

# reconnect

BRIDAL EDITION

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



*Moving in!*

FOUND THE HOME OF  
YOUR DREAMS? HERE'S  
YOUR TO-DO LIST

REAL ESTATE COMMISSIONS  
AND FEES MAY VARY

HOW MUCH OF A DEPOSIT  
SHOULD I PROVIDE THE SELLER  
WHEN BUYING A HOME?

FIVE TIPS FOR KEEPING  
A COOL HEAD IN A  
HOT MARKET





## Buying your first home? RECO is here to help.

Congratulations on your engagement! Marriage is a milestone event in your lives, as is buying your first home together.

There's no shortage of home-buying information on the Internet, but much of it focuses on market trends and how to get the best price. You also need information about your rights and responsibilities as a buyer. How do you ensure you are protected?

Fortunately, the Real Estate Council of Ontario (RECO) is here to help.

### Providing objective advice

RECO works to protect consumers and enforce the rules that real estate professionals in Ontario must follow. That means we can offer buyers and sellers impartial advice on how to protect themselves, and ask the right questions during the real estate transaction.

This newsletter is a great place to start. Inside, you'll find key information about buying and selling pitfalls, commissions and more.

### Three pillars of protection

All brokers and salespersons in Ontario are registered with and regulated by RECO. That's why working with a real estate professional provides buyers and sellers with three pillars of protection.

#### Knowledge

Real estate professionals must complete courses before they can enter the real estate sector. And once they are in the profession, they complete additional courses every two years to keep their knowledge up-to-date and their skills sharp.

#### Professional standards

Brokers and salespersons are required to uphold professional standards that emphasize treating anyone involved in a transaction with fairness, honesty and integrity, and following rules and regulations that are there to protect

consumers. In the rare instance that something goes wrong and you want to complain about your representative or the brokerage, RECO will investigate the complaint and take steps to hold the real estate professional accountable for their actions.

#### 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 by a brokerage.

#### Information is power

When it comes to real estate, informed consumers have more positive experiences. Understanding the process and asking the right questions can make a big difference throughout the buying process. I encourage you to keep reading to learn more.

For even more tips, check out our first-time home buyer guide ([www.reco.on.ca/firsttimebuyer](http://www.reco.on.ca/firsttimebuyer)) and Facebook page ([www.facebook.com/RECOhelps](http://www.facebook.com/RECOhelps)). RECO's "Ask Joe" column in the Toronto Star is also a great resource. You can find it in the Saturday "Homes" section.



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Do you have any comments or inquiries about the **reconnect** newsletter? Please send them to [communications@reco.on.ca](mailto:communications@reco.on.ca)

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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 professional, 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 existing 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 professional 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.



# 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 professionals 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 professional 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.

# 5 questions to ask when hiring a real estate professional

With about 75,000 real estate professionals in Ontario, how do you pick the one that is right for you?

“It’s always a good idea to meet with at least a few different real estate professionals before selecting who you will work with,” says RECO Registrar Joseph Richer. “Consider asking friends or family to recommend a broker or salesperson.”

When you have your shortlist of representatives ready, consider asking these questions to find out which representative is right for you.

## 1. What is your experience?

Experience is about more than how many years someone has been in business. Take the time to learn about the types of properties they typically work with, which cities or areas they work in, and how many homes of the type you are looking for they helped buy or sell in the past year or two.

## 2. What is your approach to the buying or selling process?

For the buying side of things, how will the representative search for suitable properties and what is their approach to negotiations? When selling, how will your home be marketed to help attract the right prospective buyers? By understanding their approach, you’ll know what to expect and will be able to determine which representative is aligned with your preferences.

## 3. What services will be included?

Discuss your particular needs and expectations to ensure they are able to provide the services you want. For example, when selling, will the representative have professional photos taken of your home or prepare multimedia promotional materials? Will they host open houses? What about advertising? Understanding exactly what services will be provided, and later documenting them in your written contract, will help avoid misunderstandings later on.

## 4. What are the commissions or fees that I will need to pay?

Commissions and fees can vary between brokerages and for the services provided, so be sure to understand what will be provided, and what it will cost. Keep in mind that, as with most things, the cheapest deal is not necessarily the best one.



## 5. Do you have references?

As with most job interviews, getting in touch with references is an important step before hiring someone. Were past clients pleased with their experience? Was the representative responsive and easy to get in touch with? Would they recommend them to others? Buying and selling a home is a major decision, so it’s important to take the time to find the right representative for you. As the final step before committing to a representative, use the ‘real estate professional search’ feature at [www.reco.on.ca](http://www.reco.on.ca) to confirm they are registered with RECO.

## Did you know?

### Real Estate Professional Search Feature

On RECO’s website ([www.reco.on.ca](http://www.reco.on.ca)), you can confirm the registration status of a broker or salesperson. Before you choose your representative, use the ‘real estate professional search’ feature to check their registration status and see if they have been the subject of any disciplinary decisions. All real estate brokers and salespersons in Ontario must be registered with RECO.

# FIVE TIPS FOR KEEPING A COOL HEAD IN A HOT MARKET

# 1

## Read and understand everything before you sign

When you hire a real estate representative to help you buy or sell a home, you will be asked to sign an agreement that defines your relationship with the representative's brokerage. It is a legal contract that contains rights and responsibilities for both parties. Similarly, if you purchase or sell a home, you will be asked to sign a legal contract to complete the transaction. These are just two examples of real estate agreements that are legally binding, meaning you typically can't back out of the agreement once you've signed on the dotted line. That's why it is important that you understand everything in the agreement before you sign. If you don't understand something, ask your real estate representative to explain it to you. If you are still not satisfied, you can seek advice from a real estate lawyer. And, if you're not comfortable with the contents of the agreement, have a conversation about it with your representative before signing.

