

The Regulator

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Message From Council

With the arrival of November we see the conclusion of another year of the Real Estate Council of Alberta's (RECA) work and the passing of my own responsibilities to the incoming Chair for 2014-2015 Chad Griffiths.



Kevin Clark,
Chair

A great deal of work has been completed this year, with substantial advancement in education, communication and our efforts in 'right touch' regulation.

There are three outcomes from this year upon which I would like to focus:

The first is the conclusion to more than six years of research, deliberation and preparation for Council's decision to require Written Service Agreements for client relationships in residential real estate; the greatest

impact of this being mandatory written service agreements between buyer clients and residential real estate practitioners. This decision of Council provides the opportunity for all licensees to engage on a level playing field of disclosure; clearly communicating to Albertans their 'value proposition', services offered and transparency of relationship. Through this, licensees can establish greater trust and outcomes can increasingly equal or even exceed expectations. A win, win for all parties.

The second outcome I want to highlight is a recent survey RECA conducted with Alberta consumers to explore

their experiences with licensees in all four industry sectors. The results were encouraging in that four out of five Albertans would not hesitate to use a real estate professional in their next transaction and that almost all those surveyed indicated they've either already been involved with our industry or plan to be involved within the next five years. Other findings include a rise in the use of mortgage brokers over the banks; satisfaction levels among those who used a real estate professional or mortgage broker being strong with more than 65% being satisfied or very satisfied; more than 85% of Albertans knowing that real

estate sales requires a licence; and lastly, that although consumers seek information from multiple sources, real estate professionals and/or company is the most common source for assistance.

RECA will repeat this consumer survey – and its Spring 2014 industry member survey - in the future to continually evaluate its fulfillment of its responsibility to all Albertans. The conclusions we can draw from these recent surveys is that you are doing a great job for your clients and consumers appreciate your work; your licence is something of which to be proud and your services assist thousands of consumers every year. It is results like this that should give our industry great pride and that clearly demonstrate fulfillment of effective 'self-regulation'.

The third and final outcome of this past year for me is the delight

that occurs at its end, as I turn the Chair over to incoming Chair – Chad Griffiths, together with Chair-Elect Krista Bolton.

As someone who has been licensed for almost forty years, fifteen of which at a leadership level, it brings me a wonderful sense of anticipation as we turn leadership over to a younger generation. Chad has been a member of Council since November 2012, and serves as an appointee of the Alberta Real Estate Association from industry members trading in industrial, commercial and investment real estate. He recently served as chair of RECA's Commercial Real Estate Advisory Committee and as chair of the Finance and Audit Committee. His is the new generation, a role of leadership to the younger licensees. Together with Krista as Chair-Elect, who has been serving as a public member of Council since

November 2012, they will carry us further forward into this new century, in a country filled with opportunity and so many freedoms. It is with pleasure that I eagerly await all the wonderful new experiences that face those to whom we pass this torch.

