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Message from the Board Chair

Patricia McLeod, Q.C.

It has now been a full year since the onboarding and first substantive meetings of the Board and Industry Councils under RECA's modernized governance model. It's been an incredibly busy, fruitful, and challenging year, to say the least. I would like to thank my fellow Board members, the Industry Council members, the Minister of Service Alberta, RECA's stakeholder groups and trade associations, RECA staff, and all individual licensees for assisting the Board in achieving our legislated goals for our first year. Without your feedback, we couldn't have moved things along with such efficiency and confidence.

At the end of my message, I will go over some of the highlights of the year, but first, I want to talk about what's new.

What's New

At its January 21 meeting, the Board approved RECA's Annual Report and Financial Statements. These documents are required by Section 16 of the *Real Estate Act* to be sent to the Minister no later than 120 days after the end of RECA's fiscal year. You can read the full documents on RECA's website, and review some highlights elsewhere in this Regulator. This past fiscal year was the first under the modernized governance model for RECA, and I'm proud to say that the Board has taken every effort to maximize the amount of information and ensure full transparency in the Annual Report. I encourage all stakeholders to review both documents.

The Board also approved the Examination Blueprint for the examinations for the Fundamentals of Condominium Management, the Practice of Condominium Management, and the Condominium Management Broker Course. These exams are available now, and condominium managers with conditional licences can begin taking these exams to become fully licensed. The Board encourages condominium managers to complete the appropriate courses prior to taking the exams to ensure you have the full breadth of regulatory knowledge required to pass.

Strategic Planning

The Board began its strategic planning process in November 2021 by gathering feedback from all stakeholders on RECA's strategic direction and what our priorities as a regulator should be. I would like to thank the various trade associations for their comprehensive and thoughtful feedback to the Board. I would also like to thank the dozens of individual licensees who took the time to provide valuable feedback through the Strategic Planning web form. Planning would be impossible without taking all your feedback into consideration first. RECA also obtained feedback from Alberta consumers, and from the Broker Forums hosted for each industry sector through November, December, and January.

After reviewing all feedback received, the Board and Industry Councils met for the first part of the formal strategic planning process on February 14. There we discussed broad strategic themes and the various feedback from stakeholders. The day consisted of robust and thought-provoking discussions, and the Board will take all it has heard and set RECA's strategic direction and a multi-year strategic plan at its next strategic planning session in April. RECA is working on a consultation plan that will seek input from stakeholders on the strategic priorities prior to its final approval. The strategic priorities

will guide annual business plans and the budgeting processes for upcoming years.

One item that resulted from the initial discussions that I can share with you now is that the Board and Industry Councils have committed to undertaking a full review of the *Real Estate Act* Rules. The Rules were created in 2006, and a lot has changed in the industry since then. This comprehensive review, carried out by the Industry Councils and the Board, will involve extensive and meaningful consultation with all stakeholders. Look for more communications about this in the coming months.

Stakeholder Engagement

One of the most important strategic themes the Board will focus on for strategic planning is stakeholder engagement. Engaging the public, individual licensees, trade associations, brokers, and government will form the foundation for all major decisions of the Board. To that end, look for numerous opportunities to provide feedback to RECA on any issue. For specific initiatives, look for surveys, town halls, forums, or other direct means of providing feedback in communications from RECA. To let your voice be heard on issues outside of direct consultation on specific issues, look for events like the upcoming stakeholder engagement sessions to be held by the Board and each Industry Council this Spring. The details for these events are still being determined, as the pandemic will dictate the format. So keep an eye out for communications regarding these sessions and other engagement opportunities.

And please remind your fellow licensees that engagement opportunities with RECA exist. Self-regulation and robust engagement only happen when stakeholders take part. Please remind your peers to please open and read emails from RECA. We want to hear from as many stakeholders as possible.

Highlights from 2021

A lot was accomplished in the last year, including the major items listed below. For a more fulsome review of the year, please review the Annual Report.

New CEO - The Board hired Russ Morrow as RECA's CEO. The Board has directed that Russ continue to build relationships with members of each industry and the member associations as a key priority of his accountabilities.

Education Divestment - Thank you to all the stakeholders who participated in the consultations and shared their knowledge gained from experience in the industries. The stakeholder feedback, along with the hard work of the Industry Councils has allowed the Board to set the date for divestment of licensing education at **June 1, 2022**, six months before the divestment deadline set by the Minister of Service Alberta.

