

BUYER'S GUIDEBOOK

A practical reference tool for the purchase of a
property with a Fraser Valley REALTOR®

C H R I S T O P H E R
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R E A L T O R ®

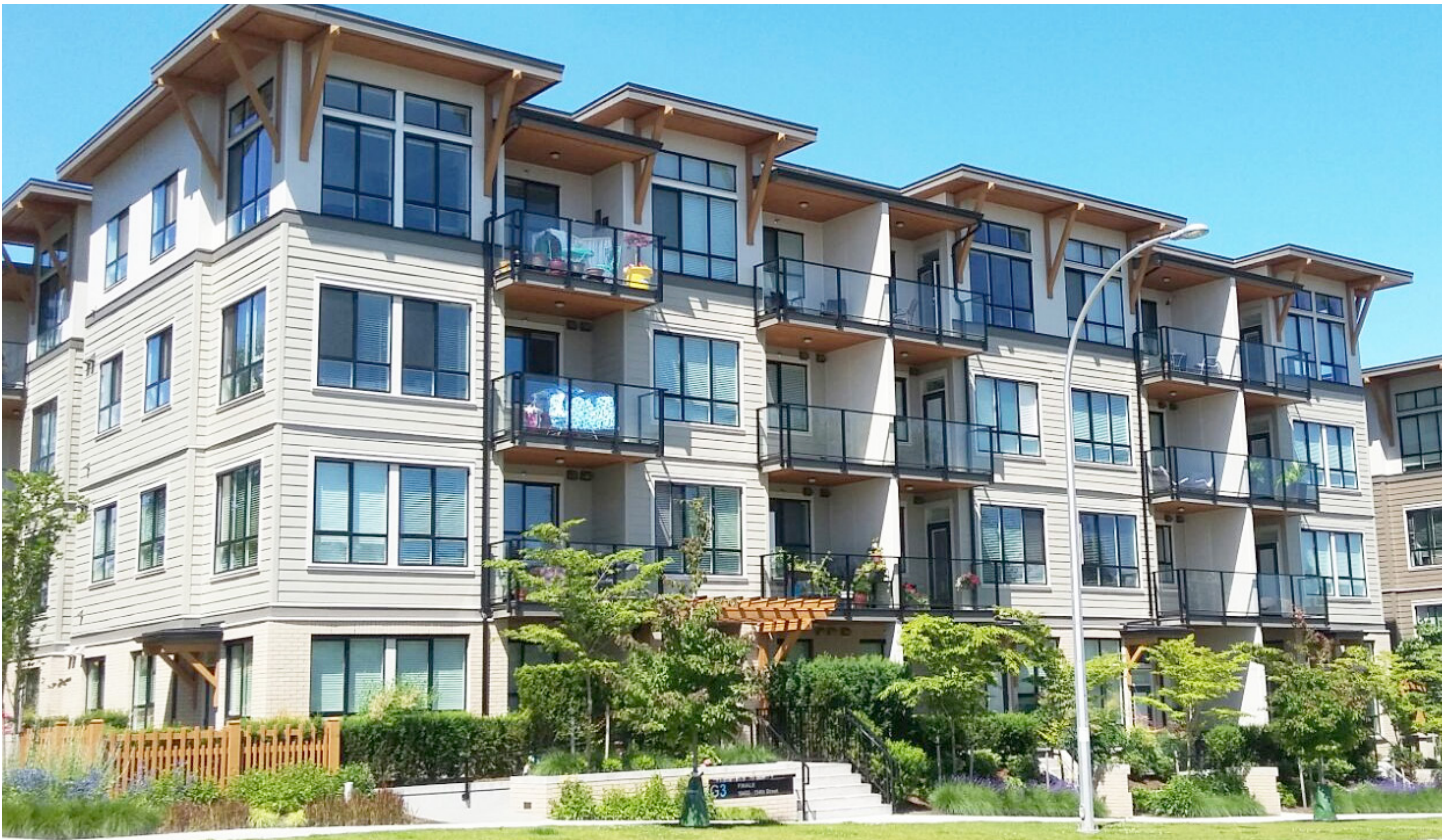
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WELCOME

The Fraser Valley Real Estate Board (FVREB) is an association of real estate professionals who live and work in the BC communities of North Delta, Surrey, White Rock, Langley, Abbotsford, and Mission. Our mission is to advance the interests of our communities by providing valuable tools, education and skills development opportunities that enable our members to provide the best possible service.

Disclaimer

This guide is intended to serve as a consumer resource for the purchase of property in the Fraser Valley region, but does not replace the advice or services offered by a REALTOR®, nor provide any legal advice.

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DISCLAIMER:

*This document is
not intended to
solicit properties
already listed for sale
with another broker.*

CHART YOUR WAY THROUGH A SUCCESSFUL PROPERTY PURCHASE

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01

WHY USE THIS BUYER'S GUIDE?



WHY USE THIS BUYER'S GUIDE?

This practical buying guide was designed to help you chart your way through a successful property purchase.

For most people, buying a property is one of the most significant financial decisions they will ever make. It can easily become emotional, especially if the property will be your home. There's a lot at stake.

That's why most people choose to work with a professional REALTOR®. Realtors protect you with valuable advice, knowledge and expertise that allow you to buy with confidence knowing that you're making informed decisions.

Having the right Realtor on your side can transform a potentially stressful and complex transaction into an exciting and rewarding experience.

02

WHO ARE REALTORS®?



WHO ARE REALTORS®?

Realtors are licensed real estate professionals who are members of the Canadian Real Estate Association (CREA). CREA holds the trademark “REALTOR®.” It symbolizes a commitment to competence, service and professional conduct. In the quest for these high standards, Realtors in Canada have been bound together by a REALTOR® Code of Ethics since 1959.

As well, Realtors must uphold the requirements of their provincial association (BCREA) and local real estate board. In most cases, Realtors who work in

the Fraser Valley belong to the Fraser Valley Real Estate Board (FVREB).

