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Sales Representative

Making our community your home.

Ontario Home Buyers & Sellers!

Have you heard of "TRESA" Trust in Real Estate Services Act, 2002?

It's the law...

As of today December 1, 2023, new real estate legislation in effect in Ontario, and it's a game-changer for everyone in the real estate market. Whether you're buying or selling, you need to be in the know!

A key part of the Legislation is the Reco Information Guide.

As a trusted colleague has so nicely summarized it's a "A guided roadmap to understanding the benefits of working with a real estate agent, the risks of going solo, and how to navigate the complexities of real estate transactions."

You will see an easy flip book format attached so you can review the essentials of how we need to do business going forward.

Let's connect soon to answer any questions you may have....

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Working with a real estate agent: Things you need to know

RECO INFORMATION GUIDE



**Real Estate
Council of Ontario**

The guide is produced by the Real Estate Council of Ontario (RECO)

RECO regulates real estate agents and brokerages, educates consumers, and promotes a safe and informed real estate marketplace. RECO administers and enforces the *Trust in Real Estate Services Act, 2002*. Find out more on the [RECO website \(www.reco.on.ca\)](http://www.reco.on.ca).

About this guide

You have received this guide from a real estate agent because:

- you are considering receiving services from the real estate agent, or
- the agent is representing a client in the transaction, and you might receive assistance from the agent.

Real estate agents in Ontario are required to walk you through this guide before providing services or assistance to you.

Please read the guide carefully and talk to the agent if you have questions.

In this guide:

- *brokerage* means a real estate brokerage
- *real estate agent* and *agent* mean a real estate salesperson or broker
- *you* and *client* mean a buyer or seller
- *buyer* and *seller* can also mean *lessee* and *lessor* respectively

What's inside

Working with a real estate agent — page 2

This section describes the benefits of working with a real estate agent, what you can expect, and the responsibilities of clients.

Know the risks of representing yourself — page 4

This section explains the risks if you choose not to work with a real estate agent and the risks of receiving assistance from a real estate agent who is working for the person on the other side of the transaction.

Signing a contract with a real estate brokerage — page 6

When you work with a real estate agent, you sign a contract with the brokerage the agent works for. These contracts are called *representation agreements*. This section highlights what you should look for before you sign.

Understanding multiple representation — page 9

Multiple representation means the brokerage, or the agent represents more than one client in the same transaction. This section explains how multiple representation works, the risks, and what to expect if you agree.

How to make a complaint — page 11

Ontario brokerages and real estate agents are accountable for their conduct. This section tells you how to raise a concern with the brokerage and with RECO.

Legal disclaimer: The content of the *RECO Information Guide* is intended to help buyers and sellers make informed decisions. This guide is not intended to act as a substitute for legal advice or as a replacement for the *Trust in Real Estate Services Act, 2002*. Readers are encouraged to retain qualified and independent legal counsel to answer any legal questions or address any legal issues. Where there is any discrepancy, the legislation will take precedence.

Working with a real estate agent

Agents in Ontario must be registered, which requires completing the necessary education, and carrying consumer deposit insurance and professional liability insurance.

Real estate agents provide valuable information, advice, and guidance to buyers and sellers as they navigate the complexities of real estate transactions.

If you are a seller, an agent can:

- Advise you on market conditions and the best strategy to attract buyers and get the best price for your home
- Market or advertise your home, including arranging photographs, videos and virtual tours
- Provide referrals to other professionals you'll need, like a lawyer or home staging company
- Arrange and attend home inspections and appraisals
- Arrange showings for interested buyers
- Advise you on how to handle competing offers, sharing the content of competing offers, and other aspects of the transaction
- Vet offers and potential buyers to ensure they can afford to buy your property
- Negotiate with buyers to achieve the best results, price, and terms, for you
- Guide you through paperwork and closing the transaction successfully

If you are a buyer, an agent can:

- Assist you with getting pre-approvals for financing so you know how much you can afford
- Make you aware of any tax exemptions you might be eligible for
- Gather and share information about neighbourhoods and homes that meet your requirements, and arrange to show you homes you'd like to see
- Make inquiries about zoning, permitted property use, or other aspects of the home
- Advise you on the best approach in competing offer situations and how to protect your offer information
- Negotiate with sellers to achieve the best results, price, and terms, for you
- Guide you through paperwork and closing the transaction successfully
- Provide referrals to other professionals you'll need (for example, home inspectors, lawyers, or contractors)

You will also benefit from the duties the brokerage and agent owe to you as a client

- **Undivided loyalty**

Your best interests are promoted and protected by the brokerage or agent representing you. As a client, your interests take priority over the interests of the brokerage, its agents, and any other party.