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## Be sure you and your representative are on the same page

When working with a real estate representative, it is important that both of you have a mutual understanding of what services he or she will be providing to help you buy or sell a home. Have a thorough conversation about the details and then make sure they are contained in the agreement you sign. It's also a good idea to do some advance research on your own about the buying and selling process. Take the time to learn about the forms and contracts you will be expected to sign and what the conditions are like for buyers and sellers in your area. A good starting point for your research is [www.reco.on.ca](http://www.reco.on.ca). An educated consumer is an empowered consumer. By doing your research and making sure you and your representative are on the same page, chances are you will avoid surprises down the road.

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### Leave your emotions at the door

Buying or selling a home can be an emotional roller-coaster. The best way to prepare yourself is to make a plan in advance and stick with it through the process so that you will make informed decisions you won't later regret. If you are a buyer, decide where you want to live and which features in a home are important to you. Determine your maximum budget and then stay firm, even if a bidding war arises. If you are a seller, decide in advance what price you need to get for your home and how you want offers to be presented to you. By making a plan and sticking with it, you will have an easier time walking away from a deal if it's outside your comfort zone.

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### Know your tolerance for risk

In a hot market, you may be tempted to submit an offer to buy a property without any conditions attached so that you get a leg up on the competition. However, before deciding to skip the home inspection, status certificate review or the financing clause, you need to consider whether you're comfortable taking on that level of risk. Can you afford to fix a major issue with the home that an inspection may have detected? Or potentially lose your deposit if your lender denies your financing? If not, then waiving conditions may not be the way to go to win a bidding war for a home. If you do end up waiving conditions, be sure you have a contingency plan in place to manage any financial risks should they arise.

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### Be flexible and have a back-up plan in place

Real estate transactions can happen at lightning speed, which means even the best-laid plans might have to be adjusted. The best way to prepare for something unexpected is to do some advance research on how the process works. Before getting into the market, learn about the pros and cons of selling first versus buying first. Assess your tolerance for risk and determine how you can lessen those risks—possibly by attaching conditions to your offer. You should also build a contingency plan that will help you manage a situation where you find yourself owning two homes, or no home, for some period of time. By preparing ahead of time, you will be well-positioned to respond to quick developments in your real estate transaction.





# How much of a deposit should I provide the seller when buying a home?

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 professional can suggest a suitable deposit amount, but remember that the deposit should be an amount you are comfortable providing in a potentially short time frame (e.g., 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 professional.

## 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." RECO 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.

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

When you're buying or selling a home, the guidance and support of a real estate professional can be very valuable. That's why it's important to talk in detail about 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.

If you're not happy with the quality of services your real estate professional is providing, 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, or in a different way? 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 to the manager of the brokerage

If the conversation with your representative doesn't improve the situation, make an appointment with the manager of the brokerage to voice your concerns.

The representation agreement you signed is a contract with the brokerage, not the individual salesperson.

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, the manager may offer to reassign you to another salesperson.

Agreements may also have a "holdover clause," which may bind you to the brokerage for a certain period after the agreement has ended. You could owe them money if you buy or sell a home while the holdover clause is in effect.

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, consider asking your 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, you have the option of filing a complaint with RECO. RECO can't get you out of your contract with the brokerage, but we will hold the salesperson accountable for their conduct.

You can file a complaint online on RECO's website, [www.reco.on.ca](http://www.reco.on.ca).

# *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.**

A BRA defines the relationship between the buyer (you) and the real estate brokerage that is working on your behalf. It sets out the property type and geographic location for your potential new home, lists the services to be provided, addresses the issue of commission that may be payable to the brokerage, and it also specifies the duration of the agreement.

Signing a BRA confirms in writing that you are a client of the brokerage and documents the terms and obligations of the brokerage-client relationship. As a client, the brokerage has a special responsibility to follow your instructions, protect your confidential information and promote and protect your best interests.

To make the most of this relationship, it's important to identify your needs and expectations. Discuss what services you are looking for and determine whether the brokerage and the salesperson or broker are the right match for you. To avoid misunderstandings later on, don't make any assumptions and be sure to list all details in writing. You should also ask what the broker or salesperson expects from you and what your obligations are.

If you're not comfortable with the terms of the BRA, you can enter into a Customer Service Agreement (CSA) with the brokerage instead. In this scenario, the obligations of the brokerage will be different. While they will still help you buy or sell a home, they won't have the same level of responsibility to you as they would if you were a client. For example, the representative would still show you properties and help you fill out paperwork, but they wouldn't necessarily provide advice.

While the brokerage will have less of a commitment to you, you will also have less of a commitment to the brokerage. Typically, CSAs are not legally-binding contracts.

Think of it as though a BRA is a wedding band, while a CSA is a promise ring. The level of commitment from both parties will be less with a CSA. 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 can choose to 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. If you're unsure about something, ask questions or consider seeking legal advice before signing. 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:

## Plan ahead

- ⦿ Make a list of exactly what you want done. Remember that changing plans in the middle of a project may cost extra money.
- ⦿ Set a clear budget and commit to it.

## Shop around

- ⦿ 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.

## Protect yourself

- ⦿ Never go in for a deal that sounds too good to be true. Cheap home repairs could 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.
- ⦿ Keep down payments to a minimum. We recommend about 10 per cent.