Realtors have a shared commitment to provide expertise and high quality service to their clients, yet there is a lot of diversity among the Realtor community. Realtors are self-employed, independent business people who come from every walk of life. This means you are likely to find a Realtor to work with you who suits your unique needs.

Why use a Realtor?

When you are making one of the most significant personal investments of your life, you want to work with someone you can trust. By using the services of a trained professional, you'll have an expert who can help guide you through every step of buying or leasing a property. After all, the key to making smart decisions is being informed.

A Realtor can help with many things including:

- Narrowing the search down to suggest the most suitable properties
- Advising on relevant information including neighbourhoods, zoning and property histories
- Assessing the potential resale value of properties and ensuring fair market value on what you pay
- Arranging showings and providing knowledgeable feedback on prospective properties
- Writing all offers and handling the purchase negotiations to ensure your financial interests are protected
- Assisting you at every step of the process by providing valuable advice and essential information

What can you expect from your Realtor?

When you work with a professional Fraser Valley Realtor, he or she is expected to:

- Promote your best interests with expert real estate advice and skills
- Simplify the process of buying or leasing with specialized real estate knowledge
- Offer consumer protections with trust coverage and insurance
- Stay informed of market trends, neighbourhoods, and property histories
- Communicate honestly and as frequently as you require on all matters of concern to you and your real estate transaction
- Offer personalized marketing services including MLS® access

Without a real estate advisor, you may be vulnerable to costly mistakes. Naturally you'll want to maximize your investment, and having a professional Realtor on your side increases the likelihood of purchasing the right property at the best price and with the fewest hassles.

Licensed Realtors
protect their client interests first,
even when they're not paid.

Choosing a Realtor

Choosing a Realtor to work with is not that different from seeking out a good lawyer or dentist. It helps to get referrals from family and friends who have positive things to say about their experience with one.

Talk to several Realtors from different brokerages. Think about how well you communicated with each individual. Did they take the time to talk and listen to you? Did they understand your preferences for neighbourhood, size and affordability? What unique skills and experience do they offer that will make a difference in your situation? Are they members in good standing with the Fraser Valley Real Estate Board?

What are brokerages?

A brokerage is the real estate office where a Realtor conducts their business.

Although Realtors are self-employed, they must work under the supervision of a licensed managing broker who has the responsibility to make sure all activities are completed competently and in accordance with requirements at all levels of government, the Real Estate Council of BC Rules and provincial legislation, the FVREB's *Rules of Cooperation* and CREA's *REALTOR® Code of Ethics and Standards of Business Practice*.

As well, brokerages each have their own unique approach to training, support, branding and fees, so it's wise to discuss the brokerage's business model with your Realtor.



Licensing qualifications

All real estate licensees in BC are required to complete a provincially-mandated training program through the University of British Columbia's, Sauder School of Business – Real Estate Division. Licensees must pass an entrance exam before becoming eligible for a licence.

The licences are issued by the province's regulatory agency for real estate in the province, the Real Estate Council of BC (RECBC). It's the RECBC that determines whether a licence is issued, suspended or revoked. Licenses must be renewed every two years and real estate licensees must complete specific training requirements in order to renew their license.

In addition to the ongoing requirements of the RECBC, in order to maintain their membership with the Fraser Valley Real Estate Board, Realtors are required to complete additional training through a Professional Development Program.

Roles for real estate professionals

A **representative**, salesperson or real estate agent is the most common type of real estate professional who performs all real estate duties while working under the supervision of a licensed broker.

An **associate broker** is licensed to trade real estate under the supervision of a licensed broker, has the same responsibilities as a representative and the skills to operate a real estate brokerage. A representative with a minimum of two years of real estate experience can choose to become an associate broker by obtaining an advanced level of real estate education and training on the operation of a real estate brokerage.

A **managing broker** is authorized to operate or manage a brokerage. He or she is authorized to make management decisions and is given management responsibilities within a brokerage. Each brokerage is required to have a designated licensed managing broker at all times.

A **broker** is responsible for the supervision of the brokerage, its staff and its representatives. He or she is responsible to ensure the business is run competently in accordance with the *Real Estate Services Act* and the *Real Estate Development Marketing Act*. A broker may also choose to trade in real estate with the same abilities as a representative.

A **brokerage** is authorized to trade in real estate on behalf of another individual. The brokerage engages real estate representatives to perform listing/selling functions under the supervision of the managing broker. There are three types of brokerages: sole proprietorship, partnership and corporation, and brokerages may have branch offices. Brokerages offer different business models to attract real estate professionals including different training, support, branding and fees.



Your options for representation

Before you start working together, your Realtor will explain what it means to have representation from a real estate professional. This will involve reviewing a document called *Know your options as a Real Estate Consumer*. The document outlines the two types of relationships you can have with your Realtor.

1. **Client** – exclusive representation means the Realtor provides you with undivided loyalty, confidentiality, security
2. **Unrepresented Party** – the Realtor is not working on your behalf as a representative but does provide information and assists with getting the transaction completed

The most common way to work together is in a **Client** relationship. This is where you can expect undivided loyalty from your Realtor who is acting in an “agency” capacity. They are obligated to protect your confidentiality, avoid conflicts of interest, obey all lawful instructions, to exercise reasonable skill and care when performing all assigned duties, and account for all money and property placed in their care.

If you instead decide to be an **Unrepresented Party**, your Realtor will review with you a document called *Unrepresented in a Real Estate Transaction? Know the Risks*, which provides additional context,

so you know exactly what to expect. For example, if you are an unrepresented party, the Realtor cannot act as your advocate or provide advice. They can however be a source of general information and a facilitator.

If, as a buyer, you find yourself in a situation where your Realtor has listed a property that you wish to make an offer on, there is a conflict of interest. Under law, your Realtor cannot represent both parties in the same transaction. A document called *Conflicts of Interest: Understanding Your Options* will be explained by your Realtor. It includes a form that you must sign, to acknowledge your understanding of what happens next, either as a continuing client or a released client.