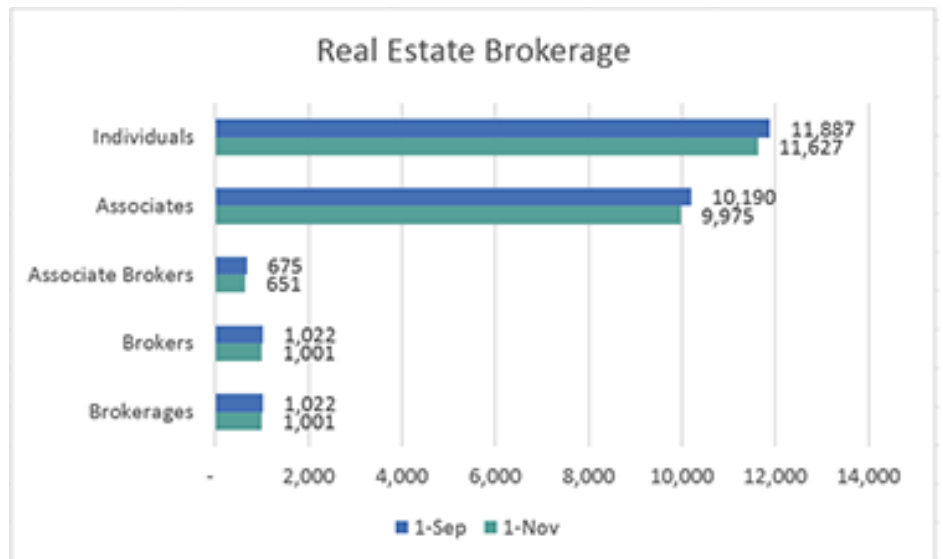
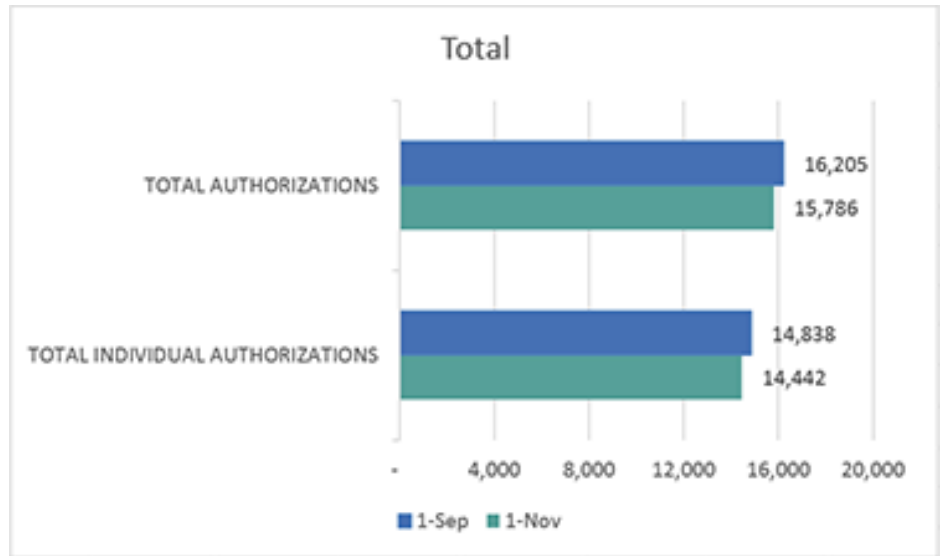
My hope for each of you is that life is meeting or even exceeding your expectations and that you enjoy great success in all your endeavors.

Renewal Roundup

The new licensing year began on October 1, and the RECA would like to thank industry professionals from across the province who renewed on time and helped RECA's busiest time go smoothly .

While the majority of renewals continue to occur in the final two weeks of September, Consumer and Industry Services staff are happy to report that there was a slight improvement in the number of early renewals this year.