Welcoming Condominium Managers - Condominium managers officially become a licensed industry under RECA until December 1, 2021. Thank you to the Residential Property Manager Industry Council, the Condominium Manager Implementation Advisory Committee, condominium manager associations, and RECA's staff for their hard work in making condominium manager licensing a reality.

Stakeholder Engagement - Meetings with member associations began in January 2021 and are ongoing. The Board also approved a new Stakeholder Engagement Policy in March 2021. The Board and Industry Councils held well-attended Online Engagement Sessions from March through May 2021, implemented Board and Industry Council email addresses, and invited stakeholders to provide direct feedback online.

Bylaws - Under the amended *Real Estate Act* and its Regulations, the Board was mandated to complete mandatory governance training (completed February 2021), and the creation of bylaws concerning Board disputes, Industry Council elections, and the education divestment process (all approved by the Minister in November 2021). The Board also completed a comprehensive review of RECA's governance bylaws and adopted a number of new governance processes and policies.

KPMG Report - The KPMG Governance Review Report provided different options and recommendations to the Minister of Service Alberta to resolve past governance challenges at RECA, informing and resulting in the proclamation of an amended *Real Estate Act* on December 1, 2020. The Board has also undertaken its own review, and voluntarily adopted over 90% of recommended governance practices contained in the KPMG Report (of those that had not already been addressed by the Government of Alberta), in order to augment and reinforce best practices in governance oversight of the regulator. You will find a complete outline of the status of all of the KPMG report recommendations in the Annual Report.

It will be another very busy and interesting year at RECA. On behalf of myself, the Board, the Industry Councils, and RECA's staff, I thank you for your engagement and your support as we work hard collectively to ensure that the public has every confidence in the tremendous value of Alberta's real estate industry licensees.

Commercial Real Estate Broker and Commercial Property Manager Industry Council Update

Summary of activities since November 2021 from Terry Engen, Chair

As I'm writing this, we're almost halfway through RECA's fiscal year. In the time since my November update, the Commercial Real Estate Broker and Commercial Property Manager Industry Council has continued to advance work on education divestment, strategic planning, and stakeholder engagement.

Education Divestment

After considering all feedback, and making the necessary amendments, the Industry Council approved the licensing competencies for commercial real estate associate, rural real estate associate, property management associate, and real estate broker licensees. These competencies will be used by third-party course providers when they develop the courses to train competent, professional commercial and agri-business licensees.

Thank you to everyone who took the time to review the proposed competencies and provide thoughtful, professional feedback. With all of the licence competencies approved, RECA is set to be divested of education by June 1, 2022—six months ahead of the deadline set out in the *Real Estate Amendment Act, 2020*.

Strategic Planning

The Industry Council appreciates all the commercial and agri-business licensees who provided feedback by filling out the form on reca.ca, at the broker forums, or by emailing any of the Industry Councils or RECA's Board of Directors.

I, and other members of the Industry Council, will ensure that your input and specific industry needs are taken into account by RECA's Board when creating the upcoming strategic plan for RECA.

The robust discussions at the broker forums were particularly engaging. It was great to see how seriously commercial brokers take their work, and how interested they are in supporting RECA in its consumer protection mandate, and in creating the sort of regulated business environment for them to thrive. I look forward to hearing more at future forums and other engagements.

Stakeholder Engagement

We encourage all licensees—and other stakeholders—to continue providing your suggestions, feedback, and questions. As we did last year, the Industry Council will be holding an online stakeholder engagement session this spring. Watch your email for more information on this, and other, sessions.

If you have any questions or feedback you'd like to provide in the meantime, please email commIC@reca.ab.ca.



Mortgage Broker Industry Council Update

Summary of activities since November 2021 from Clarence Lee, Chair



The culmination of 2021 and the first few months of 2022 have been a productive time for RECA and the [Mortgage Broker Industry Council](#).

But firstly, I'd like to take the opportunity to re-introduce you to the newly elected Vice-Chair of our Industry Council, Paul Bojakli. Paul is a licensee-elected member of the Industry Council and is the Industry Council representative on the RECA Board of Directors. Paul was elected Vice-Chair of the Industry Council at our December 2021 meeting.

Competency Profiles Complete

We are pleased to announce that, after much consultation with all stakeholders, the mortgage associate and mortgage broker competency profiles have now been approved for use by third-party course providers.