In remote locations that are under-served by real estate professionals and where it is impracticable, if not impossible, for the parties to have their own real estate agents, **Dual Agency** may be the only option. In this case, your Realtor must provide you with a document called *Understanding the Risks of Dual Agency*.

Finally, your Realtor will review with you and ask you to complete a form called *Privacy Notice and Consent*, which explains how your personal information is collected and disclosed.



Professional obligations

Loyalty

Real estate professionals are bound by a strict obligation to promote and protect their clients' best interest. Your Realtor must fully inform you of the services they are providing and disclose any factors that could negatively impact you. Simply put, they are obligated to be totally honest with you on anything that concerns your interest in the purchase of real estate.

Obligation to disclose

If your Realtor has a personal relationship with the other party or they are acting on their own behalf or have a personal interest in the property, they must inform you in writing before signing the *Contract*

of Purchase and Sale. This includes being related to the other party and buying/selling for themselves, their colleagues or their ongoing clients. If they are expecting to receive any special compensation from a financial institution or a professional they are recommending, they must also notify you in writing and request your written approval.

Advising and informing objectively and accurately

Your Realtor is responsible for disclosing accurate information to clients and customers and for verifying the accuracy of any information shared.

03

CHOOSING A PROPERTY



CHOOSING A PROPERTY

You may be looking for a home to live in, a piece of land, or space for retail or commercial activities. Whatever you are looking for, make a list of must-have features and list them according to importance. Almost all property purchases require some level of compromise. So you may need to look longer and harder, or remove some of the must-haves from your list to find the property you want and need.

Community

Is there a particular area you'd like to be in? What facilities are nearby including community centres, malls, recreation and schools? Are there any future developments that you should consider? Do you prefer outdoor recreational activities such as hiking, fishing, or paddling, or do you prefer a busy, action-packed hub with shops, restaurants and nightlife?

Neighbourhood considerations

After deciding between an urban, suburban or rural environment, another consideration is the type of community you are seeking. What is the neighbourhood like? What types of people live here? Are their lifestyles compatible with yours? How are property values in this area? Are you looking for an area that is expected to grow significantly or offer more job opportunities in the near future? Do you want to see the latest crime statistics or learn about the municipality's capacity to respond to service requests such as requests for snow removal?

Transportation

How close are you to the nearest public transit? How quickly can you or others drive to work, friends and family if needed? How accessible will the property be to future clientele or other commercial infrastructure?

Choosing a home

Owning a home can mean a wide variety of things to different people. Typically your income level will determine the housing type most appropriate for you. Do you have a preference for style, size, and character? What type of layout do you require? Are there any special features that are important to you such as a bathtub, a fireplace, a finished basement, energy efficient appliances, or a fenced yard for your dog? Would the home be able to accommodate future life changes such as a growing family or elderly family members moving in with you?

It can be helpful to evaluate prospective homes against a prepared list of your desired interior and exterior amenities in order to make a rational comparison.

Types of homes

Single family detached home

A detached home does not share common walls with another residential structure and has its own front, back and side areas.



Duplex

A duplex includes two separate dwellings that are attached by a common wall (semi-detached) or located above one another. Duplex dwellings may also be subject to monthly maintenance fees for common assets.

Manufactured home

A manufactured home is a factory-built residential structure that may be movable from one location to another. It is usually kept in a rented space in a manufactured home park.

Apartment

An apartment is a single building that contains multiple dwellings usually joined by a common entrance and shared amenities like a parkade, elevator or hallway. Buildings can range from

three storeys and upwards. Apartment owners are required to make monthly payments to maintain the building and shared features, known as condominium or strata fees. These fees are typically determined by the amount of space allocated to an owner and are clearly described in the property listing.

Townhouse

A townhouse is a group of dwellings that are joined together with common walls and usually have their own exterior entrance. Townhouse owners typically pay monthly maintenance or strata fees for the upkeep of common areas such as parking lots and landscaping. These fees are clearly described in the property listing.



Types of ownership

Freehold

Freehold, also known as fee simple, is the term typically referred to as ownership of a home. In this case, the owner is in full control over the land and buildings on it, subject to any rights of the Crown, local land-use bylaws and other restrictions.

Strata title

With strata title, an owner retains exclusive use and ownership of a specific housing unit and shared use of common areas like elevators, hallways, entertainment rooms and garages. This is used for apartments, townhouses and possibly duplexes.

Bare land strata

A bare land strata plan pertains to the land only and does not include the structures on the lot. In this instance, the strata corporation has no interest in the buildings on the land, so each individual owner is responsible for all maintenance, repair and insurance for his/her individual lot. However, there are often

common properties and shared amenities that are maintained by monthly maintenance fees, such as clubhouses, street lamps, private roads and on-site services such as power, water and sewer.

Leasehold

This is when an owner purchases the rights to use a residential property for a long but limited period of time. Leaseholds are typically set for a period of 99 years, but only the remaining term is available for purchase. At the end of the leasehold, the property can be returned to the original owner, which is usually the municipality or the First Nations. The shorter the remaining time left, the less a buyer will be willing to pay.

Cooperative

This is where each owner owns a share in the cooperative association and each shareholder is assigned a particular unit for living. Housing co-ops typically have rules that must be followed and the owners work together to manage the co-op.

Choosing a commercial space

Is there a particular area where you would like to set up a business or lease space for a business? Is the location convenient for the type of customers you are expecting or your staff? Are there other businesses nearby? Are they compatible with your business or competitive? Is there parking for customers including those who require specialized access (e. g. ramps, disabled parking, an elevator)? Is the property easy to find? Are future developments likely to affect your use of the property?

Choosing land or recreational property

Many buyers are looking to their future when they purchase land or recreational property. Whether it's land for a future home or a second home for a weekend getaway, you may wish to review community plans, bylaws, covenants, public parks, utilities — anything which could impact how you are able to use your property now and in the future.