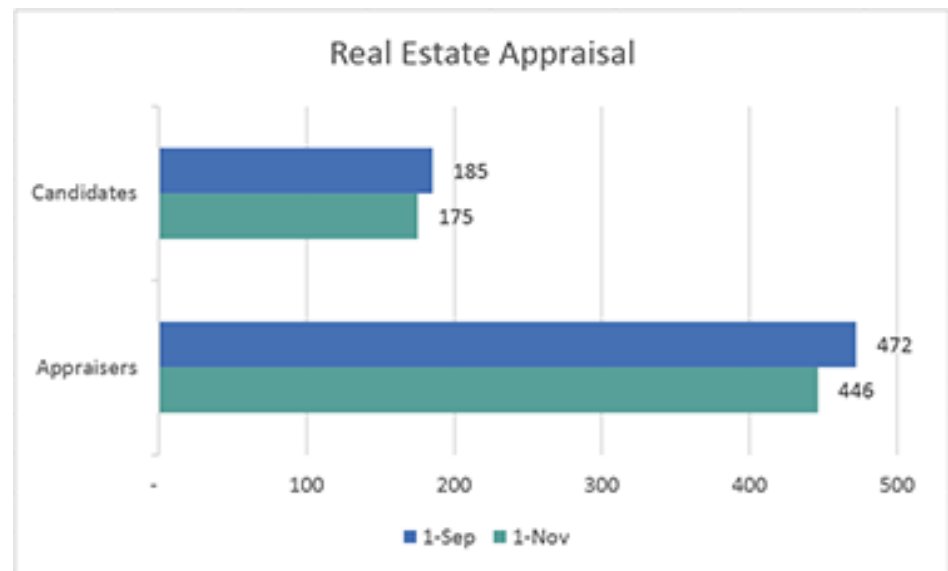
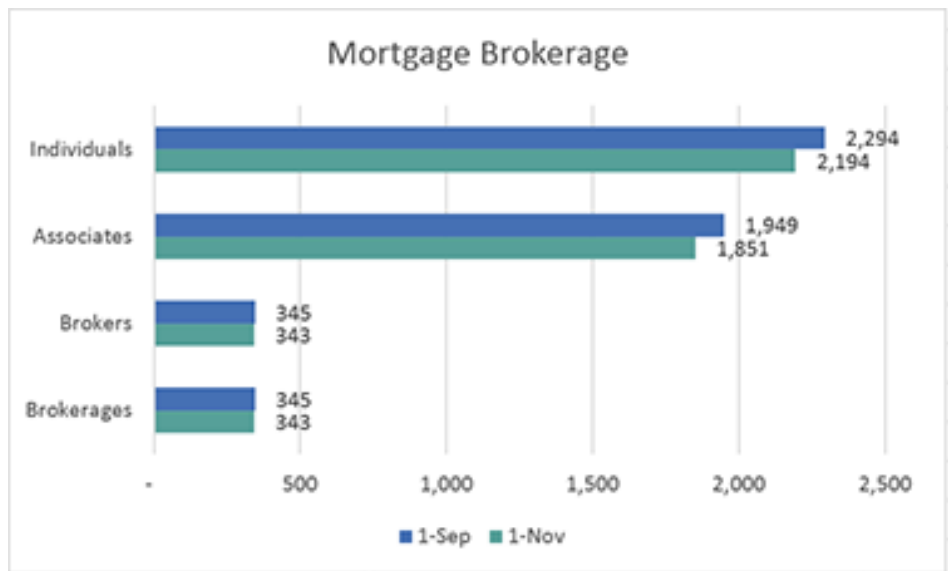
RECA knows there is flux in the number of industry professionals between Sept. 1 and Nov. 1. Leading up to renewals, some professionals remain authorized, but have already chosen to leave the industry. And there are those who fail to renew by Sept. 30, but do so in October. By presenting licensing numbers for Sept. 1 and Nov. 1, we get a better picture of change in the industry.



This was the first renewal period with the new myRECA system. myRECA allows all individual professionals to update their own contact information. In the past, brokers had to update the contact information for all of their associate and associate brokers, which sometimes slowed down the renewal process for the bigger brokerages.

myRECA performed well throughout the renewal period, though RECA did receive many questions about how to access the system. RECA has resources available to help industry professionals get the most out of their myRECA account. If you need a refresher, click the link below. Being familiar with myRECA can make the renewal process more efficient.

myRECA Tutorial: First Time Log In



Requirement to Notify the Executive Director

Every renewal period RECA learns from renewal applications that some industry professionals have failed to immediately notify RECA of certain changes and events. These are found in **s.40** of the *Real Estate Act Rules*. Industry professionals need to be familiar with

