

reconnect

NEWCOMERS EDITION

PUBLISHED BY THE
REAL ESTATE COUNCIL OF ONTARIO
FOR HOME BUYERS AND SELLERS

Looking *for your* first home *in* Ontario?

Found the home of your dreams? Here's your to-do list

What you need to know about deposits

Looking to move? 4 must-do tips before you start

Should you work with a real estate salesperson to find a rental unit?



Looking for your first home in Ontario? RECO is here to help.

Welcome to Canada! Starting a new life in a new country is a milestone event, just like finding your first home. There's no shortage of home buying and renting information on the Internet, but finding the information that relates to your unique needs can be a real challenge.

Providing practical advice and useful information

When you're ready to rent, buy or sell a home, I strongly recommend working with a real estate salesperson or broker for a very good reason: they are trained to find the information that is relevant to you, interpret what it means for you and give you advice on how best to use the information. What you may not know is that salespeople and brokers must be registered with RECO and follow the laws and Code of Ethics we enforce if they want to work in Ontario.

Overseeing the conduct of real estate salespeople and brokers is a big part of what we do, but one of our most important roles is to offer helpful advice to consumers about your rights and responsibilities as a renter, buyer or seller, how to work with your representative, and some of the questions you need to ask.

Looking out for consumers through three pillars of protection

When you work with a registered salesperson or broker, you can count on three pillars of protection from RECO:

Knowledge

Real estate is an ever-changing industry. RECO requires salespeople and brokers to pass educational courses before they can enter their profession. And once they are in the business, they must complete additional courses every two years to keep their knowledge up-to-date and their skills sharp.

Professional standards

RECO takes professional standards very seriously. Brokers and salespeople are obligated to treat buyers and sellers with fairness, honesty and integrity, and they must follow the rules that protect consumers.

In the rare instance that something goes wrong and you think your representative or their brokerage broke the rules or acted unprofessionally, you can submit a complaint with RECO. We'll investigate the matter and if there's evidence, hold them accountable.

Insurance

When you put down a deposit for your dream home, you need to know that it's safe. That's why RECO oversees an insurance program that includes deposit insurance.

Deposit insurance provides you with peace of mind knowing that your hard-earned payment will be held in trust and insured against loss, insolvency or misappropriation.

The more you know, the better you're protected

When it comes to real estate transactions, the more you know the better you're protected. Understanding the process and knowing the right questions to ask can help you avoid hassles and frustrations. If you want to learn more, keep reading and check out the following microsite:

- www.reco.on.ca/newcomers



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Found the home of your dreams?

Here's your to-do list

Finding a home that has the qualities you want and is within your budget is no easy feat. But there's lots more to do before you move in.

Before you make an offer

These to-dos can be completed before or after you make an offer, but getting ahead of the game is a good idea.

- Obtain a mortgage pre-approval to give you a good idea of how much you will be able to finance for your home.
- Hire a real estate lawyer in case you have legal questions and so you'll be ready when it's time to close the deal.

After your offer is accepted

These items should be added to your list once your offer has been accepted:

- Satisfy any conditions included with your offer, like conditional financing or a satisfactory home inspection.
- Confirm financing by providing your lender with the signed Agreement of Purchase and Sale. Your lender may conduct an appraisal on the home.
- Ask your real estate representative, family or friends to recommend a home inspector. There are also associations for home inspectors that can refer you. When selecting a home inspector, ask about their training, experience, certifications and approach to the home inspection process.

If there is an issue with any of your conditions, you will need to speak with your real estate representative and your lawyer about your options.

If all the conditions are satisfied, you will have to sign documents stating that each of the conditions are either waived or fulfilled. The offer will then become firm.

- Once the deal is firm, your lawyer will help you close the transaction.
- You might need to prove you have home insurance before your lender will release the mortgage funds.

Planning your move

- If you're renting, you'll need to provide notice to your landlord.
- If you already own a home, it's a little more complicated. Ideally the move-in date for your new home will align with the date you move out of your current home. If not, you may need to get a storage locker and stay with friends or family, or rent temporarily while you're between homes. You might also need to talk to your lender about bridge financing if you will own both homes for a period of time.

Throughout this process, your registered real estate representative is a great resource. Make the most of their expertise as you work through these to-dos. Just remember: at each step of the way, you're getting a little bit closer to your dream home.