04

MAKING SENSE OF MONEY AND MORTGAGES



MAKING SENSE OF MONEY AND MORTGAGES

Shopping for real estate can be both exciting and nerve-wracking. Whether you are purchasing a home for yourself, a weekend cottage, an investment property or a commercial one, it is a very large investment. You will want to purchase something at a price where you are able to maintain a balance with your lifestyle and mortgage payments.

Your personal financial situation determines whether it's the right time to buy and how you're able to structure the payments and any loans needed to make it happen. Figure out your financial capacity. What can you comfortably afford?

There are many online mortgage calculators that can give you a rough idea of your maximum purchase price, but it's worth noting that these are only a guideline. To get a more precise picture, consult with your financial institution or a mortgage broker to get the most accurate information.

Down payments

A down payment is the money you have in your bank account to apply to the property purchase. Most lending institutions require that you put down between five to 10 per cent of the purchase price. If your property is under \$1,000,000 and your down payment is less than 20 per cent of the purchase price, your mortgage needs to be insured by the Canadian Mortgage Housing Corporation (CMHC) and you will incur additional fees based on the purchase price. Mortgage insurance is designed to protect the lender that receives below 20 per cent of the total purchase price – this is considered a high ratio mortgage.

Home Buyer's Plan

The Home Buyer's Plan allows each first-time home buyer to withdraw up to \$25,000 from their RRSPs to purchase a residential property without having to pay taxes at the time of withdrawal. The amount must be repaid over a period of 15 consecutive years.

Deposits

Sellers require a deposit, which is negotiable, and is typically five to 10 per cent of the purchase price in the offer. Deposits are made as certified cheques or bank drafts payable to your Realtor's brokerage and are held in the brokerage's trust account. Deposit funds count towards the total purchase price.

Deposits are usually due after the buyer has removed all subjects and the offer becomes unconditional. In some transactions, such as new construction properties, a deposit may be requested earlier in the process.

The deposit can only be released when the deal closes, the buyer and seller sign a release agreement where the deposit is to be paid, or a court decides what to do with the deposit. When a transaction terminates, the buyer and seller typically agree to end the transaction and sign a mutual release form. If the parties are unable to reach an agreement, the deposit is held in the brokerage trust account until a court order determines a resolution.



Mortgages

Most people must finance the purchase of real estate by borrowing money from a bank, credit union or mortgage company. It's a good idea to discuss your financing needs with your Realtor so they are fully aware of your situation. As well, your Realtor can advise you on the mortgage process or recommend a mortgage broker who can find you the best interest rate and for the terms that suit your circumstances. You will need to contact your financial institution or mortgage broker directly to make any mortgage applications.

Mortgage loans

A mortgage is an agreement to borrow money from a lender, such as a financial institution or mortgage company, to purchase a property with specific terms and conditions. There are many different types of mortgages available from different lenders. It's smart to consult several to find out the different options available and to select the best mortgage for you.

If a buyer fails to meet their debt obligations with a mortgage loan, the lender may be entitled to claim the property as a means to pay off the balance owing on the mortgage.

Eligibility

In order to determine the loan amount a lender is prepared to offer, you will need to review your current living expenses including your debts (student loans, car loans, credit cards, etc.) and your current living costs (food, clothing, insurances, miscellaneous expenses, etc.). This will reveal the amount available for your monthly housing budget, which would include rental or mortgage payments, taxes and heating costs (plus strata fees if applicable).

As a rule, most lending institutions use two key debt-servicing ratios to determine if a homebuyer

qualifies for a mortgage. The Gross Debt Service (GDS) ratio is the carrying costs of the home, including the mortgage payment and taxes and heating costs, relative to the homebuyer's income. The Total Debt Service (TDS) ratio is the carrying costs of the home and all other debt payments relative to the buyer's income.

Pre-approval

After carefully reviewing your financial situation and passing a credit check, lending institutions typically offer a formal mortgage pre-approval, a document which outlines the maximum amount of money you can borrow to purchase real estate.

Pre-approvals are usually valid for a specific time period. This is to assure the lender that your financial situation does not change during the pre-approval stage. It also offers you protection from interest rate increases while you are looking for something to buy.

In some cases, having a pre-approval can make your offer to a seller more attractive because it demonstrates that you are a serious buyer and you've take the time to ensure your financing is in order before you started to look for a property.

Mortgage term

The term of your mortgage is the length of time you are committed to a mortgage rate, the lender and the associated conditions. Terms range from six months up to 10 years, although the most common is five years. At the end of the term, you are required to repay the unpaid balance or refinance the principal owing at the current interest rates.

If you are like most people, at the end of your term you will be refinancing the loan, which means your monthly payments could be higher or lower, depending on how much the lending market has changed from the day you first signed the mortgage. When considering what term is best for you, consider interest rate history and your tolerance for risk.

Mortgage penalties

It's worth noting that if you need or simply want to pay off your mortgage before the set term expires, you are likely to incur penalties. This is because by paying off your mortgage early, the lender won't earn as much interest from your loan as they would have over the full term, whether it began as a three, five, or 10 year term loan. Be prepared for that penalty, as it can amount to thousands of dollars. If you have questions about any of the details of your mortgage, you need to go over them with your lender until you fully understand them.





Mortgage amortization period

This is the total time it will take to repay your entire mortgage. Most people cannot repay the entire amount in six months or even five years. Canadian amortization periods can extend up to 35 to 40 years depending on the lender, but CMHC-insured mortgages are limited to 25 years. Longer amortization periods reduce your monthly payments since you are repaying the borrowed money over a longer period of time. However they incur more interest since you are borrowing the money for a longer period of time.

Interest rates

Interest is the cost of borrowing money. Interest rates are competitive between various lenders, so you should shop around to get the best rate available at that time.

Fixed rate mortgages offer you a set interest rate so that you have consistent payments and they offer protection against interest rate hikes. Variable rate mortgages tend to offer lower than fixed interest rates, but usually vary somewhat over time, according to the markets.

Choosing a fixed or variable rate mortgage depends on your circumstances and your willingness to accept some degree of risk should your monthly mortgage payment go up due to a higher interest rate.