Mortgage licensees must have many competencies to operate competently, professionally, and in the public interest, and the method to identify and document these requirements was a collaborative and detailed process. We could not have done it without the feedback and validation from mortgage licensees, and I sincerely thank you for your input. Moving forward, the existence of these competencies will ensure new licensees are competent, work-ready mortgage licensees.

Education Divestment

Divestment of RECA licensing education for all industries, including mortgage, continues to be on track for June 1, 2022. I know many brokers out there are curious about how they will go about having new associates join their brokerage during this time of education transition. Until the divestment of education is complete, the current pre-licensing education prescribed by RECA and offered by RECA and AMBA continues to be in effect. After divestment of education delivery is complete, RECA will retain our processes for licensee examinations. The exams will

be based on the same competencies used by third-party course providers to create their courses. For more information, see the pre-licensing information on reca.ca.

Strategic Planning

RECA opened submissions for licensees to submit feedback on our strategic direction from November to January. We also received comprehensive feedback from trade associations, including AMBA, and we hosted online broker forums in November. This, along with consumer feedback, will inform the Industry Council and the Board on the issues that matter most to our stakeholders. We sincerely appreciate all the mortgage licensees who took the time to participate, with a special thanks to AMBA for their extensive and thoughtful feedback.

I also want to extend a special thank you to the brokers who attended the broker forums in November 2021, and to the host, Gary Siegle, RECA's Mortgage Regulatory Compliance Advisor, and longtime broker himself. The conversations were excellent, and I look forward to future, similar engagement opportunities. It was great to see our industry become so engaged in the self-regulation process.

The Board is responsible for RECA's strategic direction, however, the Industry Councils provide extensive feedback to the Board on our respective industries to aid the process, including a full-day strategic planning session for all Board and Industry Council members that occurred on February 14. The goal of that meeting, and future meetings, is to create a robust, multi-year strategic plan for all industries RECA oversees, including the mortgage sector. The Industry Council will make sure all mortgage industry feedback is heard by the Board in their upcoming strategic planning sessions.

Upcoming Stakeholder Engagement

RECA has plans for additional stakeholder engagement sessions this Spring in April/May. Stay tuned for more information on how to participate.



Residential Property Manager Industry Council Update

Summary of activities since November 2021 from Don Newell, Chair

This is my first Industry Council message to you since the hundreds of new Condominium Managers became initially licensed by RECA as a result of the changes to the *Real Estate Act* that created the regulation of the condominium industry as of December 1, 2021. Welcome to all our new licensees!

The condominium management licensing process went smoothly, and we have substantially completed the task of bringing the industry under RECA's regulatory umbrella. This is the culmination of a seven-year effort between the industry, RECA and the Alberta Government. RECA is extremely pleased to have Condominium Managers join the fold as RECA licensees, as we work together to deliver consumer protection and further strengthen the trust condominium boards and owners can have in the condominium management industry. Thank you to all the industry members, RECA staff, condominium trade associations and members of the Condominium Management Implementation Advisory Committee for your hard work that led us to this important milestone.



Condominium Courses and Exams now Available

All three of the condominium management licensing courses are now available through [third-party course providers](#). The accompanying exams are also available.

A reminder that all condominium managers with a conditional licence must complete their appropriate course(s)/exam(s) prior to the November 30, 2022 deadline in order to be fully licensed.

Competency Profiles & Education Divestment

We are pleased to announce that, after significant consultation with industry participants, the competency profiles for Property Manager Associate and real estate broker were approved. Third-party course providers can now develop education for property management licensees.

Divestment of RECA licensing education for all industries, including property management, continues to be on track for June 1, 2022. As noted above, condominium management courses are already currently being offered by [recognized third party providers](#), and the accompanying exams are also available.

Until the divestment of education is complete, the current pre-licensing education for property managers offered by RECA continues to be available. As new third-party course providers develop and offer courses, RECA will notify stakeholders. After divestment of education delivery is complete, RECA will continue to administer all licensee examinations. The exams will be based on the same competencies used by third-party course providers to create their courses. For more information, see the pre-licensing information on reca.ca.

Residential Measurement Standard (RMS)

Together with the Residential Real Estate Broker Industry Council, the Residential Property Manager Industry Council sent a letter to the Minister of Service Alberta regarding how the RMS could apply to condominium and new home builders. The goal is that a consistent measurement standard for all types of homes in Alberta, including new condominiums, will allow consumers to make meaningful size comparisons.

