

Real Estate Council of British Columbia – Selling a Home in British Columbia

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Selling a Home in British Columbia

Selling or buying a home is the largest transaction most of us ever become involved in. Yet people sometimes take less time over it than they do when buying a new car. That's because it's unfamiliar territory to many of us. We don't all understand the process. We don't know what questions to ask. We may take things for granted, rely on others when we shouldn't, and sometimes we later wish we had known more about the process involved.



The information in this guide will help you understand the procedures and documents you will encounter during the sale of your home, as well as the role of other people who may be involved in the transaction. Selling a home is a major event. This guide is designed to help you to better understand the process.

The Real Estate Council of British Columbia protects the public interest by assuring the competency of real estate licensees and ensuring their compliance with the *Real Estate Services Act*. The Council is accountable to and advises government on industry issues and encourages public confidence by impartially setting and enforcing standards of conduct, education, competency, and licensing for real estate licensees in the province.

Although the Real Estate Council of British Columbia believes that the information below is reliable, this cannot be assured. The Real Estate Council assumes no liability for any errors in the material or any reliance placed therein. Professional advisors should be consulted before acting upon this information.

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Working with a Real Estate Licensee

You can sell your own home without the services of a real estate licensee, but selling a home is a complex process.

- What is the best possible price?
- Where do you find a buyer?
- What facts must you disclose?
- What paperwork is required?
- Will the contract be legal and binding?
- How is ownership transferred?
- What about the existing mortgage?
- Can the buyer qualify for a mortgage?
- Who ensures you will get your money?



To answer these questions and assist with many other situations which may arise, you might wish to employ a licensed real estate professional to act as your agent.

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Real Estate Licensees

Licensing Requirement

It is important to understand that in British Columbia, the person you hire to assist you to sell your home must be licensed under the provincial *Real Estate Services Act*.

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Responsibilities of Seller's and Buyer's Licensees

In every real estate transaction there is a seller and a buyer. A real estate licensee may be employed as an agent for the seller, as an agent for the buyer, or both. Early in the first meeting with a real estate licensee, the licensee should provide you with full disclosure about the nature of his or her relationship with you, as a seller, and any relationship he or she may have with a buyer. The licensee is required by law to provide this information and explain its implications to you.

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Your Relationship With a Real Estate Licensee

When providing real estate services, the nature of the relationship that is created between the buyer or seller and the real estate brokerage, including its related licensees, is important. The relationship may be either a sole agency, dual agency, or no agency relationship. **Please note that the practice of dual agency is banned in BC, except in very rare circumstances.**

Sole agency

Where a licensee acts only for the buyer or the seller, a sole agency relationship is generally created. The buyer or seller who engages a licensee to act as a sole agent is known as the "client". There are different types of sole agency relationships. The historical model of real estate agency, referred to in this material as 'brokerage agency', is one where the brokerage is the agent of the client, and all licensees engaged by that brokerage automatically assume the same agency obligations as the brokerage in relation to that client. When the brokerage only represents one client in a particular transaction this is referred to as 'sole' agency. Another type of sole agency, 'designated agency', occurs when the brokerage and the client agree that the brokerage will designate one or more licensees engaged by that brokerage to provide real estate services as sole agent to or on behalf of the client. In designated agency, the brokerage has contractual duties to the client but it is the designated agents who act as sole agent on behalf of the client.



As an agent, a licensee has certain duties to their clients. In addition to the general obligation that all licensees have to act honestly and with reasonable care and skill in performing all assigned duties, an agent has:

- a duty of undivided loyalty to the client;
- a duty to keep the confidences of the client;
- a duty to obey all lawful instructions of the client; and
- a duty to account for all money and property of the principal placed in the brokerage's hands while acting for the client.

In designated agency, the brokerage and the client agree that these duties – other than the duty shared with the designated agents to keep the confidences of the client, and the holding of money on behalf of the client – are the responsibility of the designated agents.

Dual Agency

Under rules that took effect on June 15, 2018, real estate agents can no longer practice dual agency, which means they can no longer act for both a buyer and a seller, or two buyers, in the same transaction. An exemption to the ban has been established for remote locations where it's simply not feasible for buyers and sellers to be represented by two separate real estate agents. In that situation, the exemption allows dual agency so that consumers at least have access to limited representation.