What to do if you're not happy with your real estate representative

When you're buying or selling a home, the guidance of a real estate salesperson or broker can be invaluable. That's why it's important to discuss in detail your expectations and ask questions about the specific services the representative will provide before you sign a representation agreement with them. It's also key to get everything you discussed in writing.

But sometimes, not everything goes the way it should. If you're not happy with a real estate representative, here are the steps you can take.



Step 1: Talk to the representative

Make it clear which expectations they aren't meeting. For example, do you need them to communicate more? Are you looking for more guidance about the market?

Being specific will make it easier to resolve the problem so you can work on a new plan going forward.

Step 2: Speak with their broker of record

If you can't resolve the problem with the salesperson or broker, speak with their broker of record. The broker of record manages the brokerage's employees and ensures compliance with the rules and brokerage policies, so they should be receptive if you contact them about one of their staff.

It's also important to remember that your representation agreement is with the brokerage, and not your individual representative. The agreement is a legally binding contract that typically locks you into working with only one brokerage for a certain period of time. So, in order to fulfill the agreement, you may be assigned to another representative.

Your agreement could also have a "holdover clause," which may bind you to the brokerage for a certain period after the agreement has ended. You should avoid working with another brokerage while still under contract to the first brokerage because there can be legal and financial consequences. If in doubt, talk to your real estate lawyer.

Step 3: File a complaint with RECO

If you have serious concerns related to the representative's professional conduct, and escalating the matter within the brokerage hasn't fixed things, then we want to hear about it. File a complaint with RECO. We'll investigate and hold them accountable if rules have been broken.

You can file a complaint online on RECO's website, www.reco.on.ca.



Thinking about using a family member or friend as your real estate salesperson?

Here's what you should consider first

If you have a trusted friend or family member who is a broker or salesperson, working with them can be a good option when you want to buy or sell a home. But, just as you can't get a "private surgery" or "private legal advice" that aren't subject to rules of professional conduct, there is no such thing as a private real estate service.

If, for example, you hire your brother, it doesn't change the fact that he is a registered real estate professional. This means that he has to follow the rules and regulations that the Ontario government created to protect consumers.

One of the most important provisions requires brokers and salespeople to provide conscientious and competent service to the buyers and sellers they represent. In addition, they have to treat everyone they deal with in the course of a real estate trade fairly, honestly and with integrity.

If you are considering hiring a family member or friend, here are some things to keep in mind:

Look them up

Search their name on RECO's website. This will allow you to check their registration status and whether they have ever had disciplinary actions against them.

Disclosure

Whether you are buying or selling a home, they will have to disclose their personal relationship to you in writing to the other parties to a trade. They have to do this at the earliest practical opportunity, and before any offers are made.

Record keeping

Remember that your family member or friend can only trade in real estate on behalf of the brokerage that employs them. That means they have to provide their brokerage with copies of all documents related to the transaction.

Commission

Your family member's or friend's brokerage may have policies on commissions. That means they may need to get approval from their brokerage if they plan to waive or reduce the commission the brokerage would normally charge for their services. And, keep in mind that if you're selling your home, you may have to pay commission to the buyer's brokerage.

Services

As you would with any real estate salesperson, it's important you sit down and discuss the services that they will provide. Will they organize showings or list the home through Realtor.ca, for example? These are services that real estate professionals often provide, so find out if they can offer them to you.

And remember, before you sign anything (including a buyer representation agreement or listing agreement), ensure you first fully understand and agree to everything in the document.

Using a trusted relative or friend to buy or sell a home can be a good approach, but it's important to sort out expectations ahead of time. With everyone on the same page, you're much more likely to have a positive experience.

LOOKING TO MOVE?

4 must-do tips before you start

Real estate transactions can move quickly: avoid problems by following these four must-do tips

The steps involved in buying or selling a home can seem overwhelming, and that's especially true when deals happen fast. A recent survey by RECO found that the majority of Ontarians who bought or sold a home in the last five years weren't in the market for very long.

Among the buyers surveyed, nearly 57 per cent said they purchased their property within three months of when they started actively looking.

For sellers, things happened even more quickly: 67 per cent said they sold their property in under three months. Overall, 54 per cent thought the process took less time than they had anticipated.

