

### **Alberta Real Estate Association**

At-Risk Commissions Survey Results\*

<sup>\*</sup>Survey results have been compiled for ease of viewing.

#### Background and Methodology

In the fall of 2016, AREA's At-Risk Commissions Working Group (ARC) contracted insightrix Research Inc. (insightrix) to conduct a study among its members.

Objectives of the research were primarily to gather Broker / Associate Broker, and Associate perceptions on commissions on a variety of factors including:

- timeliness of commissions paid and frequency of delays experienced
- views on regulations regarding commission payout
- interest in commission insurance
- knowledge of where terms and conditions are / can be found
- commission systems of payment used

To meet these objectives, a member study was conducted between November 22 and December 11, 2016. In total, 801 AREA members completed the survey (327 associated and 180 brokers) for a response rate of 7.7%.

Included are the compiled survey results.

#### Agreement with Statements

10 point scale where 1 means Completely Disagree and 10 means Completely Agree

Real estate sales commissions are currently disbursed to associates in a timely manner

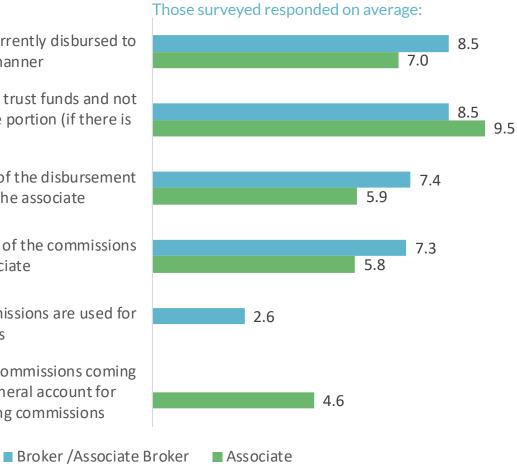
Commission payable should be treated as trust funds and not used by the brokerage until the associate portion (if there is any) is paid out

Currently there is transparency in terms of the disbursement of the real estate commission to the associate

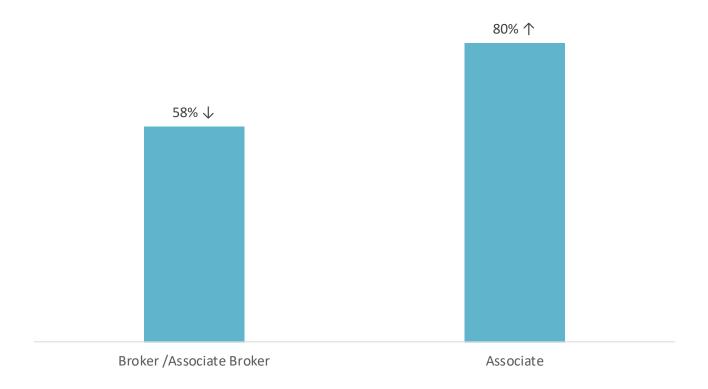
Currently there is a certainty in terms of the commissions being paid to the associate

Currently as a broker, associate commissions are used for operating purposes

Currently the broker uses the associate commissions coming out of the brokerage trust into the general account for operating purposes other than paying commissions







10 point scale where 1 means Not Effective and 10 means Very Effective

Requiring a Brokerage Policy Manual at the Brokerage outlining the terms and conditions of the commission payment process

Taking regulatory steps to have a mandatory brokerage commission trust account to ensure that the money is not used for purposes other than paying associates involved in the sale

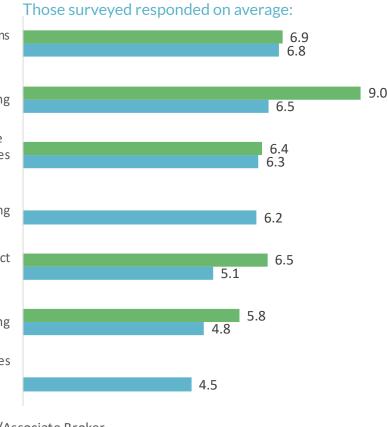
Require an employment or independent contractor contract outlining the commission payment terms and conditions for the brokerage and associates to agree upon

Have mandatory brokerage commissions trust accounts with a set of procedures and guidelines for administering these accounts for disbursing real estate sales commissions

Have mandatory commission protection insurance products to protect against brokerage commissions non-payment.