Strategic Planning

RECA opened submissions for licensees to submit feedback on our strategic direction from November 2021 to January 2022 and we hosted online broker forums for property management and condominium management in mid-January 2022. This, along with consumer feedback, will inform the Industry Council and the Board on the issues that matter most to our stakeholders. We sincerely appreciate all the property management and condominium management licensees who took the time to participate on the webform, in the broker forums or elsewhere.

The Board is responsible for RECA's strategic direction; however, the Industry Councils provide extensive feedback to the Board on our respective industries to aid the process, including holding a full-day strategic planning session for all Board and Industry Council members that occurred on February 14, 2022. The Board hopes to create a multi-year strategic plan for all industries RECA oversees, including the residential property management and condominium manager sectors. The Industry Council will make sure all property management and condominium industry feedback is heard by the Board in its upcoming strategic planning sessions.

Upcoming Stakeholder Engagement

RECA has plans for additional stakeholder engagement sessions this Spring in April/May 2022. Stay tuned for more information on how to participate.

Residential Real Estate Broker Industry Council Update

Summary of activities since November 2021 from Sano Stante, Chair



I want to begin my update by sincerely thanking all of the people and the organizations who have participated in the various engagements the Industry Council and RECA have undertaken this past year. Your feedback is essential to RECA achieving effective regulation. Our Council believes in meaningful engagement with stakeholders at all levels for all major decisions, and we will continue to action this as we move forward under this modernized governance model for RECA.

Education Divestment

In December 2021, our Industry Council approved competency profiles for residential real estate associate and real estate broker licence classes. Thank you to the over 1,000 individuals and the two project teams established by AREA who invested the time to provide feedback on the respective competencies. I know they contained a lot of information, and giving meaningful feedback required a good chunk of your valuable focus and time. It was extremely valuable feedback

and was appreciated by the Industry Council, enabling us to move forward with providing these approved competencies to third-party course providers for them to create their courses.

The Board has set June 1, 2022 as the divestment date for all licensing education at RECA, and I know there are many course providers working on courses for the residential sector to be in place by that date.

For those brokers wondering how to tackle recruitment during this transition period, please be aware that RECA's existing licensing education is still in place until education is divested to third-party providers. Education completions will be transferrable, meaning that, for example, should a potential new licensee you are looking to licence complete the Fundamentals of Real Estate prior to divestment, but not get to the Practice of Residential Real Estate prior to divestment, they will not have to retake a fundamentals course from a third-party provider in order to take the Practice of Residential Real Estate with that provider. Similarly, if you have potential licensees enrolled in RECA courses and they have not completed them by the divestment date, those courses do not disappear. They will be permitted to complete those courses from RECA, as long

as they do so by December 1, 2022. The divestment date simply means there will be no new enrollments.

To assist your prospective licensees you may want to refer them to the information RECA has created to assist learners [here](#).

If you are interested in RECA's Education Divestment Process please see RECA's [Education Divestment page](#).

Strategic Planning

As you are all aware, the Board and Industry Councils sought stakeholder feedback for strategic planning purposes from November to January. Thank you to everyone who provided feedback. All Industry Councils convened with the Board on February 14, 2022 to discuss your feedback and to discuss some broad strategic themes. The Board will create a proposed strategic direction for RECA in the coming weeks, and will seek stakeholder feedback on that proposed direction before finalizing a multi-year strategic plan.

At the February 14 meeting, the Board and the Industry Councils committed to a complete review of the *Real Estate Act* Rules. The standards of practice described in the Rules are set out by the Industry Councils for each particular sector. I look forward to engaging with all stakeholders during this review to hear your views on how we can modernize the Rules to benefit the industry while retaining and enhancing consumer protection.

Stakeholder Engagement

Beyond the engagement for strategic planning purposes, our Industry Council will once again be hosting a Spring Engagement Session. We are planning an in-person engagement session in Calgary and Edmonton later in the Spring, with the ability for those outside those cities to join virtually should they choose to. More information about these sessions will be coming out in a few weeks, so please stay tuned. I am looking forward to engaging directly with stakeholders in person for the first time since the creation of the Industry Council.

RMS

As I have mentioned before, RECA has created an Ad Hoc RMS Committee to review the RMS. That committee's work is ongoing, and will hopefully consult on the RMS in the coming months.