Mortgage payments

As a minimum, mortgage payments are paid monthly, although bi-monthly and even weekly payment options are often available. A portion of each payment you make will go toward the principal amount you borrowed and a portion toward the interest, which is the cost of borrowing.

Over time, the amount applied to the principal increases as you pay down your debt. Your financial institution or mortgage broker can help you understand exactly where your money goes and how much you will owe at the end of your mortgage term.

Mortgage flexibility

There's more to selecting a mortgage than the lowest interest rate. Prepayment privileges offer flexibility to make additional lump sum payments, double up payments or increase payment frequency without incurring penalties. It's important to understand the terms and conditions of your mortgage before signing it.



Mortgage approvals are a two-step process: first as a qualified buyer, then to confirm the property value is worth the mortgage value.

Understanding how much you can afford

There are a variety of unavoidable expenses that come with real estate purchases, which are also referred to as closing costs. It's important to set aside funds to complete the real estate transaction so that you are confident about the maximum purchase price you can afford. Your Realtor will discuss the closing costs you can expect in your specific situation.

As a general rule, you can follow this simple formula:

Your Savings

plus

Pre-Approved Mortgage

subtract

Closing Costs

equals

What you can afford



Property inspection

It is very important to ensure the real estate you want to purchase is a sound investment. A property inspection by a qualified third-party professional building inspector is strongly advised. It's a comprehensive visual examination of a building's overall structure, major systems and components, any land, and potential risks and expenses that may arise in the future if you decide to purchase the property. During the offer process, it's common to insert a subject to inspection clause that gives you time to organize a property inspection and minimize your risk.

It is not wise to skip this step of your purchase. There is nothing to be gained in making a purchase and then finding out later that you will need a large amount of money to do repairs for property defects.

Appraisal fee

Some lending institutions require an appraisal of the property before approving a mortgage. In some cases, it may be your responsibility to cover the cost.

GST

When purchasing a newly constructed home, you may be subject to a Goods and Services Tax (GST).

Loan application

Some lending institutions charge a mortgage application fee, which can vary between institutions.

Municipal property tax

If the previous owners have already paid the annual property taxes, you are required to reimburse them for your portion of the taxes, effective from the closing date. This is typically arranged by a third-party legal professional such as a lawyer or notary.

Property transfer tax

The BC government imposes a Property Transfer Tax of one to three per cent, depending on the value of the property, which must be paid when a home is transferred to a new owner. Some buyers may be exempt. Your Realtor can advise you about this expense given your specific circumstances.

Additional tax for foreign buyers

When the purchaser is not a Canadian citizen or permanent resident or is a foreign corporation, there is an additional Property Transfer Tax on residential property by as much as 15 per cent. If you are a foreign buyer, you need to discuss the tax that could be charged on your property purchase.

Legal fees

After obtaining an accepted offer, you will need to engage a lawyer or notary public to execute the real estate contract and transfer ownership. Fees vary, so shop around and ask people for references.

05

UNDERSTANDING BUYER AGREEMENTS



OUR
FIRST
HOUSE




UNDERSTANDING BUYER AGREEMENTS

If you decide to use the services of a Realtor, you may be asked to sign an *Exclusive Buyer Agency Contract* or a *Buyer's Agreement*. These documents are legal contracts that define the professional relationship between you and the Realtor for a specific period of time. It includes the services rendered and how much the Realtor will be paid for their services.

Do you want unbiased analysis, expert advice, skilled negotiations, or guidance that will increase the likelihood of making a smart investment? If so, taking the time to clarify your needs and expectations with your Realtor in a written agreement is a necessary step.

All FVREB buyer agreements are exclusive, which means the buyer agrees to not use the services of another brokerage to purchase a property. This arrangement ensures the brokerage devotes their full attention to helping you find and successfully purchase the property you seek and guarantees they will receive compensation for their efforts.

A buyer agreement will include the name of your Realtor and their brokerage, as well as the full legal name(s) and address(es) of the buyer(s). If there is more than one buyer, a signature for each buyer is required on all documents. If one or more buyers are unable or unavailable to sign, a legal power of attorney must be obtained to authorize the other party to sign on his/her behalf.



Did you know that
when you make a counter-offer,
it's also a rejection of the original offer?

Fees and commission

All commissions and fees are negotiable between you and your Realtor. It is important that you discuss compensation and it must be specified in the buyer agreement.

In most transactions, the buyer's Realtor is paid a commission by the seller and the amount is often based on the final purchase price. The seller's agreement indicates the amount and the portion of the commission to be shared between the seller's Realtor and the buyer's Realtor. Each Realtor typically shares a portion of their commissions with their brokerage.

When the buyer's agreement is signed and commissions are clearly identified in the contract, but the seller is offering less commission or none at all, you as the buyer could be held responsible for paying the difference. If you choose not to purchase a property, you are not responsible to pay any commission.

Commissions are typically paid on the day the real estate purchase is complete and is written in the *Contract of Purchase and Sale*. The commissions are paid out of the proceeds of the sale.

Fee-for-service charges are typically paid at the time of signing.

All commissions and fees are GST taxable.

Terms and terminations

Agreement term

The agreement must start on a specific day and terminate on a specific day. While there are no standard terms, the time it takes to find a property can vary depending on market conditions and a variety of other factors. Discuss your options with your Realtor.

Holdover clause

This clause protects the brokerage's commission for any property introduced while the buyer's agreement was active. If a shown property is purchased after the agreement expires but within 60 days after the buyer's agreement's expiration date,

the buyer is required to pay commission to the brokerage. The 60-day period is typically referred to as the holdover period, but it does not apply if you hire another Realtor.

Cancellation of an agreement

A buyer's agreement is a legally binding document that is not easily cancelled. It's important that you understand and agree with all of the terms and conditions set out in the buyer agreement before signing. Early cancellation may be possible in some cases, but it's best to discuss these with your Realtor before entering into the agreement.



The fine print

Remember that these are legal and binding contracts you are signing, so make sure you understand all of the terms and conditions included. Ask questions if you don't understand the terminology which appears in the document and clarify it with the Realtor. Contracts can be altered to suit your needs if both parties agree and sign to those details.