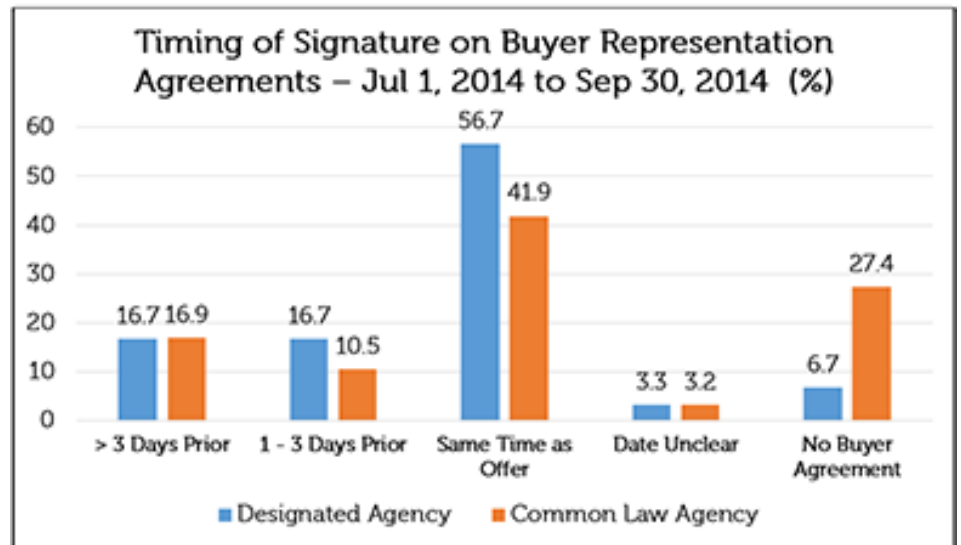
their requirements under s.40, as failure to immediately notify RECA under s.40 can result in disciplinary action.

There were fewer s.40 violations discovered during this renewal period than in past years.

Mandatory Written Service Agreements - A 90 Day Review

Mandatory written service agreements for residential buyers came into effect July 1, 2014. Of course, written service agreements are mandatory for those within designated agency brokerages as soon as they implement the agency model change.

During the past 90 days or so, the Real Estate Council of Alberta's (RECA) Trust Assurance and Practice Review officers compiled statistics from brokerage reviews. They looked at every residential transaction file in which the buyer was a client of the brokerage.



Buyer Representation Agreements Signed in Advance

- 16.7% of buyers in Designated Agency signed their service agreements more than 3 days before writing an offer
- 16.7% of buyers signed their service agreements between 1 and 3 days prior to writing an offer
- 10.5% more signed their service agreements between 1 and 3 days prior to writing an offer
- For a total of 34.7% of buyers in designated agency signing their service agreement ahead of writing an offer
- 16.7% of buyers in Common Law Agency signed their service agreements more than 3 days before writing an offer
- 10.5% more signed their service agreements between 1 and 3 days prior to writing an offer
- For a total of 27.4% of buyers in common law agency signing their service agreement ahead of writing an offer

The best practice for industry professionals is to ensure clients clearly understand the roles, obligations, and services prior to writing an offer. While a busy market may affect your ability to achieve this best practice, it must be your goal for all clients.

Buyer Representation Agreements Signed at Time of Offer

Buyers signed their representation agreements at the same time as writing an offer 56.7% of the time in designated agency relationships and 41.9% of the time in common law. Industry professionals are reminded, that while this is sometimes unavoidable, it is not the best practice. Consumers need to understand their representation options, and the respective roles and responsibilities prior to taking part in a real estate trade.

No Buyer Representation Agreement

In just less than 7% of designated agency transactions and about 27% of common law transactions, there was no written buyer representation

agreement. Remember that when you are representing clients in a trade in residential real estate, not having a written service agreement is not an option. There is no provision for a client to waive the written service agreement. If a consumer refuses to sign a written service agreement, you must treat them as a customer and move towards having them acknowledge their customer status in writing. You cannot provide services to them as a client.

Buyer Representation Agreements

If you trade in residential real estate, whether designated agency or common law agency, you must enter into a written service agreement with all clients. The agreement may be an exclusive right to represent the client, in which case the agreement must contain the mandatory content found in the Rules. Alternatively, you may choose a non-exclusive right to represent the client, in which case the agreement needs only to meet the minimum standards set out in the Rules. Examples of these agreements can be found on RECA's website under

the Industry Professional Tools

Resources

During the past couple of years RECA worked closely with the Alberta Real Estate Association (AREA) on an education and communications strategy for this change. RECA took responsibility for the consumer-facing elements while AREA developed tools for industry professionals trading in residential real estate. AREA developed explanatory forms and video learning resources for their members. The amount of valuable educational material that AREA has developed, rolled out, posted on its website, and discussed in its monthly newsletter between Fall 2013 and July 2014 is enormous. The quality of the materials is excellent. To learn more, visit the **AREA Website** where you can view and take advantage of these great resources.