Related to the RMS, and together with the Residential Property Manager Industry Council, the Residential Real Estate Broker Industry Council sent a letter to the Minister of Service Alberta initiating the concept that the RMS could apply to condominiums and new home builders. The hope is that a consistent measurement standard for all types of homes in Alberta (regardless if purchased new direct from a builder or re-sale) will better allow consumers to make meaningful size comparisons and protect consumers from potential misleading measurement claims.

RECA's 2020-2021 Annual Report & Financial Statements

The Real Estate Council of Alberta's (RECA) fiscal year-end was September 30, 2021. RECA's Annual Report and Audited Financial Statements for the 2020-2021 fiscal year are now available at reca.ca. RECA encourages all licensees to read this report thoroughly as it includes a comprehensive and transparent accounting of RECA's activities over the year.

Annual Report

This year's report included expansions to the reporting requirements in conjunction with the amendments to the *Real Estate Act* that came into force on December 1, 2020. Total compensation for the Board, Industry Councils, CEO, and Registrar are now required in the Annual Report. In the interest of full

transparency and accountability, other new sections include a Governance Report outlining RECA's modernized governance structure and its activities, a complete KPMG Governance and Operational Report Recommendations status disclosure, Industry Council Activity Updates, as well as the full audited financial statements. Though the full Audited Financial Statements have always been made public as a separate document, they are now included as part of the Annual Report. Previous Annual Reports only required summarized financial statements.

Audited Financial Statements

[RECA's 2020-2021 Financial Statements](#) were audited by MNP in December 2021. The full, audited statements are available at reca.ca.

You may note that RECA had higher revenue than expected in the 2020/2021 fiscal year, as education enrolments and new licensees greatly exceeded what was budgeted. You should also be aware that as mandated in the amendments to the *Real Estate Act* that came into effect December 1, 2020, RECA must divest itself from the delivery of pre-licensing and re-licensing education and focus on regulation. Education revenues accounted for 47% of RECA's gross revenue in 2020-2021. As the Board takes revenues into consideration for 2022-2023 budget planning, they must account for RECA's education revenue disappearing as of the education divestment date of June 1, 2022. This new financial reality, including the adjustment in revenue from divesting education, must be forecasted carefully.

After reviewing the full report, RECA strongly encourages licensees and consumers to reach out with any questions or concerns they may have.



Real-Estate Holdbacks – Why They Often Don't Make Sense for Lenders

By Gary Siegle, RECA Regulatory Compliance Advisor, Mortgage Brokers

RECA has received an increase in inquiries regarding the use of *holdbacks* in real estate sales contracts.

A *holdback* occurs in a real-estate transaction when the buyer identifies a condition (typically a renovation or repair) that they want to be completed at the seller's expense. The *holdback* is typically a pre-determined dollar amount withheld from the seller until the condition named in the agreement has been completed. This may or may not occur prior to the buyer taking possession of the property.

In some circumstances, when the condition that determined the need for a *holdback* is not completed prior to the closing date, it can cause problems for the lender or mortgage broker. Especially if they haven't been told of the *holdback* prior to the financing conditions being waived.

The problem is, if the work is not completed, often the *holdback* is returned to the buyer, effectively reducing the selling price.

What kind of problems do lenders encounter with holdbacks?

If the real-estate transaction is insured (less than 20% has been put down) the *holdback* can sometimes cause the loan-to-value ratio to increase above the maximum threshold of 95%. If the loan-to-value ratio is between 80% and 95%, the change to the effective selling price can move the loan-to-value ratio into another mortgage insurance premium tier. Either scenario means that the lender is now offside on the default insurance, and if there is ever a claim the insurer may not pay.

Holdbacks can also cause problems in conventional real-estate deals when the *holdback* amount reduces the price, and the amount put down is no longer enough to deem the mortgage conventional.

Lenders will not risk breaching their regulatory requirements and often reject applications where the *holdback* is structured to be refunded to the buyer in the event the work is not completed.

Don't Forget About Errors and Omission Insurance

All mortgage brokerages are required to carry Errors and Omissions insurance. This insurance policy needs to be purchased independently and renewed at the policy expiry date. A mortgage broker must also ensure the business of the brokerage is carried out in accordance with the legislation. The number one issue RECA sees for its mortgage broker licensees is the failure to carry Errors and Omissions Insurance or the failure to renew their policy once it has lapsed. In some cases, RECA has seen brokerages who did not have Errors and Omissions Insurance for years yet continued to handle multiple mortgage files.