When you're ready to make a move, take a deep breath, sketch out a plan and get informed before you enter the market. After all, you may begin by casually browsing listings only to stumble across a place you love, and suddenly find yourself in the throes of a major purchase. By being informed right from the start, you'll have confidence in the decisions you are making, even if they happen quickly.

Following these four must-do tips is a great place to start:

1 Shop around *before* you shop around for a home



Real estate salespeople and brokerages vary widely in terms of experience, expertise and services provided, so meet with at least three salespeople before you sign an agreement. When you have a shortlist of representatives, ask each of them some questions to determine which one is right for you:

- Walk me through your real estate experience.
- Describe your general approach to buying and selling, and how your approach will best suit my needs.
- Tell me about the fees and commissions I'll have to pay.
- Which services does your brokerage provide, and are any of them included in our agreement?
- How often will you provide me with progress updates, and how will we communicate?
- Could you please provide me with some references?

2 Look them up



Before you meet with any salespeople or brokers, be sure to look them up using the “Look up a real estate salesperson, broker or brokerage” search tool in the top right-hand corner of RECO’s website (www.reco.on.ca). It will tell you if they’re registered and in good standing, and if they have faced any disciplinary action.

3 Read and understand everything



When you hire a real estate representative to help you buy or sell a home, you will likely be asked to sign an agreement that defines your relationship with the representative’s brokerage. It’s a legal contract that spells out how long the agreement is for, the location it covers and what fees or commissions will need to be paid.

Also, when you buy or sell a home, you will need to sign a legal contract to complete the transaction. This agreement contains a lot of important information in addition to price and conditions, such as whether the appliances and light fixtures stay with the house.

These are just two examples of real estate agreements that are legally binding, meaning you typically can’t back out once you’ve signed on the dotted line.

Whenever you’re presented with a document that requires a signature, read it and make sure you understand it thoroughly. Don’t be afraid to ask for clarification, or request that your representative walk you through it, line by line. If you’re still unsure about something, consider asking your lawyer for advice.

4 Be an active participant in the process



Your salesperson is a knowledgeable resource who can help you make informed decisions, but you should always remember that you’re the one in the driver’s seat, even when the car appears to be accelerating down the expressway.

Be an active participant in the process. That means being open and candid with your representative about what’s important to you in a home, and which services you expect from them. Your salesperson can best help you when you’re clear about what you want.

And it means you have a responsibility to perform your own due diligence: asking questions; understanding any required paperwork; conducting your own research (when necessary); and, being an active participant through every step.

Remember, you own the process.



Deposits 101

When you submit an offer to buy a home, the deposit demonstrates your commitment to the seller to complete the purchase.

The deposit is reassurance that you are acting in good faith and have the means to purchase the home. It also shows that you are comfortable taking on some level of risk by putting down a deposit until the deal closes.

The agreement between you and the seller will determine the amount of the deposit and when it is due, and is something that can be discussed during negotiations. It may be due at the time the offer is made, once the offer is accepted by the seller or as otherwise agreed.

Once the deal closes, the deposit will be applied towards the purchase price or down payment.

Is there a standard amount?

There is no minimum or standard amount for a deposit. It's something that can be negotiated between you and the seller.

It may be guided by local practices, market conditions and the value of the home you're buying. In hot housing markets, some sellers may see a larger deposit as a stronger level of commitment from the buyer—and they may factor that in when deciding which offer to select.

Your real estate representative can suggest a suitable deposit amount, but remember that the deposit amount should be a number you are comfortable providing in a potentially short timeframe (for example, 24 hours).

Where does the deposit go?

In most cases the money doesn't go to the seller right away. Your Agreement of Purchase and Sale (APS) will

specify where your deposit will be held, usually until the closing date.

Often, the deposit will be made out to the seller's brokerage "in trust" and held in the brokerage's real estate trust account until it becomes payable according to the agreement. The brokerage must disclose under what conditions and in what amount, if any, interest will be paid on the deposit.

When the deposit is held in a registered brokerage's trust account, the funds are insured under RECO's Deposit Insurance Program against fraud, insolvency or misappropriation by the brokerage. That protection is only available if you work with a registered real estate representative.

