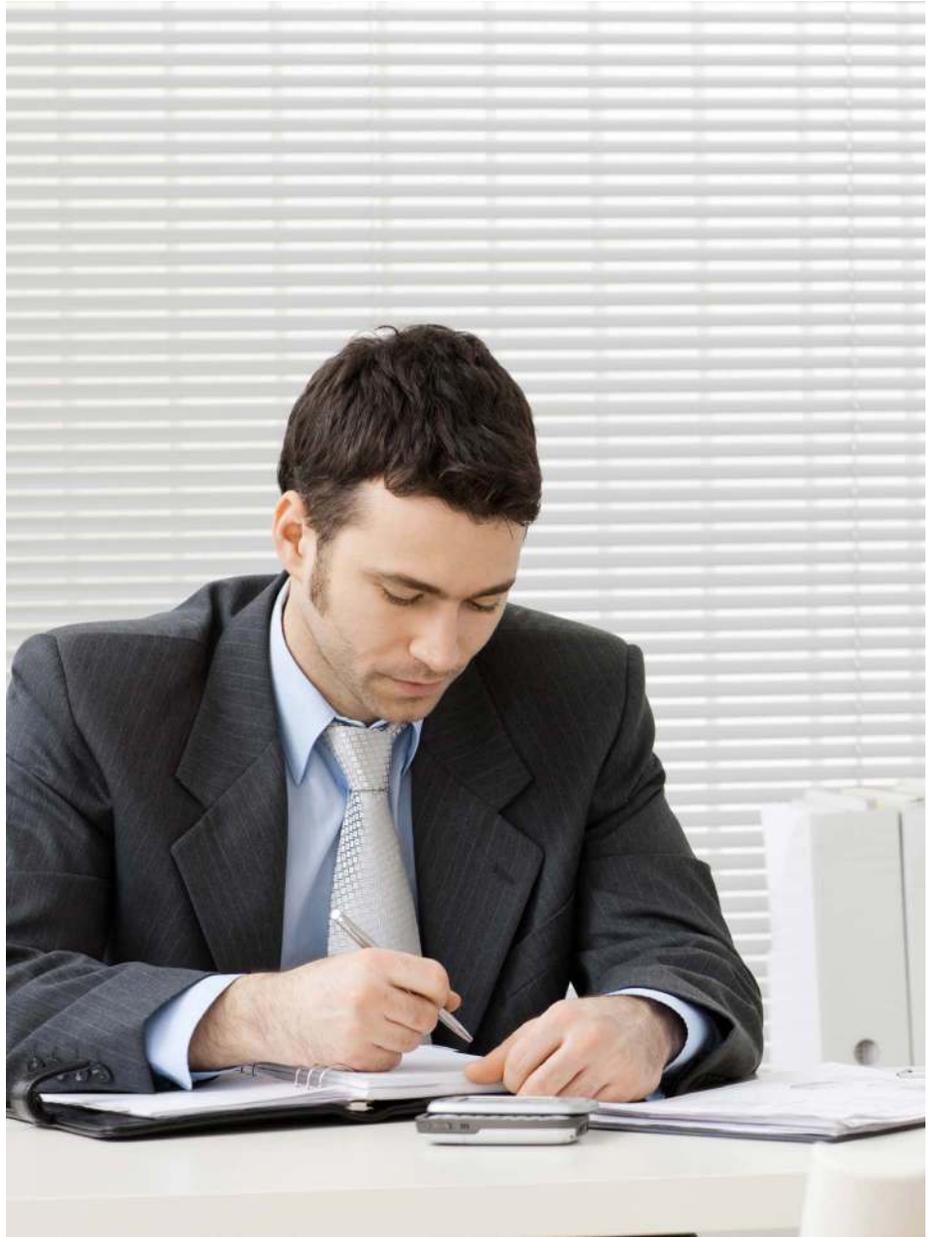
An industry professional's due diligence, however, can still be key to stopping this type of fraud.

Do you think the salary is a little high for the job a client indicates on an employment letter? Call the author of the employment letter to confirm, but don't automatically call the phone number given on the letter. If the letter itself is forged or fraudulent, it may not be the correct phone number for the actual employer. Independently confirm the right phone number for the employer. Still not satisfied? Request additional proof of employment and income: pay stubs, tax assessments, T4s.

**Continued on next page**

## I've uncovered evidence of mortgage fraud. Now what?

If you think you've uncovered fraud, the first step is to end your involvement in the transaction, notify the lender and talk to your broker. What happens next depends on who is involved. If the fraud involves another industry professional, you can contact RECA. If a lawyer is involved, contact the Law Society of Alberta. If you suspect an ongoing criminal fraud scheme, talk to local law enforcement. Involve your broker in every step.



# Advertising Team Names

A group of industry professionals advertising themselves as a “team” is common in Alberta. Teams can be a great way to expand your client base while continuing to provide top-level service. But it’s important to do it right.

## Teams vs. the Brokerage

Teams are not brokerages, but they often create their own administration that may mimic the appearance of a brokerage. It can be confusing to the public if they can’t distinguish between your team and your brokerage, and they may not realize your team members are not their own brokerage. That’s why professionals are required to clearly indicate their brokerage in all their advertisements. The ability for consumers to easily identify your brokerage is extremely important for consumer protection. If something goes sideways, consumers need to know they can call your broker to discuss the situation.

## Practice Tips

### Brokerage first, team second.

Typical advertisements for teams have a larger font for the team name and a much smaller font for

the brokerage name. While there’s nothing saying a team can’t do this, consumers may be confused by the relative dominance of the font used for the team name versus the brokerage name. Make sure you’re brokerage name is still clearly indicated.