In those rare cases where a brokerage can act for both the buyer and the seller, with their agreement, the nature of the relationship created by contract is one of dual agency. In brokerage agency, dual agency can occur when the same licensee engaged by the brokerage represents the buyer and seller, or where different licensees engaged by the same brokerage represent the buyer and the seller. Before a brokerage may represent both the buyer and the seller, the buyer and seller must consent to such a relationship. Before providing their consent, the buyer and seller should be fully informed regarding the limits that will be placed on the agent's (brokerage's) duties and obligations to the buyer and seller.

Designated agency allows two clients who have engaged the same brokerage to have independent representation by their respective designated agents, eliminating the occurrence of 'in-house' dual agency where the interests of those clients are in conflict, e.g. they wish to negotiate in relation to the same property.

Where a dual agency relationship has been agreed to, it is not possible for the agent (brokerage or its designated agent) to fulfill all of its duties to both parties. As a result, the duties are limited by contract and the sole agent, whether the brokerage or its designated agents as the case may be, become dual agents, with their duties being limited as follows:

- the brokerage and/or its designated agent must deal with the buyer and seller impartially;
- the duty of full disclosure is limited so that the brokerage or its designated agent are not required to disclose what the buyer is willing to pay for the property, what the seller is willing to sell the property for, or the motivation of either party; and
- the brokerage or its designated agent must **not** disclose personal information

about the parties, unless authorized to do so in writing.

No Agency

A brokerage or its designated agent may also agree with a buyer or seller that they will not act as an agent on their behalf in a transaction. In other words, there will be no agency representation. In such a case, the buyer or the seller will be the “unrepresented party”, not the client of the brokerage or its designated agent. This may occur when a licensee already has an agency relationship with a seller, for example, and a buyer becomes interested in the seller’s property. In this situation, the licensee is not permitted to recommend or suggest a price, negotiate on the unrepresented party’s behalf, inform the unrepresented party of their client’s bottom line price point or disclose any confidential information about their client unless otherwise authorized by the client. However, the licensee can provide an unrepresented party with other services, such as:

- explaining real estate terms, practices and forms;
- assist in screening or viewing properties;
- prepare and present all offers and counter offers at the unrepresented party’s direction;
- inform you of lenders and their policies; and
- identify and estimate costs involved in a transaction.

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How Do You Choose a Licensee?

There are many ways to find a real estate licensee with a reputation for excellence. Word-of-mouth is one good source. Ask friends, neighbours and fellow employees who have recently bought or sold a home to recommend their choice of a licensee. You might meet a licensee you like at an open house who is showing one of the properties for sale in your neighbourhood. Or, you could contact several local real estate brokerages to inquire if they have a licensee who specializes in selling homes similar to yours. The internet is also a good way to locate licensees who specialize in properties and regions that may be of interest to you. Make appointments with licensees to discuss their range of services, background, knowledge, and fees or commission rates. After these interviews, choose the licensee who seems best able to render the services and produce the results you are seeking.

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What Will a Licensee Charge?

In general, licensees work on a commission basis and receive payment only after the successful completion of a sale. As the seller, you will be asked to agree to pay this commission as a fee for the licensee’s services. The commission is usually stated as a percentage of the total sale price or as a fixed dollar amount. Note that GST is applicable to commissions. The commission rate is neither fixed by law nor by any real estate

board; it is negotiable between you and the licensee you engage to help you. The seller's brokerage traditionally shares this commission/fee with the brokerage working for the buyer.

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Service Agreements

Once you have selected a licensee to work with, that licensee will use market research, along with his or her knowledge and expertise, to assist you in setting the best possible listing price for your home. However, you must keep in mind that the price you set must be attractive to potential buyers under the current market conditions.



Before finalizing the asking price (sometimes referred to as the list price), you may wish to ask your selected licensee to prepare an estimate of the net cash proceeds you will receive on completion of the sale, based on the suggested asking price and the financing arrangements currently in place. After an asking price has been established, you will be asked to sign a service agreement. This service agreement is typically referred to as a listing contract.

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Types of Listing Contracts

In British Columbia, the two most common types of listing contracts are:

- the Exclusive Listing
- the Multiple Listing

Each type of listing lasts only for the time period which is specified in the agreement. Be sure to take note of what this time period is. An Exclusive Listing gives the seller's brokerage the sole right to sell the home. This means that even if you sell the home to a prospect of your own during the term of the listing, you must pay the agreed commission to the seller's brokerage unless that prospect was specifically excluded on the listing agreement.

You should also be aware that even after the exclusive listing expires, you may be obligated to pay the seller's brokerage a commission if you sell your home to a person who purchases because of the licensee's actions during the time of the listing.