What happens to your deposit if the deal does not become firm?

Your APS may specify what will happen to the deposit if the deal does not become firm (for example, if a condition is not waived or fulfilled).

However, there are certain steps that a brokerage holding a deposit must take to disburse any money that is being held "in trust." The law requires the brokerage to obtain written direction from you and the seller on how the deposit money is to be disbursed. If you and the seller can't agree, it becomes a legal matter. The courts would then have to decide how the money will be distributed.

Similarly, a transaction may fail to close, and the fault may lie with either the buyer or the seller. No matter who is at fault, written direction from both the buyer and seller will be needed for the brokerage to release the deposit funds. Otherwise, it becomes a legal matter for the courts.

Should you work with a real estate salesperson to find a rental unit?

People are often surprised to learn that registered real estate salespeople can help you find a rental. In fact, there are distinct advantages to hiring one.

Finding and working with a salesperson or broker to help you find a rental property is very similar to hiring one for purchasing a home. In that sense, it can be a valuable experience to have before you decide it is time to buy your first home.

Before you start looking at rentals, you first have to shop around for a salesperson (page 5). Once you've found one who offers the service options that best suit you, you'll be asked to sign an agreement with the real estate professional's brokerage. This agreement, which is a legal contract, will describe the services to be provided and state the amount of commission and how it will be paid. The contract may require you to work only with that brokerage for a specified period of time.

By signing this agreement as a renter, you benefit from the same protections afforded to home buyers and sellers.

For example, you will be able to take advantage of the salesperson's education and experience, as well as their specific knowledge of the area in which you want to live. What's more, working with a salesperson provides you with insurance that can protect your deposit for the rental.

Real estate professionals must also follow standards that emphasize fairness, honesty and integrity, providing you with further protection.

In terms of commission, typically the landlord pays for the services of a salesperson, but you'll want to confirm that detail with the person you have hired.

After you've signed the agreement with the brokerage, you should have a detailed conversation with the salesperson about your preferences in a rental unit. For example, where

would you like to live? A stand-alone home or an apartment? How much can you afford to pay each month? With or without utilities? How many bedrooms do you need? Do you want a big kitchen?

The more thorough the discussion you have, the better the chance that they will find the place that is just right for you. Armed with your criteria, they will be able to search and return with a list of possible locations for you to consider. They will also arrange for you to see the units you may be interested in viewing.

Finally, when you find a place, they can help negotiate the terms of the rental, including the length of the lease. Negotiating can be time-consuming and stressful, so if you can have a salesperson do that for you, that can be a big relief.





Real estate commissions and fees may vary

Did you know that real estate commissions and fees vary depending on the brokerage and the services they provide? In most situations, the seller pays the real estate commissions to both the buyer's and the seller's brokerages. Commissions are written into the listing agreement, so the seller must agree to the commission prior to signing the listing agreement.

How does it work?

Commission payments can be structured in three ways: as a percentage of the sales price; as a fixed dollar amount; or, a combination of the two.

As the seller, you will typically pay the commission agreed upon in your brokerage listing agreement. The commission paid may then be split between your brokerage and the brokerage representing the buyer. Be aware that the real estate commission is subject to HST.

What about buyers?

As a buyer working with a real estate salesperson or broker, you may have signed a Buyer Representation Agreement (BRA), which specifies the amount of commission the brokerage that represents you is entitled to and how it will be paid.

If the commission listed in the BRA is greater than what the seller's brokerage will pay to your brokerage, you may be on the hook for the difference. It's also important to note that if you buy a home that is "for sale by owner," you may be responsible for the commission payment owing to your brokerage under the terms of the BRA. Understand your rights and obligations before signing the BRA.

You get what you pay for

As with most things, paying a lower commission rate may mean you are provided fewer services. Before you agree to work with a brokerage, ask for a detailed list of the services they will provide to you.

"It's important to remember that different real estate representatives and brokerages offer different skills and levels of service," says RECO Registrar Joseph Richer.

"Some may prefer to offer discounted commissions and take on a larger volume of sales, while others offer unique or tailored services that provide extra value to their clients."

Have an open conversation with your real estate representative about your expectations and theirs. As a seller, make sure you are comfortable with the commission rate or fees, as well as the services being offered, before you sign the listing agreement.