A reminder that mortgage brokers need to carry Errors and Omissions Insurance on a continuous basis and the failure to do so, means you should not be operating. Operating uninsured puts your clients at serious risk. Operating without Errors and Omissions Insurance also opens mortgage broker licensees to the possibility of sanctions.

Evidence Is Key when Submitting Anonymous Fraud Tips

RECA's mandate includes protecting against, investigating, detecting and suppressing fraud as it relates to the real estate and mortgage industries. Did you know RECA has an [Anonymous Fraud Tip Submission Form](#)? Consumers, industry licensees, or other third parties can anonymously provide RECA information regarding fraudulent activity they may be aware of taking place in the industry. RECA takes the allegations they receive through this form very seriously; however, RECA's investigation team can rarely act on "tips" alone. Anyone submitting these forms needs to be very specific with the information they are providing and make sure to submit any relevant supporting documents.

For instance, RECA recently received an anonymous fraud tip that provided details of a company which was reported to be falsifying legal documents in order to qualify buyers who otherwise would be deemed unqualified. The tip was very detailed but provided no form of supporting evidence, just an accusation. Although the tip may very well have contained valuable information, without supporting evidence, the investigation could not move forward. RECA requires sufficient grounds to open an investigation.

Supporting evidence is paramount in making sure any potential investigation moves forward. There is a section in the [Anonymous Fraud Tip Form](#) where this type of information can be submitted.

What can be done?

Real estate transactions are complex in nature and often involve many professionals. For example, one transaction could include two real-estate licensees, a mortgage licensee, multiple lawyers, and potentially other parties like a home inspector. All these professionals need to be communicating with one another so that the interests of both the buyer and the seller are protected. The conditions that are being negotiated need to be communicated beforehand to all parties, including any potential *holdbacks*.

There are several matters that can be negotiated between the seller and buyer that may negate the need for a *holdback*, or, in the rare case a *holdback* needs to occur, its use needs to be communicated properly to the lender/mortgage broker, so they can ensure the circumstances don't put the loan in jeopardy of being offside of its original conditions.

Alternatives to Holdbacks:

- arrange to have the work completed before the possession date
- seller can reduce the price of the property and leave the work requested uncompleted for the buyer to complete themselves after possession, removing the need to do a *holdback*

In the end, buyers always need to be in contact with their lender throughout the financing process. Constant and consistent communication between all parties will allow for a successful transaction.

Best Practice:

If it is determined that it is the best-case scenario to use a *holdback*, it is best practice to hold the funds in a lawyer's trust account until the work has been completed and conditions met. Consult with the lender as to how the *holdback* should be disbursed to avoid approval withdrawal.

There should also be a defined timeline listed for the work to be done. For instance, list that the defined work needs to be completed within 60-90 days of possession or the *holdback* will be returned to the buyer's lender, reducing the overall value of the loan.

Out-of-province Agents Need a Licence to Trade in Alberta

By Kristian Tzenov, RECA Regulatory Compliance Advisor, Real Estate Brokers

RECA has heard about increased interest from out-of-province buyers, particularly from Ontario, in purchasing property in Alberta. Alberta has not seen the price increases like those in the GTA or Vancouver areas over the last decade, and Alberta's market is being seen as an opportunity for some.

Because of this activity, RECA's Information Services team has received an increase in inquiries regarding best-practice as it pertains to licensees from other provinces providing real estate services in Alberta.

Need for a licence

In today's global economy, where a person can easily market a property halfway around the world, it is not always clear whether a specific activity falls under RECA's jurisdiction and requires a licence. But typically, if a property is located in Alberta, you require a licence in Alberta in order to represent the parties involved in transacting that property.

This applies to new builds and to resale property. Some people think that trades involving builders do not require a licence. This is not true. In general, RECA does not regulate the business of home builders or developers, however, individuals and companies that represent builders in a trade, do require a licence. There have been examples of Ontario licensees marketing Alberta new-build opportunities within Ontario (presumably to obtain referral fees from the Alberta builder).

RECA has also seen examples of Ontario licensees listing Alberta properties for sale through their websites or other online advertisements.

In both instances, the act of advertising a new build opportunity or listing an Alberta property for sale is considered a trade in real estate and would trigger licensing requirements in Alberta. This unlicensed activity could open the individual in question to the possibility of sanctions from both RECA or their local regulator.