A Multiple Listing is a form of exclusive listing which differs from the previous example only in that the seller's brokerage agrees to register your home in a Multiple Listing Service (MLS®) so that its availability is made known to all real estate licensees who are

members of the local real estate board.

In this case, the seller's brokerage agrees to share a specified amount of the commission with any other member of the real estate board who is able to find a buyer for your home.

Discuss your objectives with your licensee before deciding which type of Listing Contract will best suit your needs.

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Terms of the Listing Contract

The Listing Contract legally defines your arrangement with the brokerage and, in accordance with the Real Estate Rules, it must contain:

- your name and the name of the brokerage that you have chosen to work with;
- the address of the property you are selling;
- the effective date of the agreement;
- the date the agreement expires;
- a general description of services to be provided by the brokerage;
- the remuneration to be paid under the agreement and the circumstances in which it will be payable;
- a provision respecting the use and disclosure of personal information.



In addition to the Listing Contract, the licensee may ask for additional information to assist in the marketing of your home, including:

- the existing financial arrangements and whether this financing can be assumed by a new owner;
- a list of items attached to the building (normally called fixtures) which are not to be included in the sale; for example, a fireplace insert or a crystal chandelier; and
- the date on which you can give possession of the home to a new owner.

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Before You Sign the Listing Contract, Ensure That:

- all the spaces have been completed to your satisfaction, and
- you have a thorough understanding of all of the terms it contains, especially the list price, the commission rate, and the length of the contract.

The licensee will provide you with a copy of this contract which you should keep for future reference.

Remember: Be aware that the Listing Contract **is a contract**. You cannot simply back out of the contract without the consent of your licensee. If your licensee says that you can cancel the listing agreement at any time, ensure that you get this in writing.

Responsibilities of the Seller

When you employ a licensee, you are responsible for providing him or her with accurate information concerning your home; for example, its age, the current financing arrangements, the condition of the roof and hot water heater, the property taxes, etc. The licensee will also need your assistance and/or authorization to gather information about such things as the ownership details, the outstanding balance owing on the mortgage, the home's assessed value, and the current zoning of the property.

For strata titled properties, licensees will want your assistance to gather and provide information, including minutes of all strata meetings in the last two years, current financial statements, registered bylaws, current rules, building inspection or engineer's reports, Information Certificate (Form B prescribed under the *Strata Property Act*), as well as information pertaining to the nature of how parking stalls and storage lockers are designated, whether a special assessment is being proposed, and any other documentation relevant to the strata property.

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Obligation to Disclose Defects

Sellers must disclose known material latent defects about their property to a buyer. A material latent defect means a defect that cannot be discerned through a reasonable inspection of the property, including a defect that renders the real estate:

- dangerous or potentially dangerous to the occupants;
- unfit for habitation; or
- unfit for the purpose for which the buyer is acquiring it, if the buyer has made this purpose known to the seller.



Material latent defects may also include:

- a defect that would involve great expense to remedy;

- a circumstance that affects the real estate in respect of
- which a local government or other local authority has given a notice to the seller, indicating that the circumstance must or should be remedied; or
- a lack of appropriate municipal building and other permits respecting the real estate.

Common examples of material latent defects could include the fact that the basement leaks when it rains, structural damage to the property, failure of the building's envelope (water ingress), underground storage tanks located on the property, problems with the potability/quantity of drinking water and any un-remediated damage caused by the illegal use of the property, e.g. marijuana grow operation.

New installations or renovations of electrical or gas systems completed without appropriate permits and inspections may also be considered examples of material latent defects. For information on what type of work in a home requires gas and electric permits, please contact the BC Safety Authority at 1-866-566-7233 or visit www.safetyauthority.ca.

Failure to disclose material latent defects could result in future problems, including legal issues if the new owner discovers problems that you were aware of and did not disclose.

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Offers to Purchase

Once an interested buyer has been found, a written offer to purchase your home will be prepared. This offer is usually recorded on a standard form entitled Contract of Purchase and Sale.

Your licensee will explain to you the process of receiving and reviewing offers. Do not be surprised if you are presented with offers which differ dramatically from your listed asking price;

your licensee is under an obligation to bring all written offers to you for your consideration. If several offers are brought to you at once, you are under no obligation to accept any one offer over another.

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What Should the Offer Contain?

All offers to purchase your home will contain a number of important details which you must consider.



The offer should include:

- date of the offer
- full legal names and addresses of both the buyer and the seller
- full legal description of the home
- amount of the deposit
- sale price
- amount of the cash down-payment and details as to how the remainder of the purchase price will be financed
- date for completion of the sale
- date for possession of the home
- a list of the conditions which must be fulfilled before the sale can take place (normally called subject clauses or conditions precedent)
- a list of items which are not attached to the building (normally called chattels) but which are to be included in the sale price; for example, drapes, refrigerator, stove, etc.
- date and time at which the offer expires
- the signature of the buyer and his or her occupation.