Percentage of sales price

Example: As the seller, you agree to a 5 per cent commission payment. Your home sells for \$300,000. You will pay \$15,000 + HST. This may be paid in part to your brokerage and in part to the buyer's brokerage.

Fixed amount

Example: As the seller, you agree to pay a fixed commission amount of \$15,000 + HST for the sale of your home. That is the total commission you will pay for the transaction, regardless of the final selling price. This may be paid in part to your brokerage and in part to the buyer's brokerage.

Combination

Example: As the seller, you agree to pay a fixed commission amount of \$6,000 + HST as well as 3 per cent of the sales price. Your home sells for \$300,000. You will pay \$15,000 + HST. This may be paid in part to your brokerage and in part to the buyer's brokerage.

Do I have to sign a buyer representation agreement?



The short answer is no.

You don't have to sign a Buyer Representation Agreement (BRA) with a brokerage, but you should consider the benefits it offers you as a home buyer.

What are those benefits? Entering into a BRA:

- defines the relationship between the buyer (you) and the real estate brokerage that will be working on your behalf;
- sets out the property type and geographic location that you want your sales representative or broker to search for;
- lists the services to be provided;
- sets out the commission or fee that may be payable to the brokerage; and
- specifies the duration of the agreement.

A BRA is a legally enforceable contract between you and the brokerage. Signing a BRA confirms in writing that you are a client of the brokerage and documents the rights and obligations of the brokerage-client relationship. The brokerage has a special responsibility (a fiduciary duty) to follow your instructions, protect your confidential information and promote and protect your best interests. You, the client, also have an obligation to work exclusively with the brokerage for the duration of the BRA, and according to its terms.

Before signing a BRA, you'll want to discuss your needs and expectations with the representative to be sure they are the right fit for you. For more on this, flip to pages 6-7.

An alternative to signing a BRA is to enter into a buyer Customer Service Agreement (CSA) with the brokerage instead. While the brokerage will still help you buy a home, it won't owe you a fiduciary duty as it would if you were a client. For example, your representative would still show you properties and help you fill out paperwork, but they wouldn't necessarily provide advice. And, if you tell them confidential information (such as your price range or motivation for buying) they are obligated to pass it on to their seller clients. While the brokerage will have less of a commitment to you, you will have less of a commitment to the brokerage, too.

CSAs are legally binding contracts that set out the rights and obligations you and the brokerage owe each other. By signing a buyer CSA, you allow the seller's brokerage to access credit information about you, unless you strike out the relevant clause. You should think carefully about accepting customer status with a brokerage unless you're relatively experienced in buying and selling properties.

Regardless of whether you sign a BRA or CSA, the brokerage will still have to act fairly, honestly and with integrity and provide conscientious and competent service. Keep in mind, a brokerage may decline your business if you choose not to enter into a BRA.

As with any contract, take the time to read and understand each clause of the BRA or CSA. Ask your salesperson to walk you through it, line by line. If you're unsure about something, consider asking a lawyer for advice before you sign on the dotted line. And remember that while there are rights that come with any agreement, there are also obligations.



How to plan for a fixer-upper

For a first-time homebuyer willing to put in the effort, a fixer-upper can be a great option.

But, before hiring a professional to help you create your ideal home, it's important to do your research and ask the right questions.

Follow these tips to help protect your home and investment:

- Make a list of exactly what you want done. Remember that changing plans in the middle of a project will cost extra money;
- Set a clear budget and commit to it;
- Consider a local home renovation company or contractor. This may make it easier to check references, enforce a warranty or have follow-up work done. Ask your friends and neighbours for recommendations;
- Get written estimates from at least three contractors. Never accept an estimate over the phone or without a contractor inspecting the area;
- Once you have a contractor in mind, get at least three references and check them. Ask for references from people who had work done that is similar to the project you have in mind;
- Never go in for a deal that sounds too good to be true. Cheap home repairs can cost you later;

- Get a written contract and make sure your written estimate is included in the contract. This way, the contractor cannot charge you more than 10 per cent above the estimated cost unless you have agreed to new work or a new price and have signed a change to your contract; and,
- Keep down payments to a minimum. We recommend about 10 per cent.

Visit Ontario.ca/HomeRenos for more advice on starting a home renovation.