A reminder that individuals and companies trading in real estate in Alberta need to be licensed through RECA. Having a licence in another jurisdiction does not permit them to perform licensed activities outside of that jurisdiction. It is considered unlicensed practice. Licensing and regulation exists to protect consumers. Performing activities without the protection licensing and regulation creates puts your clients at risk.

Determining Jurisdiction

RECA considers all the facts and impacts on Alberta consumers to determine whether a real estate trade has a [sufficient connection to Alberta and therefore falls under RECA's jurisdiction](#). If you are unsure if specific activity has sufficient connection to Alberta and requires an Alberta licence, you are encouraged to reach out to info@reca.ca or visit reca.ca for more information.

What's Next for Newly Licensed Condominium Managers

By Doug Dixon, RECA Regulatory Compliance Advisor, Real Estate Brokers

First off, congratulations to the newly licensed Condominium Managers who became licensed by RECA as a result of the changes to the *Real Estate Act* that created the regulatory framework of the condominium management industry.

As we navigate these first few months of regulation, RECA will keep licensees informed and up-to-date on the next steps in the licensing process to ensure sufficient time to complete the required education components before the deadline of November 30, 2022.

Courses Now Available Through Third-Party Providers

RECA is pleased to announce that all three condominium management licensing courses are now available through [recognized third-party course providers](#). The accompanying exams are also now available.

	Fundamentals of Condominium Management	Practice of Condominium Management	Condominium Manager Broker Program
New Licensee: Associate	✓	✓	
New Licensee: Broker	✓	✓	✓
Licensed as a Real Estate Associate		✓	
Licensed as a Real Estate Broker		✓	

Choosing a Course Provider

RECA advises licensees to carefully consider choosing a course provider by determining your learning preferences and researching course providers that are well matched to your needs. It is important to choose a course provider that will prepare you to successfully complete the licensing exam. The exam is specifically designed to test whether learners have developed the competencies required to provide competent service and to protect the public.

RECA has created a [Choosing a Course Provider](#) document to aid licensees when making their choice. We encourage you to review it carefully.

Licensees are also encouraged to check the [RECA website](#) periodically to review the course offerings as additional course providers become recognized.

Conditionally licensed condominium managers should complete the exam(s)/course(s) that have been listed on their conditional licence. To learn which courses and exams are required based on

your circumstances, please visit [RECA's Pre-Licensing Education webpage](#).

Exams

RECA is also pleased to announce the availability of the exams for the Fundamentals of Condominium Management, the Practice of Condominium Management, and the Condominium Management Broker Program courses.

Once licensees take a course through a recognized provider, they will receive an email with instructions on how to book an exam upon course completion.

RECA strongly encourages individuals complete the course(s) prior to taking the exam(s). However, RECA will allow licensees with at least 75 days experience in the last five years to challenge the exam(s). Some of the exam questions will relate to regulation and RECA's legislation, topics which those who have never been licensed before may not be familiar with. Licensees are advised to consider their personal experience and knowledge before choosing to challenge the exam(s).

If you choose to challenge the exams you will only be permitted one challenge attempt. If not successful, challengers will need to enrol in the necessary courses. Those who want to challenge the exam, should please contact education@reca.ca.

RECA deems successful completion of the education requirement as a grade of at least 70% on the course exams.

Exams fees are \$235, and all exams are to be written at a physical location and booked through Yardstick. More information on booking will be sent via email when you complete courses or request to challenge the exams.

RECA is currently in the process of creating practice exams. As soon as these are available, stakeholders will be notified.

Timing is Important

Whether conditional licensees choose to complete the course requirements or challenge exams, it is strongly recommended to start the process as soon as possible. The completion of each course can take a substantial amount of time. Choosing to challenge the exam should also not be left to the last minute, as should you be unsuccessful in the exam challenge, you may not have enough time to complete the course before being able to take the exam again.

Licensed Property Manager Does Not Equal Licensed Condominium Manager

Condominium management is a separate activity and a separate industry from property management. If individuals and companies would like to practice both condominium management and property management, they should do so under separate brokerages. A condominium management brokerage licence is required to offer condominium manager services, and a real estate brokerage licence is required to offer property management services.

Should a company wish to offer both services, they will need two brokerage licenses, however, each brokerage can operate under the same corporation.