### Try not to use team names typically found in brokerages

Avoid identifiers people typically associate with brokerages, such as “realty” and “real estate.”

### In common law, keep in mind you are part of a larger brokerage

Advertising that clients will be hiring an entire “team” for the same price as a single industry professional is misleading. In common law brokerages, a client always hires an entire brokerage, not a single team or individual. Remove these kind of claims from your advertising.



*In designated agency, keep your advertising consistent with what you offer*

In designated agency, multiple professionals or “team members” can serve as designated agent(s). For example, your entire team could be listed as the designated agents for a single client. If you advertise to clients they will receive the services and knowledge of an entire team for the price of one agent, make sure you’re designating each member of the team as designated agents for that client in the service agreement. If you advertise the services of the whole team and only designate one person as the designated agent, it’s misleading.

*Get broker approval before you develop advertising*

Teams must obtain the approval of their broker for all advertising campaigns and for any branding the team wishes to use. It is the broker’s responsibility to approve any advertising by associates in the

brokerage, including teams. So before you spend money on advertising your team, run everything by your broker.

*Review RECA resources*  
*Advertising Guidelines* and *advertising information bulletins* are available on the RECA website, including an information bulletin on what clearly indicated means. Take some time to review them before deciding on team branding.

# RECA Announces the Launch of the Practice of Residential Real Estate Course

The Real Estate Council of Alberta (RECA) announces the release of its Practice of Residential Real Estate Course as part of the *Real Estate Associates Program*.



The Real Estate Council of Alberta (RECA) announces the release of its *Practice of Residential Real Estate Course* as part of the *Real Estate Associates Program*.

RECA's new Practice of Residential Real Estate course places a strong emphasis on the day-to-day practice of working as a residential real estate professional, and builds on the comprehensive foundation established in the Fundamentals of Real Estate. The course includes relevant and timely content, practical examples, job aids and activities to prepare learners for a career in residential real estate.

The course also has a built-in feedback process to continually update and enhance the course, and learners have direct access

to RECA's Education helpdesk.

RECA's strategic plan includes a commitment to providing innovative, leading-edge career preparedness and training. The new *Practice of Residential Real Estate* course is an important part of that commitment.

## 2013-2014 RECA Annual Report Now Available

The Real Estate Council of Alberta's (RECA) 2013-2014 [Annual Report](#) and 2013-2014 [Financial Statements](#) are now available on the RECA website. Annual Report highlights include;

- summarized financial statements
  - an update on strategic goals and accomplishments
  - yearly authorization, education, complaint and conduct review statistics
  - activity reports from the Council Chair and the Executive Director
- RECA encourages all industry professionals to review the Annual Report..

If you have any questions about the Annual Report or the Financial Statements, please contact [communications@reca.ca](mailto:communications@reca.ca).

## New Consumer Information Available

RECA has expanded the consumer information available on its website, giving consumers easy access to more information that will help guide them through one of the most important financial decisions of their lives.

There is information on:

- the buying and selling Process
- commission calculations
- material latent defects
- multiple offers
- written service agreements
- relationship options

There's also a glossary of common real estate terms.

To access this information or direct your clients, simply click on the "Consumers" tab on RECA's main page. From there you will see the "[Consumer Information](#)" tab just below the main banner. Check back often as RECA will continue to add more information and resources.

## Consumer Trade Shows Coming Up

The Real Estate Council of Alberta (RECA) is gearing up for another trade show season.

RECA is exhibiting at the Home and Garden Shows in Calgary and Edmonton. The [Calgary show](#) is February 26-March 1 at the BMO Centre and the [Edmonton show](#) is March 19-22 at the Northlands Expo Centre in Edmonton.

RECA is also exhibiting at the [Red Deer Home Show](#). That show takes place March 6-8 at Westerner Park in Red Deer.

Stop by the RECA booth and say hi.

## **2014-2015 Council Members**

---

### **KRISTA BOLTON, CHAIR-ELECT**

Appointed from the public

### **BILL BUTERMAN**

Appointed from non-AREA industry members

### **KEVIN CLARK, PAST-CHAIR**

Appointed from residential real estate industry members

### **TONY DHALIWAL**

Appointed from the public

### **JOHN FARMER**

Appointed from the real estate appraisal sector

### **CHAD GRIFFITHS, CHAIR**

Appointed from the industrial, commercial and investment real estate sector

### **PAT KELLY**

Appointed from the mortgage brokerage sector

### **BRIAN KLINGSPON**

Appointed from the REALTORS® Association of Edmonton

### **ANGELA KOLODY**

Appointed from the boards outside of Calgary and Edmonton

### **STAN KUSHNER**

Appointed from the Calgary Real Estate Board

### **DALE RUSSELL**

Appointed from the boards outside of Calgary and Edmonton

### **CHRISTINE ZWOZDESKY**

Appointed from the property management sector

## **RECA Management**

---

### **BOB MYRONIUK**

Executive Director

### **KIRK BACON**

Deputy Executive Director

### **DALE CAWSEY**

Director of Corporate Services

### **JOSEPH FERNANDEZ**

Registrar

### **JEAN FLANAGAN**

General Counsel

### **CHARLES STEVENSON**

Director of Professional Standards

## **CONTACT RECA**

The Regulator is published by the Real Estate Council of Alberta.

Please forward any questions regarding the content of the Regulator, or any questions regarding licensing or mandatory education, to [info@reca.ca](mailto:info@reca.ca)



Suite 350, 4954 Richard Road SW,  
Calgary, AB T3E 6L1  
Phone (403) 228-2954 - Toll-free 1-888-  
425-2754  
Fax (403) 228-3065  
[www.reca.ca](http://www.reca.ca)