Brokerage Amendments - What you Should Know

The Real Estate Council of Alberta (RECA) received 74 brokerage amendments during September, compared to an average of 20 amendments in a regular (i.e. non-renewal) month.

While some brokers wait until the annual renewal period to notify RECA of brokerage amendments, simply put – that’s not acceptable and is a breach of the *Real Estate Act* Rules.

The Rules require brokerages to immediately notify the executive director when a change occurs:

- any circumstance where the broker is no longer able to perform the duties and responsibilities of a broker outlined in these Rules
- the termination or resignation of the broker who is registered with the brokerage
- the opening or closing of a trust account
- a change to the brokerage’s registered business office
- a change in the bank, loan corporation, trust corporation, credit union or treasury branch, or location at which the brokerage maintains a trust account

- a change in the partners if the brokerage is a partnership
- a change in the officers, directors or shareholders of a corporation if the brokerage is a corporation
- a change to the brokerage’s name
- a change in the brokerage’s contact information

If a broker doesn’t immediately notify RECA of an amendment they could receive an Administrative Penalty.

Waiting until the renewal period to report amendments can have implications on the renewal process itself. If there are problems because of the amendment or if the required paperwork isn’t readily available for some reason, processing the amendment may

be delayed. The broker and brokerage authorization cannot be renewed until the amendment is processed. If the broker and brokerage are not renewed by the Sept. 30 renewal deadline, none of the brokerage’s industry professionals can work as of Oct. 1. Think about all your clients that could be left waiting.

The process to report brokerage amendments has never been easier. Brokers can use the online licensing system to report some amendments, while others require the broker to send written notification to RECA. For more information about this process, and how to report a brokerage amendment, go to RECA’s website.

Registered Condominium Size - One Source

Information from Edmonton started to arrive at the Real Estate Council of Alberta in February this year. In every case, we received a current, active listing feature sheet and a registered condominium plan. The registered plan size on each feature sheet was highlighted. The corresponding size on the registered condominium plan was also highlighted. The numbers didn't match. We've received hundreds of these information packages so far.

The *Real Estate Act* clearly states that the executive director shall commence an investigation when information is received that may constitute conduct deserving of sanction. The Act is equally clear about the process for investigation and the outcome options.

There is only one "registered plan size" for every condominium unit and there is only one source for that information – the actual condominium plan. This is not "living space" or "above grade square footage" or "paint to paint measurement", or any number of other terms used to describe the size of a residential condominium

In October, RECA completed 55 registered condominium plan conduct

review files. Each file was assessed individually on the evidence gathered during a professional conduct review. During October, the outcomes were:

- 15 advisory notes were issued to industry professionals who provided evidence they attempted to accurately represent the registered plan size and simply made an input error
- 17 letters of reprimand, RECA's lowest penalty for conduct deserving of sanction, were issued to industry professionals
- 23 administrative penalties, starting at \$1,500, were issued to industry professionals who ignored the rules and / or ignored their brokerage policy and / or who failed to complete their own due diligence

RECA is committed to the principle of right-touch regulation (see RECA's Statement on Self-Regulation)

meaning we apply the minimum regulatory force required to achieve the desired outcome. The desired outcome is accurate representation. The required diligence is simple and inexpensive.

Some industry professionals and brokers have responded to RECA professional conduct review officers in a very positive manner. Examples include:

- before RECA commenced a professional conduct review, some industry professionals recognized their error(s) and made corrections

- some industry professionals were unaware of the real estate board and RECA educational materials. Once aware, they took it upon themselves to review the materials to enhance their competence
- some industry professionals amended their business practices to include this enhanced knowledge in their processes
- many industry professionals began reviewing feature sheets after inputting the information to ensure accuracy
- some brokers established policies around representation of registered plan size
- some brokers “beefed up” existing brokerage representation policies
- some brokers established consequences for non-compliance with brokerage policies
- some brokers implemented a brokerage employee accuracy review of the information represented on new listing feature sheets

- some brokers provided mandatory review sessions for industry professionals

RECA is equally committed to the spirit of self-regulation in which industry professionals have the primary responsibility for effective self-regulation. Your standards of conduct and business practice determine the value and integrity of the industry.

