

In real estate, there are different possible forms of agency relationship:

1. Seller representation

When a real estate brokerage represents a seller, it must do what is best for the seller of a property.

A written contract, called a listing agreement, creates an agency relationship between the seller and the brokerage and establishes seller representation. It also explains services the brokerage will provide, establishes a fee arrangement for the REALTOR®'s services and specifies what obligations a seller may have.

A seller's agent must tell the seller anything known about a buyer. For instance, if a seller's agent knows a buyer is willing to offer more for a property, that information must be shared with the seller.

Confidences a seller shares with a seller's agent must be kept confidential from potential buyers and others.

Although confidential information about the seller cannot be discussed, a buyer working with a seller's agent can expect fair and honest service from the seller's agent and disclosure of pertinent information about the property.

2. Buyer representation

A real estate brokerage representing a buyer must do what is best for the buyer.

A written contract, called a buyer representation agreement, creates an agency relationship between the buyer and the brokerage, and establishes buyer representation. It also explains services the brokerage will provide, establishes a fee arrangement for the REALTOR®'s services and specifies what obligations a buyer may have.

Typically, buyers will be obliged to work exclusively with that brokerage for a period of time. Confidences a buyer shares with the buyer's agent must be kept confidential.

Although confidential information about the buyer cannot be disclosed, a seller working with a buyer's agent can expect to be treated fairly and honestly.

3. Multiple representation

Occasionally a real estate brokerage will represent both the buyer and the seller. The buyer and seller must consent to this arrangement in writing. Under this multiple representation arrangement, the brokerage must do what is best for both the buyer and the seller.

Since the brokerage's loyalty is divided between the buyer and the seller who have conflicting interests, it is absolutely essential that a multiple representation agreement be properly documented. Representation agreements specifically describe the rights and duties of everyone involved and any limitations to those rights and duties.

4. Customer service

A real estate brokerage may provide services to buyers and sellers without creating buyer or seller representation. This is called "customer service".

Under this arrangement, the brokerage can provide many valuable services in a fair and honest manner. This relationship can be set out in a buyer or seller customer service agreement.

Real estate negotiations are often complex and a brokerage may be providing representation and/or customer service to more than one seller or buyer. The brokerage will disclose these relationships to each buyer and seller.

Who's working for you?

It's important that you understand who the REALTOR® is working for. For example, both the seller and the buyer may have their own agent which means they each have a REALTOR® who is representing them.

Or, some buyers may choose to contact the seller's agent directly. Under this arrangement, the REALTOR® is representing the seller and must do what is best for the seller, but may provide many valuable customer services to the buyer.

A REALTOR® working with a buyer may even be a "sub-agent" of the seller. Under sub-agency, both the listing brokerage and the co-operating brokerage must do what is best for the seller even though the sub-agent may provide many valuable customer services to the buyer.

If the brokerage represents both the seller and the buyer, this is multiple representation.

Code of Ethics

REALTORS® believe it is important that the people they work with understand their agency relationship. That's why requirements and obligations for representation and customer service are included in a Code of Ethics which is administered by the Real Estate Council of Ontario.

The code requires REALTORS® to disclose in writing the nature of the services they are providing, and encourages REALTORS® to obtain written acknowledgement of that disclosure. The code also requires REALTORS® to submit written representation and customer service agreements to buyers and sellers.

This brochure is for information only and is not a contract. For the purposes of this information, the term "seller" can be interpreted as "landlord" and "buyer" can mean "tenant".

Acknowledgement by

(Names)

I/we have read and understand the *Working with a REALTOR® – The Agency Relationship* brochure:

Buyers

As buyer(s), I/we understand that:

(Name of Brokerage)

Is: (Initial one)

____ Representing my interests, to be documented in a separate written agency representation agreement, and I understand the brokerage may represent and/or provide customer service to other buyers and sellers.

____ Not representing my interests, to be documented in a separate written customer service agreement, but will act in a fair, ethical and professional manner.

Signature

Date

Sellers

As seller(s), I/we understand that:

(Name of Brokerage)

Is: (Initial one)

____ Representing my interests, to be documented in a separate written agency representation agreement, and I understand the brokerage may represent and/or provide customer service to other sellers and buyers.

____ Not representing my interests, to be documented in a separate written customer service agreement, but will act in a fair, ethical and professional manner.

Signature

Date

REALTORS® are governed by the legal concept of “agency”. An agent is legally obligated to look after the best interests of the person he or she represents. The agent must be loyal to that person.

A real estate brokerage may be your agent – if you have clearly established an agency relationship with that REALTOR® with a representation agreement. But often, you may assume such an obligation exists when it does not.

REALTORS® believe it is important that the people they work with understand when an agency relationship exists and when it does not – and understand what it means.

When working with a REALTOR®, it is important to understand who the REALTOR® works for. To whom is the REALTOR® legally obligated?

Honesty and Integrity

Most real estate professionals in our province are members of the Ontario Real Estate Association (OREA) and only members of OREA can call themselves REALTORS®.

When you work with a REALTOR®, you can expect strict adherence to provincial laws, which include a Code of Ethics. That code assures you will receive the highest level of service, honesty and integrity.

Highest Professional Standards

Before receiving a real estate registration, candidates must successfully complete an extensive course of study developed by OREA on behalf of the Real Estate Council of Ontario. That is only the beginning: in the first two years of practice, registrants are required to successfully complete three additional courses as part of their articling with an experienced broker. In addition, all registrants must continue to attend courses throughout their careers in order to maintain their registration.

Want More Information?

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- Visit www.orea.com
- Check out homes for sale at www.realtor.ca

Other pamphlets available:

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- Home Ownership Incentives
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Working with a REALTOR®

The Agency Relationship



OREA Ontario Real Estate Association