Review the service expectations, commission rate and length of contract. Your agent will provide you with a copy of the contract for your records. If your Realtor states you can cancel the buyer agreement at any time, be sure that you get this stipulation in writing.

06

LEGAL AND ETHICAL OBLIGATIONS

LEGAL AND ETHICAL OBLIGATIONS

Obligations of the buyer

The buyer agreement requires the buyer to keep their agreement with the brokerage and the Realtor exclusively for the period of time agreed to. This means that you can't simply find another Realtor whom you like better, and walk away from your agreement.

Obligations of the brokerage and their designated Realtor

Your Realtor acts as your designated agent for their brokerage and has an obligation to act according to the buyer agreement in every detail. Most agreements include loyalty, competence, the duty to inform with accurate information, disclosure and conflicts of interest as standard clauses.

Disclosure of conflict of interest

If your Realtor was somehow related to the other party in the deal (a seller) or buying/selling for themselves, their colleagues or their ongoing clients, they would be obligated to inform you of this, in writing, before the *Contract of Purchase and Sale* is signed.

Further, if the Realtor is expecting to receive a monetary or other benefit from a business or professional that they recommend to you, they must notify you in writing, and request your written approval.

FINTRAC disclosure

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence agency. They report to the federal Minister of Finance. FINTRAC's mandate is to detect, prevent and deter illegal transactions such as money laundering. Under federal law, if asked, Realtors are required to identify their clients, verify money sources and report suspicious activities such as transferring large sums of cash over \$10,000 (CA).



“Subject to” clauses
are designed to protect buyers.

07

MAKING AN OFFER



MAKING AN OFFER


Your Realtor will guide you on the best way to work together throughout the search process once he or she has a solid understanding of what you are looking for. A good place to start your search is REALTOR.ca where you can begin looking at properties for sale from the convenience of your own home. There are also free Android and iOS apps you can download onto your smart phone to access the site. Your Realtor will organize showings for properties that interest you based on neighbourhood and price. It can be invaluable to provide feedback to your Realtor after showings to help them to refine the search parameters.

Working with a Realtor has a few key advantages. Throughout the search process, your Realtor will alert you to new listings that meet your criteria as soon as they become available on the MLS®. They can narrow down the search criteria even further for maximum efficiency. Through their extensive networks, Realtors may attend Realtor-only showings in some cases before the public has access and sometimes learn about listings that are about to appear on the market.

Just like shopping for a new car or any other important purchase, you need to do your homework. In this case, by checking out homes that interest you, you will gain a better understanding of exactly what you like and don't like so that when you find the one, you'll know it and have someone to help you act on it.

Understanding the offer to purchase

Once you have found a home you would like to purchase, your Realtor will prepare a *Contract of Purchase and Sale*, which is how a written offer is presented. It is a legal document issued by a buyer containing the terms and conditions desired to purchase a property.



There is no
legal requirement to hire
a real estate agent, but in BC, most people
prefer the services of a professional.



Contract of Purchase and Sale

A standard *Contract of Purchase and Sale* includes all of the important details about the transaction. The offer is much more than just the price you're willing to pay. Your Realtor will take the time to review each item in the contract and explain what each one of them means so there are no surprises.

Standard elements include:

- the date of the offer
- full legal names and addresses of the buyer and seller
- full legal description of the home
- the amount of the deposit
- the sale price
- the date for the completion of the sale
- the date for the possession of the new home
- the list of conditions that must be fulfilled (also called subject clauses)
- the list of inclusions (i.e. fridge, stove, washer, drapes)
- the date and time when the offer expires
- the signature of the buyer and his/her occupation

Completion date

This is the date when money changes hands and the title is transferred to the buyer's name. Completion happens before the new owner takes possession of the property in order to provide sufficient time to process the transaction.

Possession date

This is the date the buyer can take possession of the property. When negotiating this date, consider if there are any relevant time frames affecting your choice, such as the date when you must vacate your current property. Your Realtor will be able to help you align the dates for a smooth transition between relinquishing your old property and moving to the new one.

Typical subjects/conditions in offers

Offers usually contain standard subject clauses that must be fulfilled before the sale can proceed. For instance, let's say you are very interested in purchasing an apartment. You agree to buy it, subject to the following: you secure financing, collect a down payment, review all of the relevant strata documents, hire a building inspector — and ensure you have done your due diligence to learn about the property. At that point the intention to purchase would no longer be subject to those conditions.

Every subject is negotiable and must be agreed upon by both parties before an accepted offer is signed.

Prior to the date that a particular subject expires, the buyer must sign a form that confirms the subject has been removed. After all subjects are removed, the offer is considered firm and legally binding.

It's important to note that when writing an offer that contains subjects, it's important to fulfill the conditions on or before the specified time. Should an issue arise with your ability to fulfill a particular subject, options include extending the subject removal date or voiding the contract. If one of the conditions cannot be met after every reasonable effort to do so has been made, the contract ends and there is no legal obligation to complete the sale.

Financing

Buyers need unconditional financing in order to proceed with a property purchase. A financing clause protects the buyer and gives the lender sufficient time to guarantee approval for the necessary mortgage amount or to transition the pre-approval to an unconditional mortgage. In order to limit the lender's risks, the financial institution is obligated to confirm the value of the property with the sale price.



Property Disclosure Statement

The seller is legally obligated to disclose any known material or latent defects about the property that could be harmful to the buyer or affect their intended use of the property, and which cannot be discerned through a reasonable inspection of the property. Potential issues may include hidden mould, asbestos, unauthorized renovations, moisture problems, drug production-related usage and heritage site designations.

A *Property Disclosure Statement* can assist with this disclosure. Sellers are not legally required to provide this document but may choose to include it as part of the listing process. The *Property Disclosure Statement* is a good starting point for you to begin your due diligence research.

While sellers can be held liable for damages if they conceal such problems, the *Property Disclosure Statement* is not a warranty on the property. It cannot and should not replace a property inspection.