- **Disclosure**

They must tell you everything they know about the transaction or your client relationship that could have an impact on any decisions you make.

- **Confidentiality**

Your confidential information cannot be shared with anyone outside of the brokerage without your written consent, except where required by law, even after your client relationship ends. This includes, for example, your motivation for buying or selling, and the amount you would be willing to pay or accept.

- **Avoid conflicts of interest**

They must avoid any situation that would affect their duty to act in your best interests. If a conflict arises, they must disclose it to you and cannot provide any additional services to you unless you agree in writing to continue receiving services.

You have responsibilities as a client

You need to:

- be clear about what you want and don't want and make sure you share all information that might be relevant (for example, you might want zoning that permits your intended use, maybe a home office or another specific use, or you might *not* want a property where there has been a violent crime);
- respond to your agent's questions quickly;
- understand the terms of your agreement with the brokerage; and,
- pay the fees you have agreed on (see page 7), even if an agreement to buy or sell later falls through because of your default or neglect.

Know the risks of representing yourself

If you are involved in a real estate transaction and are *not* a client of a real estate brokerage, you are considered a *self-represented party*. This means that you have chosen to represent yourself, which has different rights and responsibilities. Very few buyers or sellers make this choice.

There are significant risks to representing yourself in a real estate transaction if you do not have the knowledge and expertise required to navigate the transaction on your own. You will be dealing with a seller or buyer who is benefitting from the services, opinions, and advice of an experienced real estate agent.

RECO recommends that you seek independent professional advice before you proceed as a self-represented party.

If you choose not to work with a real estate agent, it will be your responsibility to look after your own best interests and protect yourself. This may include things like:

- making inquiries about zoning, permitted property use, or any other aspect of the property;
- determining what you believe to be the value of the property you are buying or selling;
- determining how much you are willing to offer or accept;
- navigating competing offer situations;
- deciding what terms you want to include in an offer or agreement of purchase and sale; and,
- preparing all documents.

The real estate agent is working for another party in the transaction

It's important to be aware that the agent has a legal obligation to act in the best interests of the person on the other side of the transaction. If you are a buyer or even just inquiring about the property, for example, and the agent is working for the seller — the agent has a duty to do what's best for their seller client.

Be aware that the agent is obligated to share anything you tell them with their client, which might not be in your best interests to tell them, including:

- your motivation for buying or selling the property;
- the minimum or maximum price you are willing to offer or accept; and,
- your preferred terms or conditions for an agreement of purchase and sale.

The agent cannot:

- provide you with any services, opinions, or advice;
- do anything that would encourage you to rely on their knowledge, skill, or judgement; or
- encourage you to represent yourself or discourage you from working with another real estate agent or brokerage.

Any assistance the agent offers you:

- is a service to their client, not you;
- is in the best interests of their client, not you;

The agent must give you RECO's *Information and Disclosure to Self-represented Party* form and walk you through it before they can provide you any assistance. You will be asked to confirm you received it and understand what it means to be a self-represented party.

You have the right to change your mind

If you're concerned about completing a transaction on your own, or you need advice from a real estate agent, you can choose to become a client of a real estate brokerage at any point during the transaction (see *Signing a contract with a real estate brokerage* on [page 6](#)).

Signing a contract with a real estate brokerage

When you become a client, you sign a *representation agreement* with the brokerage — a contract between you and the brokerage for real estate services and representation. If you don't want to sign an agreement, you should not expect the real estate agent to provide you with any services, like showing you homes.

Representation agreements can be called buyer representation agreements, or seller representation or listing agreements. Your agreement must be put in writing and presented to you as soon as possible.

Protect yourself by reviewing the agreement in detail. This will help to avoid any misunderstandings between you and your real estate agent.

What to look for in a representation agreement

Your representation agreement should describe the duties owed to you, the services you will receive, your rights and responsibilities, what you will pay, and specific terms of the agreement, including how long the agreement will last and whether you can cancel it.

Here are some key things to look for.

Name of your designated representative

If the contract is a designated representation agreement, the name of your designated representative will be included. More than one real estate agent working at the brokerage can be identified as your designated representative.

Scope

Your agreement should specify the scope of the engagement. If you are a seller, this means the agreement will identify the specific property.

There are two kinds of representation agreements in Ontario:

Brokerage representation:

The brokerage and all its agents represent you and must promote and protect your best interests, but one of the brokerage's real estate agents may be your primary contact. They may provide referrals to other professionals you'll need (for example, home inspectors, lawyers, contractors).

