



What you need to know about representation agreements

When you are looking to buy or sell a home with a registered real estate professional, your broker or salesperson will ask you to sign a buyer or listing representation agreement.

A representation agreement is the contract between you and the brokerage that permits them to market your current home or help you buy a new one. These agreements should be in writing to protect the interest of all parties.

Signing a representation agreement confirms in writing that you are a client of the brokerage and documents the terms, rights 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.

So what's in the agreement?

There are three pieces of information that all representation agreements must include:

1. The date the agreement will take effect and expire.
2. The commission or fees that will be payable to the brokerage and how they will be paid (for buyers, the commission is typically paid by the seller, but that is not always the case, so be sure you understand your obligations)
3. The services that will be provided by the brokerage.



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Before you sign

Your broker or salesperson wants to provide you with the best service he or she can. To make the most of this relationship, it's important to be clear about your needs and expectations.

Discuss all of the services that will be provided and understand what won't be. This is the time to clarify fees and costs related to these services and make sure the written agreement is clear. You should also take time to ask what the broker or salesperson expects from you as part of the agreement.

Representation agreements are legally binding

Remember that you are entering into a legally binding agreement with the brokerage, authorizing them to represent your interests in the purchase or sale of a home. You can expect to receive a copy of the signed agreement at the time of signing.

Don't sign if you don't understand it

Take the time to read the agreement thoroughly. Ask questions. Your broker or salesperson can't provide legal advice, but they are familiar with these agreements and should be able to answer your questions and explain what the clauses mean and what effect they will have. If there is something they can't address, they can refer you to someone who can. Feel free to seek legal advice at any time.

A Customer Service Agreement

If you're not comfortable with the terms of the representation agreement, 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 salesperson or broker 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, so will you to the brokerage.

Keep in mind, you and the brokerage have to agree on the type of agreement you choose to enter into. Neither of you are required to enter a specific type of contract, but you will have to agree on the approach if you want to work together. As with any contract, take the time to read and understand each clause of the agreement. If you're unsure about something, ask questions or consider seeking legal advice before signing.

Holdover clause

Listing representation agreements typically include a "holdover clause." Generally, it means that within a specified number of days after the agreement expires (the "holdover period") if you sell to a buyer that was introduced to you during the term of the agreement, you would be responsible for paying commission to the brokerage. The length of the holdover period may vary and will form part of the agreement you enter into. As with other terms, it must be agreed to by both you and the brokerage. If you have questions or concerns about how a holdover clause works, consider seeking legal advice.

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