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What Are Your Options?

When you receive one or more offers to purchase your home, it is in your own best interest to give considerable time and attention to reviewing each offer carefully. Your licensee will assist you to understand the terms and conditions contained in the offer, and will provide you with any advice you request, but ultimately the decision is yours.

Before you decide, you may wish to have your licensee prepare a revised estimate of the net cash proceeds you will receive on completion of the sale, based on the sale price and financing arrangements stated in the offer.

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You Have Four Options:

Accept an Offer Exactly as it Stands

If you decide that you would like to accept an offer, be sure you know the precise



meaning of each term in the written offer before you sign the document.

Once you, the seller, sign a Contract of Purchase and Sale agreeing to its terms, and your acceptance has been conveyed to the buyer, it becomes a legally binding contract.

Legally binding means both you and the buyer will be bound by the terms of the contract and must perform your respective obligations as stated. Your performance can be enforced in a court of law.

If you are uncertain about any of the clauses contained in the offer, you may wish to consult a lawyer before signing the contract; however, keep the expiry date of the offer in mind if you decide to postpone acceptance!

Make a Counter-Offer

If you change anything at all in the original offer, you are considered to have rejected that offer and to be making a new offer from you to the buyer. This new offer is usually referred to as a "counter-offer."

The risk in making a counter-offer is that if the buyer has changed his or her mind and rejects the counter-offer, you do not have the option to return to the original offer and accept it.

But, the buyer may decide to make another counter-offer back to you and the process of counter-offers could continue until an agreement is reached.

If, after making a written counter-offer, you decide you don't want to sell the home, it may be possible to revoke the counteroffer. Many legal problems can result from the revocation of a counter-offer, so you should seek professional advice about the correct procedure to follow.

Reject the Offer

You are under no obligation to accept any offer or to make a counter-offer. If, however, you reject an offer that exactly meets all the terms you agreed to in the Listing Contract, which you signed with your listing brokerage, you could be legally obligated to pay the commission.

Ignore the Offer

You are under no obligation to acknowledge receipt of any offer. If, however, you ignore an offer that exactly meets all the terms you agreed to in the Listing Contract, which you signed with your listing brokerage, you could be legally obligated to pay the commission.

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More About "Subject" Clauses

The purpose of a subject clause contained in an offer to purchase is to set out a specific condition that must be fulfilled before the sale can go through.

One common subject clause you might encounter is one in which the buyers make the sale conditional upon their finding the exact amount and type of financing which will enable them to purchase your home.

Another common clause is one in which the buyers make the purchase conditional upon a satisfactory home inspection.

Remember that, if you accept an offer which contains a subject clause, you are effectively taking your home off the market for the period in which the buyers are attempting to meet the condition they have set. Therefore, you should ensure that an agreed upon time for the condition to be met is specified in the offer to purchase.

If one of the conditions contained in a subject clause cannot be met after every reasonable effort has been made to do so, the contract ends and there is no legal obligation to complete the purchase or sale.



As a seller, you may wish to accept an offer containing a subject clause (e.g. subject to the buyers selling their own home) yet still leave yourself free to consider other offers, just in case the buyers are unable to remove the condition. You can do this by having the buyer agree to inserting a time clause in the contract. A time clause will permit you to require the buyer to remove all subject conditions within a short, specified time period if you receive another offer that you would like to accept. If the buyer does not remove the conditions within that time, the conditional contract comes to an end and you are free to accept the second offer.

When selling a strata property, a common clause you might encounter is one in which the buyer makes the counter-offer conditional upon his or her review and approval of all pertinent strata documentation, such as registered bylaws, current rules, strata meeting minutes, financial statements, strata plan, Form B, engineer's reports, etc.

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Financing...From the Seller's Perspective

An offer to purchase will contain information about how the buyer intends to finance his or her purchase.

Existing Financing

If you currently have a mortgage loan on your home, you may be faced with one of two situations:

The Buyer Wants to Pay Cash and Has no Mortgage

This situation will require you to pay out your existing mortgage and there may be an interest penalty for doing this. Remember that having to pay an interest penalty effectively reduces the price you will be receiving for your home.