Designated representation:

One (or more) of the brokerage's real estate agents is your *designated representative*. The agent(s) represent(s) you and must promote and protect your best interests.

The brokerage and its other agents are

required

to treat you impartially and objectively.

An important aspect of designated representation is that it reduces the likelihood of multiple representation. You can read more about this in [*Understanding multiple representation*](#) on page 9.

Designated representation was introduced in Ontario on December 1, 2023. Ask the real estate agent what type of representation the brokerage offers.

If you are a buyer, you should consider the scope of the agreement carefully. Your agreement might identify a specific property, a geographic area you are searching in, a type of property you are looking for, or other specific requirements. For example, if you are looking for both a house in a particular city, and a cottage property near a lake, and want to work with different real estate agents with local and property type expertise for each property, the scope should be clear in each of the agreements to avoid disputes about who you might have to pay if you buy a property.

Services

The agreement must clearly set out the services you will receive. **There is no standard set of services** — brokerages offer a variety of service options. You choose the services you want that best meet your needs.

You might enter into an agreement with a brokerage for a specific purpose like, for example, having an agent prepare an offer on a property you want to buy, or viewing a specific property. Some sellers enter into an agreement solely for the purpose of having their property advertised on a local listing service.

Ask the real estate agent about the available services or combination of services that may be right for you and your situation. If there are specific services you need or expect to receive, make sure they are included in the agreement or as a schedule to the agreement. Don't assume a particular service will be provided if it's not included in the agreement.

Payment amount and terms

You and the brokerage decide the amount you will pay for services. The amount is not fixed or approved by RECO, any government authority, or any real estate association or real estate board.

You can agree to pay a fixed dollar amount, a percentage of the sale price, or a combination of both. The representation agreement cannot specify an amount based on the difference between a property's listing price and what it sells for.

Agreements must also identify circumstances in which the amounts agreed to might change and how they will change in each circumstance.

If you are a seller: **If you are a buyer:**

Your agreement needs to clearly indicate: Your agreement needs to clearly indicate:

- the amount you agree to pay your brokerage
- the amount you agree to pay your brokerage (or how it will be calculated) for the services and representation you receive;
- the amount (or how it will be calculated) you agree to pay, if any, to compensate the buyer if the seller agrees to cover some or all of your brokerage fees; and,
- how the amounts you agree to pay might change if you consent to multiple representation (see page 9).
- how the amount you agree to pay will change if the seller agrees to cover some or all of your brokerage fees; and,
- how the amount you agree to pay might change if you consent to multiple representation (see page 9).

Important note for buyers: *A seller might not offer any amount to cover the fees you owe to your brokerage under your agreement. This could affect the amount you are able to offer for a property. Depending on your financial circumstances, you may not be able to afford to buy a property when the seller does not agree to pay your brokerage fees.*

Termination provisions

The agreement should list all circumstances when the agreement can be terminated. Review when the brokerage can terminate the agreement, and make sure you are aware of any penalties or costs that might apply in each case.

Two important circumstances to be aware of:

•**Multiple representation:** You do not have to agree to multiple representation, and your agreement should be clear about what happens in that situation. For example, the agreement could terminate completely, or you might be referred to another brokerage or designated representative for the specific transaction but otherwise remain under the agreement with the brokerage.

•**Changing your designated representative:** If you have entered a designated representation agreement, the brokerage cannot appoint a different designated representative unless you agree. The brokerage may ask to appoint someone else if, for example, your designated representative stops working with the brokerage, or is otherwise not available to provide the services and representation outlined in the agreement.

Expiry date

The agreement's expiry date must appear prominently on the first page. There is no set time or standard term for a representation agreement: it can be in place for a day, a few weeks, or months. Consider how long you want the agreement to remain in place, and make sure you know when your agreement will expire. Keep in mind that a holdover clause could mean you owe money even after the expiry of the agreement.

Holdover clause

Most representation agreements include what is often called a *holdover clause*. The clause may require you to pay the brokerage fees for a purchase or sale even when the transaction happens *after* your representation agreement expires. The clause will specify the time the holdover clause is in effect from the date the agreement expires.

A holdover clause is designed to protect the brokerage, and there is no minimum or set time for a holdover period. If your agreement includes a holdover clause, make sure you agree to the length of the holdover period before you sign it.

For example, let's say you are a seller, and your agreement includes a 30-day holdover clause. This means that even if your agreement has expired, under certain conditions, you might be obligated to pay the brokerage commission if you sell your home during the 30-day holdover period.