It is also very important that corporations offering multiple services ensure that their trust accounts for their condominium management services are separated from their property management or real estate brokerage trust accounts. Should a brokerage have many trust accounts in their myRECA account that need to be moved from the property management brokerage to the condominium management brokerage, RECA can assist with this. Each license will require separate Fiscal Year End reporting for any fiscal year ending December 1, 2022, or later. For more information on reporting [Condominium Management Fiscal Year End](#), please visit reca.ca.

If you have any questions or require assistance with this process, please email audit@reca.ca for assistance or more information.

Be Aware of Unlicensed Practice

By James Porter, RECA Investigations Manager



RECA takes unlicensed activity seriously. A person cannot trade in real estate, deal in mortgages or act as a property or condominium manager without a licence issued by RECA (s. 17 of the *Real Estate Act*).

Sometimes the line between licensed and unlicensed activity is misinterpreted, which unfortunately leads to Alberta consumers not being protected by a regulated environment. It can also result in persons being fined or sanctioned for engaging in those activities that require a licence.

Recent Examples of Unlicensed Practice

RECA has seen examples where licensees operate outside of the business of their brokerage and in an area where they do not hold that class of licence. For instance, a real estate brokerage may decide it is only going to represent buyers and sellers, and it is not going to be a brokerage that provides property management services, despite the broker and many associates at the brokerage also being licensed in property management. In some instance, one of the brokerage's licensees, who is also licensed in property management, chooses to engage in property management business "outside" the brokerage. This would be considered unlicensed practice by the licensee, as all licensed activity flows through the brokerage, and they would also be failing to trade in the name of their brokerage. Licensees cannot provide services outside the business of their brokerage and cannot provide services in an area they don't hold a licence. Consumers should have confidence that licensees have received the proper training, are competent to practice in that industry, and that the activity falls within the regulatory framework of the industry and provides the legislated consumer protections.

The co-listing of commercial properties is another area where RECA has seen unlicensed practice. Advertising commercial property on behalf of an owner requires a commercial real estate licence. Instances have occurred where a residential licensee co-listed and advertised a commercial property with someone who holds a commercial licence, assuming that it is okay to do this, despite not being licensed in commercial real estate themselves. This is not the case. You must be licensed in commercial real estate to co-list a commercial property.

Consequences of Unlicensed Practice

First and foremost, consumers using the services of an unlicensed person are not protected by the Consumer Protection Fund, mandatory errors and omissions insurance, nor the guaranteed expertise of a licensed person who has taken the necessary education and has the experience in a particular area.

Also, those engaging in unlicensed activity may be subject to investigation and potential sanction, and RECA may issue administrative penalties.

Examples of administrative penalties for unlicensed activity are posted in the [Case Summaries](#) of the RECA website. In some of these cases, Administrative Penalties were as high as \$25,000.

If licensees are unsure if their activity may be considered unlicensed, it is always best to discuss with your broker. Make sure your broker is aware of any business you are doing on behalf of the brokerage. Your broker can help explain what your class of licence allows you to do. If there is any ambiguity, you can also reach out to RECA with general inquiries at info@reca.ca. Your broker can reach out to a [Regulatory Practice Advisor](#).

Also, please review the Information Bulletins describing the various sectors within a real estate licence.

[Trading in Real Estate - Residential Real Estate](#)

[Trading in Real Estate - Commercial Real Estate](#)

[Trading in Real Estate - Rural Real Estate](#)

[Trading in Real Estate - Property Management](#)

National Real Estate AML/ATF Virtual Forum Registration is Now Open

FINTRAC is hosting its first National Real Estate AML/ATF Virtual Forum designed for professionals in the real estate sector.

Learn more about money laundering (ML) and terrorist financing (TF) in the real estate sector, including how real estate brokers, sales representatives, and developers can best fulfill their obligations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).

This virtual broadcast event runs until March 18, 2022 and will provide an exciting opportunity for real estate professionals, industry regulators, and law enforcement to learn about sector-specific compliance issues, regulatory changes, and the broader Canadian AML/ATF regime.

Register here: [National Real Estate AML/ATF Virtual Forum \(fintrac-canafe.gc.ca\)](https://fintrac-canafe.gc.ca). There is no cost to participate.

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WATCH RECA.CA FOR CURRENT ENGAGEMENT EVENTS, BROKER FORUMS, AND MORE.