Inspection

Many buyers choose to hire a property inspector to evaluate the condition of a property and to identify any possible issues that may arise in the future and haven't been disclosed. Home inspections typically cover electrical, roofing, plumbing, HVAC, foundation and septic systems. The inspection clause must be completed by a certain date specified in the offer.

If any areas of concern are identified, you may choose to proceed as is, void the offer, or negotiate the terms of repair with the seller. The seller may

choose to terminate the agreement rather than repair or reduce the price. That's why in a hot market, some buyers choose to proceed as-is, and pay for the repairs themselves when they become the owner.

Strata documents

In the sale of an apartment or townhome that involves a strata corporation, strata records must be made available to potential buyers. Buyers will often choose to review the last two years of strata minutes and financial records to gain a better understanding of the building history, and engineering and depreciation reports to learn of any potential issues. There is a specific date by which these minutes must be reviewed.

Handling an offer

When you make an offer to purchase property, there are several possible outcomes.

Accepting the offer

If the seller would like to accept your offer, he or she will sign the *Contract of Purchase and Sale*. It then becomes a legally binding contract, which means both you and the seller are bound to execute the contract and perform your obligations, which are enforceable by law.

Rejecting the offer

A seller may choose to simply reject an offer without making a counter offer. This does not prevent you from making additional revised offers to make your offer more attractive.





Counter offers

If the seller makes any changes to the original offer, it's called a counter offer. A counter offer is a rejection of the initial offer as written, but an indication that the seller would be agreeable to a new offer if specific changes or additions were made and accepted.

There is no limit on the number of counter offers that can be proposed. During negotiations there may be several rounds of counter offers as each party gets closer to a final offer that will satisfy both parties.

Each counter offer cancels the previous one and so it must be specific and comprehensive. Your Realtor will manage the document exchange during the offer process to ensure that nothing is dropped from one version to the next.

Like any negotiation, there is an element of risk when making a counter offer because the other party is free to change their mind or walk away, and you may not be able to return to the original offer.

When an offer or counter offer is received, both parties must respect the expiry date and time on the offer because after that time the entire offer is null and void.

It's important to note that a buyer or seller should not proceed with other offers before the specified response period has ended for any current offer they have made. They must first issue a proper revocation notice, ultimately in writing. Your Realtor can assist you in the revocation process, which must be issued before the offer is accepted.

Accepting a counter offer

Once both parties are happy with the terms outlined in the counter offer, it is signed and dated

by all sellers and all buyers. It's important to respect the expiry time and date after which the offer becomes null and void. Once an offer expires, a new offer must be created.

Signing the offer

It can be easy to get caught up in the excitement of an almost accepted offer. To avoid any errors, carefully double check dates, numbers and the list of inclusions and exclusions.

Remember it's your responsibility to read and clearly understand everything in an offer before placing your signature to it. Once you sign it, it's a legally binding contract. Ask your Realtor as many questions as necessary to ensure everything is clear to you before taking this final step.

Multiple offers

Sometimes there are several buyers attempting to purchase a property at the same time. This is known as a multiple offer situation. Regardless of the order of arrival, Realtors are obligated to promptly present all offers for a property until the seller has an accepted offer and all subjects are removed. Even if you are in the midst of your sixth counter offer and close to signing an accepted offer, the seller's Realtor must present any offers that arrive to the seller.

Ultimately, it's up to the seller to select the best offer, usually based on price, the number of conditions, closing dates, and amount of the deposit. Your Realtor can advise you on the best strategy for success.

Once an offer is accepted, any other offers that arrive can be back-up offers that could be activated if the original offer were to become void.

Completing the Offer

In order to complete the offer, there are a few things you'll need to do:

- Pay the deposit as specified in the offer. This amount is held in trust and counts towards your total payment.
- Organize a property inspection and fulfill any other clauses set out in the contract by the specified time period.
- Finalize your mortgage by sending a copy of the purchase contract to your lender so that your pre-approval can be converted to an unconditional mortgage approval and tied to the specific property you're going to purchase.
- Purchase home owner's insurance effective on the completion date.
- Engage a lawyer or notary public to execute the contract including completing title searches, preparing transfer documents and adjustments and organizing money transfers.

Legal services

Realtors prepare, negotiate and finalize property sale agreements. In BC, notaries and lawyers handle the conveyancing and the agreements at the time of closing.

Typical duties include verifying identities, completing title searches, transferring title deeds and executing the sale contract. They also handle the exchange of monies including adjusting taxes, utilities and strata fees, paying out mortgages, penalties and taxes, and collecting and distributing funds appropriately between the buyer, seller, brokerage and legal services provider.

It's advisable to give your selected lawyer or notary sufficient time to prepare the paperwork and execute the transaction. Standard timing is around one month, but quicker time frames can be arranged in certain cases.



Closing costs
typically fall between 1.5%
and 4% of the total purchase price.



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THE FINAL STEPS

THE FINAL STEPS

Congratulations, there are only a few more tasks to take care of.

Final payments

You will need to pay the balance owing, including down payment, legal fees, property transfer tax and any other adjustments to your lawyer or notary.