For individual industry professionals, taking proactive action reflects as a mitigating factor in penalty assessment. For brokers who are taking reasonable proactive action in their brokerage, the remaining professional conduct review files for industry professionals registered with their brokerage have been sent to them for resolution under the **Voluntary Broker Resolution Process**.

Consumer Survey Results Confirm Need for Greater Awareness

Did you know that 86% of Albertans know real estate brokers require a licence and 67% know a mortgage broker does?

These are some of the results of a recent consumer survey the Real Estate Council of Alberta (RECA) commissioned with Weaver Marketing Research. Four hundred consumers were surveyed with the goal to gauge their awareness of RECA as the licensing body for industry professionals, their overall satisfaction with industry professionals, and to identify knowledge gaps about the industry as a whole.

Some of the key findings:

- the majority of consumers believe the industry is regulated and that professionals require a licence, but they were unsure what organization is the regulatory, licensing body
- the majority of consumers were satisfied in their dealings with industry professionals and would use a professional again for their next real estate transaction/mortgage deal

- consumers were split about who they would send a complaint to about an industry professional, with some indicating RECA and others indicating the Alberta Real Estate Association or the local real estate board
- twenty percent of consumers had heard of RECA, but there was little consensus about what RECA does.

The need to build awareness of RECA among consumers is apparent, but what is also apparent is that consumers trust our regulated industry more than they would an unregulated one.

RECA's strategic plan includes building awareness of RECA, and the value of licensed and regulated industry professionals. This survey is the baseline measurement of consumer awareness that RECA will use to gauge its consumer communication effectiveness in the coming years.

To enhance RECA's visibility with consumers, and to communicate the value of working with a licensed and regulated industry professional, RECA is developing a new slate of consumer website content and resources in the coming months. Stay tuned.

New and Improved Licensing & Renewal Information

RECA has re-organized and re-written the Licensing & Renewals content on www.reca.ca to make it easier than ever to find the information you're looking for.

Industry professionals told RECA staff that the old content was hard to follow and hard to navigate. RECA solved this by significantly reducing the amount of unnecessary information, adding visual elements to the content, and re-organizing the structure to be more logical and user-friendly. Instead of being organized by industry sector, the content is now organized to cater to new industry professionals, existing industry professionals, and brokerage or appraiser users.

The new content can be found on the **Industry side** of www.reca.ca, within the Licensing & Renewals section.

RECA Wins Two Education Awards

The Real Estate Council of Alberta (RECA) has taken home two Association of Real Estate License Law Officials (ARELLO) Education Awards. RECA was this year's recipient of ARELLO's Post-Licensing/ Continuing Education Award for its *Real Estate Update 2014* Course and also received honours in the Pre-licensing Education category for its *Fundamentals of Real Estate* Course.

ARELLO recognized *Real Estate Update 2014*, in part, because of its mobile-friendly design, which allows industry professionals to complete it through most smart phones and tablets. *Real Estate Update 2014* provides information that is relevant to real estate professionals' current practice, including material on identifying properties in flood zones and advising buyers, tenants, landlords

and sellers regarding such properties. RECA incorporated this crucial information in the course's content in light of the significant 2013 floods in Alberta.

RECA's *Fundamentals of Real Estate* course is the initial course in the Real Estate Associates Program (REAP), which is the pre-licensing education requirement for authorization as a real estate associate in Alberta. RECA's *Fundamentals* course provides clear regulatory information, relevant practice examples and engaging activities for learners.

RECA has received three ARELLO awards for its education courses in the past, as well as two Investigator of the Year awards and five communication awards.

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

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KIRK BACON

Deputy Executive Director

DALE CAWSEY

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

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