Similarly, assume you enter into a buyer agreement that includes a 30-day holdover clause and the agent shows you a home before the expiry of the contract. If you buy the home after the expiry of the agreement, but during the holdover period, you might be obligated to pay the brokerage commission.

Understanding multiple representation

Multiple representation means a designated representative or brokerage represents more than one client, with competing interests, in the same transaction. This can happen in different ways, depending on the type of representation agreement you and the other clients have with the brokerage:

Brokerage representation:

Multiple representation exists when the brokerage represents both the buyer and seller in the same transaction, or two or more competing buyers interested in the same property — even when the clients are working with different real estate agents.

Designated representation:

Multiple representation exists when the same real estate agent is the designated representative for both the buyer and the seller in the same transaction, or for two or more competing buyers interested in the same property.

Multiple representation is not permitted unless each of the clients involved agrees. You should seek independent professional advice (for example, from your real estate lawyer) before proceeding.

The brokerage or your designated representative has a duty to promote and protect your best interests and avoid conflicts of interest. If your brokerage or designated representative enters into an agreement with another client who has an interest in the same property as you, this places both clients in multiple representation. Multiple representation introduces risks you and the other client should consider.

It's important to understand the risks. If you agree to multiple representation, the brokerage or designated representative:

- Must treat each of the clients involved in an objective and impartial manner;
- Cannot maintain undivided loyalty to you or promote and protect your interests over the interests of the other client; and,
- Cannot offer advice to you about such things as the price you should offer or accept or terms that should be included in an agreement of purchase and sale.

What to expect before you agree to multiple representation

The brokerage is required to provide you with a written disclosure that explains:

- how the brokerage's duties or the designated representative's duties to you will change;
- the differences in the services you will receive; and,
- any change to how much you pay the brokerage.

Until this information is disclosed in writing to all clients in the transaction, and they all agree in writing, the brokerage or designated representative cannot take any further steps on behalf of any of the clients.

Confidential information you provided to the brokerage or the designated representative when you were represented cannot be shared without your written consent.

You can refuse multiple representation

If you don't agree, the brokerage or your designated representative is not allowed to proceed.

Ask the brokerage or real estate agent about alternatives to multiple representation. For example, if you are a buyer, the brokerage could refer you to another brokerage or another designated representative to help you make an offer on the property.

Agreeing to multiple representation significantly reduces what the brokerage and its agents can do for you, which could have consequences and costs.

A note about content of other offers

You may have seen articles in the media about *open bidding*, or an *open offer process*.

Buyers in Ontario who have made an offer on a property are entitled to know the *number* of competing offers. Sellers choose how much other information, if any, they want to share about the offers they receive.

If you are a seller:

- You decide how much information you want to share about the competing offers.
- Your agent will advise you based on the characteristics of your property, market conditions, the content of the offers you receive and other things.
- You need to provide clear written direction to your agent before the content of any offers can be shared. Personal or identifying information contained in offers cannot be shared.

If you are a buyer:

- You decide whether you want to participate in a process where the content of your offer might be shared with other buyers.
- Your agent can tell you the steps to take to avoid having the content of your offer shared with other buyers.
- Be aware that the seller can make the decision to share the content of offers at any time. You may not know in advance.

How to make a complaint

Brokerage firms and real estate agents working in Ontario must be registered with RECO. Ontario brokerages and real estate agents are accountable for their conduct. If you have a concern:

First, contact your brokerage

In many cases, your brokerage will be able to mediate or resolve your complaint about a real estate agent or the services provided under your representation agreement. Search for the brokerage in RECO's [Public Register](#) to find the name of the broker of record (the person responsible for ensuring the brokerage complies with the law) and their contact information. Note that the brokerage cannot ask you to sign an agreement that requires you to withdraw a complaint to RECO or prevents you from making one.

Contact RECO

To file a complaint with RECO about a brokerage or real estate agent, visit the [complaints section](#) of the RECO website. The website explains the complaints process, possible outcomes, and how to file your complaint. RECO will review the issue, determine if it has the authority to deal with it, and what next steps, if any, it will take.

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Where to get more information

For more information about buying and selling property in Ontario: [RECO's website](#).
For the legislation that governs brokerages and real estate agents trading in real estate in Ontario: [Trust in Real Estate Services Act, 2002](#).

Acknowledgement

Real estate agent name

Brokerage name

I acknowledge the real estate agent named above provided the *RECO Information Guide* to me and explained the content.

Buyer/seller name

Buyer/seller name

Signature of buyer/seller

Signature of buyer/seller