The Buyer Offers to Assume, or Take Over, Your Remaining Mortgage Loan

In this situation, before agreeing to allow the buyer to assume your mortgage loan, you should ensure that your mortgage lender will release you from any future obligation to repay the monies owing (if the buyer defaults).

Contact the financial institution which holds your mortgage to obtain information about your position in each of the above situations. It is a good idea to do this well in advance of signing a Listing Agreement so you will be able to give your licensee accurate information.

Financing by the Seller

If you have no existing mortgage, an offer to pay all cash is ideal and, of course, would be your preference.

But the buyer's offer might state that part of the purchase price is to be paid in cash and part is to be paid in payments over a specified period of time at a specified interest rate. In effect, the buyer would be asking you to become the lender.

If you are considering an offer containing a request for "seller financing" (sometimes referred to as a seller take-back mortgage), you should first seek legal advice in order that you fully understand the implications of this type of financing arrangement.

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Seller Beware

If it is possible, as some suggest, for people to quickly become very wealthy by dealing in real estate, then, unfortunately, people on the opposite side of the same transaction may, just as quickly, lose some of what they have invested. Those who may stand to lose are sellers who agree to be a party to buyers' financing arrangements in which the sellers assume risks.

Essentially, there is nothing wrong with most innovative or creative financing if all parties are fully aware of the potential risks and fully understand the possible consequences of such risks. However, the fact is that many owners (sellers) are not aware of the potential disasters which may occur.

It is strongly recommended that you secure competent advice from a real estate licensee or legal counsel before finalizing any real estate contract. This recommendation is much more urgent when the offer you are considering includes terms which could jeopardize you financially.

Be wary of offers which require any of the following:

- no cash paid as a down-payment
- an amount of cash being returned to the buyer
- your equity participation
- a promissory note without a registered mortgage
- an agreement to withhold registering a mortgage
- the seller (you) to secure a new loan before closing
- terms said to be included, but which are not written in the offer
- concealing information from a lending institution



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Completing the Sale

The Contract of Purchase and Sale, which you signed, will state the completion day for the transaction. On that day, legal ownership will transfer from you to the new owner in exchange for the purchase price of the home.

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Do You Need a Lawyer or Notary Public to Complete the Sale?

While it is the normal practice for the buyer's lawyer or notary to prepare the documents necessary to transfer the legal ownership, it is recommended that you, as the seller, engage legal counsel to act solely on your behalf. Among other things, he or she will protect your interests by:

- checking the documents prepared by the buyer's lawyer and explaining them to you
- ensuring that your old mortgage has been properly discharged, if this is required
- ensuring that you have no further obligation regarding your old mortgage if it is being assumed by the buyer
- confirming that all payments for which you are responsible have been made
- arranging for you to sign the transfer documents
- preparing a statement for you outlining where all the purchase money was disbursed and giving you the net proceeds of the sale.



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What Costs Can You Expect?

- the commission you agreed to pay your brokerage
- the legal fees to discharge any existing mortgage whether or not you engage your own lawyer
- the GST on the real estate commission and on your legal fees
- any prepayment penalty levied by the financial institution for early pay-out of an existing mortgage
- your share of the property taxes for the year if the current year's taxes have not yet been paid, plus any penalties due

- for late payment of unpaid taxes

The day has arrived!! You have signed the documents, packed your boxes, received your money and turned over your keys.

Your home is sold!

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Complaints About a Licensee

If a concern develops for a consumer as a result of real estate services provided by a licensee, the following steps should be considered:

- Discuss the concern with the licensee.
- If the matter is still not resolved, discuss the concern with the managing broker in charge of the brokerage. Most concerns are settled by these two means.
- If the licensee is also a member of a local real estate board, it may be approached. The board may be able to assist to informally resolve the concern. Real estate boards sometimes investigate conduct that may be in violation of their Code of Ethics and Standards of Business Practice. These boards will refer all matters to the Council where it appears that the *Real Estate Services Act*, Regulation or Rules have been contravened. Please visit www.bcrea.bc.ca for names and addresses of local boards.
- If satisfaction is still not forthcoming, the concern should be referred to the Real Estate Council at 604-683-9664, toll-free in British Columbia 1-877-683-9664 or on the internet at www.recbc.ca.

The Real Estate Council can investigate any complaint about the conduct of a real estate licensee in his or her handling of your real estate transaction. The Council is authorized to discipline a licensee found guilty of professional misconduct. It should be noted, however, that the Council does not have the authority to require a licensee to perform under the terms of a contract, nor does the Council have any jurisdiction over buyers who have not performed under the contract. The Council cannot award damages to a complainant from a licensee. Those matters may require legal action.

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