



February 28, 2006

Mr. Robert Myroniuk  
Executive Director  
Real Estate Council of Alberta  
340, 2424 – 4<sup>th</sup> Street SW  
Calgary, Alberta  
T2S 2T4

Dear Mr. Myroniuk

**Re: Proposed Rule Changes under the Real Estate Act**

On behalf of the over 900 members of the Canadian Institute of Mortgage Brokers and Lenders (CIMBL) in Alberta we offer the following comments with regard to the proposed rule changes that the Real Estate Council of Alberta (RECA) has circulated for review.

Due to its self regulatory model, RECA is able to review and modify its policies and procedures in a more efficient manner to better reflect ongoing changes in the industry. RECA has also shown itself to be open to input and discussion on rule changes before they are implemented. CIMBL appreciates this consultative approach.

The proposed list of rule changes circulated by RECA is significant, running roughly 47 pages. Many of the recommendations do not directly impact the mortgage industry or the practices of mortgage professionals. CIMBL does wish, however, to comment on some of the recommendations that affect our members. Before finalizing these comments, we forwarded the proposed changes to all of our members in Alberta seeking feedback. CIMBL offers its knowledge of the industry in working with RECA to ensure that the rule changes are practical and occur with little disruption and wide spread knowledge.

1. Classes of Mortgage Brokers – Section 3 (1)

CIMBL supports the categories listed here. They are similar to categories in both British Columbia and Ontario. CIMBL recommends that RECA ensure enforcement of these categories so that individuals who do not qualify or operate without a license are penalized.

2. Mortgage Broker Authorization – Section 7

CIMBL suggests that RECA examine a two-year registration period instead of an annual registration period. Documentation and administrative particulars do not radically change in a one year period. CIMBL would recommend that a two year registration process be implemented by RECA at the option of the broker or agent.

3. License Eligibility – Section 13 (2)

CIMBL does not object to the requirement that in order to hold a mortgage broker license in Alberta that they must maintain an office. However, CIMBL would recommend that RECA examine a grandfathering provision for companies that have been operating in the province for many years and have no record of infraction with RECA. We would suggest a period of up to one year to conform to this rule change.

4. Written Service Agreements – Sections 41, 42 and 43

CIMBL received the most feedback from its members on sections 41, 42 and 43. Section 41(d) states industry members must “disclose the cost of their services in writing”, while subsection (g) states industry members must “disclose, at the earliest opportunity any conflict of interest they may have in the course of providing services to, or in their dealings with, a client.”

Section 43 (2) (viii) states that when a servicing agreement is in place, “the amount or method of calculating the remuneration or alternate compensation to be paid and the circumstances on which it will be payable” must be disclosed.

CIMBL supports disclosure so that borrowers are aware of different mortgage products. RECA will be interested to know that CIMBL has created a Task Force on Disclosure to examine the specific issue of commissions and incentives. This is a very complex issue and one that has been recently raised in other provinces. CIMBL notes that other industry sectors such as insurance have addressed this important issue. In the interests of professionalism, we believe the borrower should be made aware of how the mortgage broker or agent is compensated.

CIMBL wants to be proactive and work with RECA on how to achieve this objective. We understand that the proposed rule changes are not scheduled to become effective until July 1, 2006 at the earliest. This would allow time to review disclosure options related to commissions and incentives.

5. Referral Disclosure – Section 45

CIMBL supports the measures contained in this section, but wishes to raise on behalf of its members the larger issue of mortgage referrals. Currently in Alberta only those registered can make a mortgage referral. CIMBL would recommend that RECA examine the possibility of establishing a “simple referral”. This practice is common in other jurisdictions such as British Columbia and Ontario. A “simple referral” would involve only passing along the name of a borrower and their contact information. The definition would not include activity such as a credit check or filling out of a mortgage application. Such actions clearly constitute mortgage activity and participants should be registered.

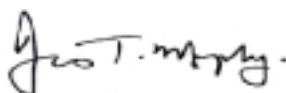
6. Verification of Information Disclosure Section 72 (1) and (2)

CIMBL supports the intent of these rule changes; however, CIMBL would recommend that they be clarified. CIMBL understands that this section may be amended by adding the term “if any”. We support such an amendment and would be happy to work with RECA on finalizing changes in this section. CIMBL has been advised by several members in Alberta that they administer mortgage applications in their offices received from different parts of the province, particularly Fort McMurray. While identification should be provided, such practices should be allowed to continue.

Finally, CIMBL supports harmonization of rules affecting the mortgage industry and believes that there must be a level playing field for all mortgage professionals.

As noted, CIMBL would be pleased to follow up with RECA on any of the areas identified in our letter. We thank you for the opportunity to input and for your availability in reviewing and explaining the rule changes.

Sincerely,

A handwritten signature in black ink that reads "Jim T. Murphy". The signature is written in a cursive, slightly slanted style.

Jim Murphy  
Senior Director of Government Relations and Communications

Cc: Eric Stewart, RECA  
Kirk Bacon, RECA  
AMBA