Taking regulatory steps to have an optional brokerage commission trust account to ensure that the money is not used for purposes other than paying associates involved in the sale

Have optional brokerage commissions trust accounts with a set of procedures and guidelines for administering these accounts for disbursing real estate sales commissions

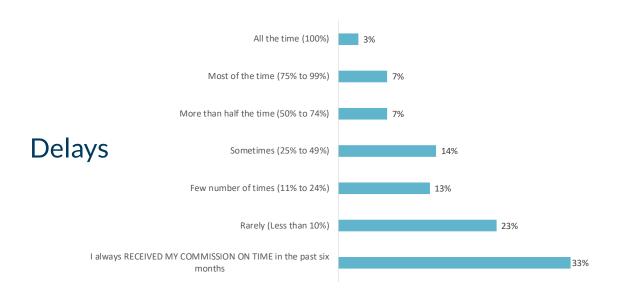


Associate

■ Broker /Associate Broker

# Other Suggestions to Improve the Commission Disbursement Process

Improve the Commissions Disbursement Process	Broker /Associate Broker	Associate
Base (n)	180	627
Commission held in separate/trust account (not usable for operations)	35%	37%
Need more standard procedure/legislation for payouts	26%	18%
Penalize unethical brokers (i.e., that don't pay)	13%	9%
Do not want to incur unnecessary costs (i.e., insurance fees, account fees)	12%	9%
Need transparency (from broker)/signed agreements	11%	11%
Associates' due diligence working with brokerages	11%	3%
General satisfaction/not an issue	7%	5%
Perform broker audits (by RECA/AREA/CREB)	7%	6%
Commission payouts within specific timeframe	6%	9%
Purchase insurance for commissions (in case of closure/bankruptcy)	6%	7%
Direct payment of commission from lawyer	1%	3%
Other	7%	7%
Don't know/no comment/nothing	16%	26%

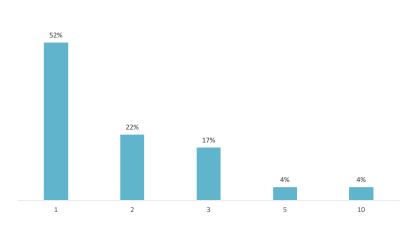


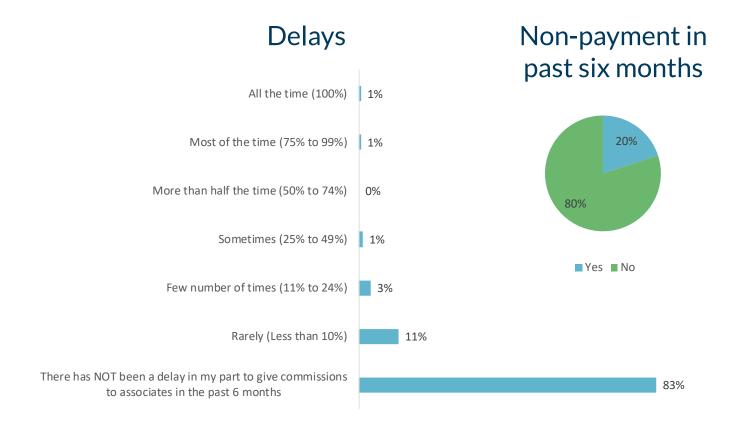
## Non-payment situations in past six months

# 94%

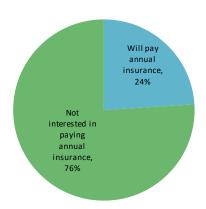
■ Yes ■ No

## Of those experiencing non-payments, how many total non-payment commissions

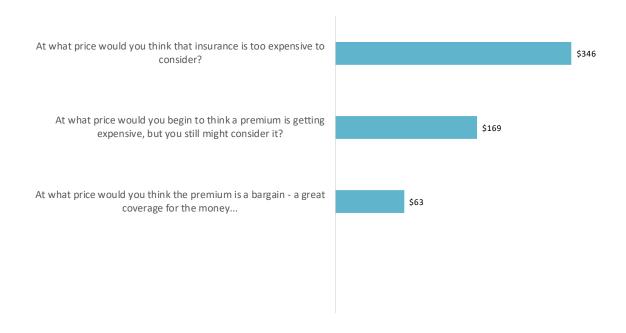




## Interest in paying annual premiums

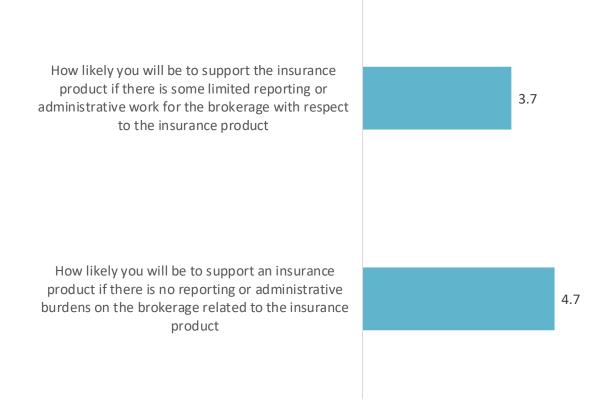


## If you are to buy insurance and pay an annual premium...



#### Agreement Regarding Insurance Products

As Indicated by Brokers 10 point scale where 1 means Not Likely and 10 means Very Likely



#### Likelihood

#### Reasons to oppose

