

**Summary: An inducement is anything that is offered or provided by a brokerage to a person who is, or could be, a party to a real estate or mortgage transaction and is intended to either assist, persuade or cause that person to enter into a particular real estate or mortgage transaction. [*Real Estate Act Rules*, s.1(1)(q), s.54 (1)(e), s.70(2)]**

For the purposes of the *Real Estate Act Rules*, an “inducement” is anything that is offered or provided by a real estate or mortgage brokerage to a person who is, or could be, a party to a real estate or mortgage transaction and is intended to either assist, persuade or cause that person to enter into a particular real estate or mortgage transaction [*Real Estate Act Rules*, s.1(1)(q)].

The details of the inducement must be provided in writing to the party to the transaction and the broker must have provided written approval of the inducement.

Any inducement offered by an associate broker or associate must be offered in writing and be approved in writing by the broker. This approval can be done by a written policy specifying the types and value of inducements authorized by the broker and can be offered by the associate broker or associate on behalf of the brokerage.

Some industry members confuse “inducements” and “incentives.” As stated in the definition, an inducement is anything offered by a brokerage to a specific person who is a party (or potential party) to a real estate transaction, or mortgage deal, and is intended to assist, persuade or cause that person to enter into such a transaction or deal. An incentive is something that a brokerage offers to the public at large to attract business to the brokerage. It is not directed specifically at any one individual and is not related to an actual or potential particular real estate transaction or mortgage deal. An example of an incentive is if ABC Realty has a large newspaper advertisement stating that any seller who lists his property with the brokerage within the next 60 days could be eligible for a trip for two to Palm Springs. For more information, see RECA Information Bulletin: *Incentives*.

Commission rates are a matter of negotiation and written agreement between an industry member and a client. The Real Estate Council of Alberta takes the position that a commission rate is a contractual matter and can be renegotiated at any time between the parties. In contrast, an inducement is something offered or provided that is outside the bounds of a brokerage agreement. Therefore, the Real Estate Council of Alberta does not view a reduction in commission or a renegotiated commission as an inducement.

## Examples

1. An associate, on behalf of the brokerage, offers to pay for moving costs, legal fees, or the purchase of an appliance for one of the parties in order to make the deal. This is an inducement.

2. A mortgage associate chooses to discount the interest rate of a mortgage in order to induce the borrower to complete a mortgage transaction. This is an inducement.
3. A property manager offers free advertising as an inducement to complete negotiation of a management contract with an owner.
4. A seller's agent negotiating a purchase contract with the buyer's agent agrees to reduce the gross commissions charged to the seller by a percentage equal to \$500 in order to close the deal. This would not be an inducement for the purposes of the *Real Estate Act* Rules.