Completion day

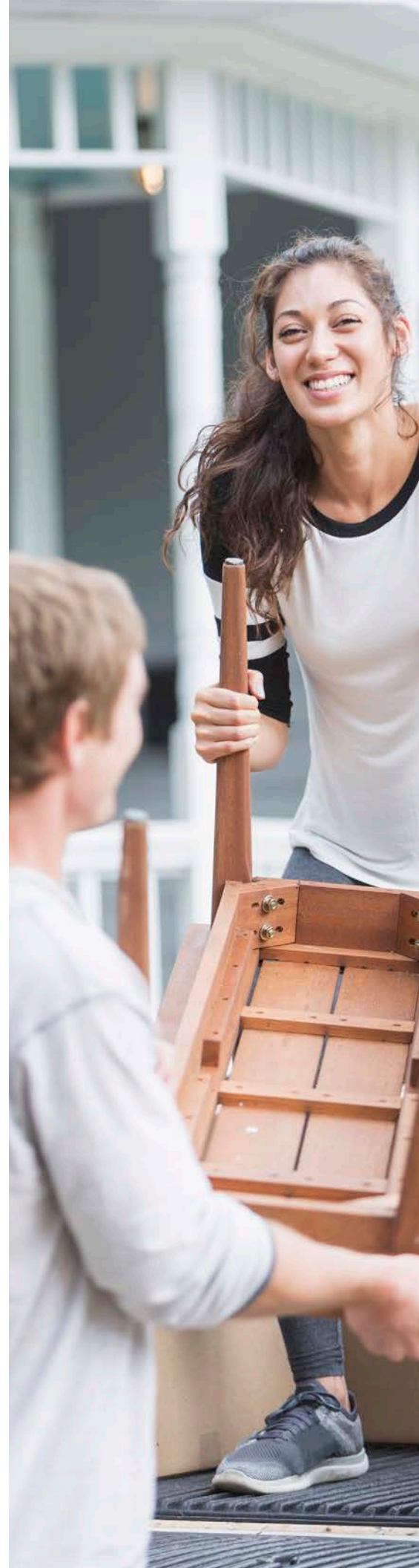
On the day you officially own your property, there are a few things that will happen:

- Your lender provides the mortgage money to your lawyer or notary.
- Your lawyer/notary pays the seller and registers the property in your name with the Land Title and Survey Authority of BC.

Possession day

This is the day you are finally able to enjoy your new property whether it is a move in ready home, a new renovation project, a weekend cottage or a commercial property to locate a business.

You'll obtain the keys to your property including any interior doors, lockboxes or outer buildings. Discuss with your Realtor any other activities, which may include a walk-through inspection of your property with your Realtor. You can now begin the move-in process.



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ENSURING YOUR SATISFACTION



ENSURING YOUR SATISFACTION

Thousands of properties in BC are bought and sold every month without issue. But sometimes problems do occur.

Concerns with your Realtor or brokerage

If you have a problem, the first step is to discuss the issue with your Realtor. Be honest and respectful in explaining the specific ways you are unsatisfied with their service. In many cases, issues arise due to a miscommunication or misunderstanding.

If you are not satisfied with the outcome of that conversation, the next step is to discuss the matter with the managing broker at the Realtor's brokerage. If you cannot agree to a resolution while talking to the managing broker, you have several options available to make a formal complaint.

Complaints and investigations

Filing a complaint with the FVREB

The Fraser Valley Real Estate Board's Professional Standards department is empowered to investigate complaints related to the *Realtor Code of Ethics & Standards of Business Practice*, unprofessional conduct, and the Board's by-laws and rules.

In order to help us assist you properly, it's important to carefully outline the details of your concern in writing, include any applicable documentation and explain the steps you've already taken to try to resolve the issue.

The FVREB can investigate concerns about: a lack of disclosure, misrepresentation, failure to put agreements in writing, late discovery of appropriate facts concerning the property, a lack of cooperation with other Realtors regarding a transaction, entering a property without prior confirmation if required and any violations of the *Realtor Code of Ethics & Standards of Business Practice* and local rules.

It should be noted that the FVREB is authorized to regulate professional misconduct among its membership, but does not award damages to complainants, as this must be pursued through legal action. The FVREB takes matters of professional conduct very seriously and in addition

to administering investigations and sanctioning corrective behaviours, we are committed to continually improving the quality of training, education and standards of care for all practicing members.

To file a complaint with the FVREB, please contact us at: professionalstandards@fvreb.bc.ca.

Filing a complaint with the RECBC

The Real Estate Council of BC has the authority to investigate potential contraventions of the *Real Estate Services Act* or the *Real Estate Development Marketing Act* as well as their own regulations and rules.

Violations under the Council's purview could include mishandling of deposits, concealing property defects, misrepresentation, unauthorized signing of documents and professional misconduct including incompetence and conduct inappropriate for a licensee.

To file a complaint with the RECBC, please contact: advisor@recbc.ca.

Errors and omissions insurance

Realtors have professional liability insurance known as errors and omissions insurance to offer financial protection arising from real estate mistakes or oversights. It also ensures that consumers who incur a loss because of the negligence of a licensee will be compensated. If you have questions about this topic, contact the Real Estate Errors and Omissions Insurance Corporation at: reception@reeoic.com.

Compensation fund

Under the *Real Estate Services Act*, all licensees participate in the Compensation Fund, which provides public protection where monies entrusted to a real estate professional have been misappropriated, intentionally not paid or accounted for, or obtained by fraudulent activities.

In the event of a claim, the Real Estate Compensation Fund Corporation determines whether there is a compensable loss and can authorize a payout of funds to a claimant. For more information, please visit the Real Estate Council of BC's website (www.recbc.ca) or email: info@recbc.ca



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YOUR REALTOR IS
THE KEY TO YOUR
SUCCESS

YOUR REALTOR IS THE KEY TO YOUR SUCCESS

A Realtor is an invaluable asset when buying or investing in a property. The complex nature of real estate transactions requires specialized knowledge, legal paperwork and professional negotiation skills. The process can be overwhelming to anyone, but in particular to first-time buyers. With so many details, it can be too easy to miss something critical or make a costly mistake when buying on your own. Understanding the recipe for success includes everything from house hunting to presenting and negotiating an offer and writing an enforceable contract that safeguards your best interests.

For many people, buying a property is one of the largest financial transactions they will ever make. There's a lot at stake and when that property is to be a family home, it can easily become emotional. This is why choosing to work with a professional Realtor is a smart move. Realtors protect you with valuable advice, knowledge and expertise that give you the confidence that you're making informed decisions.

Working with a Realtor helps to transform the buying process from stressful to enjoyable. Plus your Realtor can often help you buy your property for a better price, while minimizing your risk. Before making one of the biggest investment decisions of your life, enlist the help of a professional Fraser Valley Realtor.



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Fraser Valley Real Estate Board

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