

A guide to the real estate relationships you can form with a designated agency brokerage

Alberta has introduced an alternate model for the agency relationship between sellers or buyers and real estate industry members. Brokerages that have chosen to adopt this model are referred to as Designated Agency Brokerages. In traditional brokerages, when consumers work with a brokerage representative and form an agency relationship, that relationship extends to all members of the brokerage. If you sign a brokerage agreement with a designated agency brokerage, your REALTOR® will be your designated agent. If the REALTOR® is a member of a team, the team will be your designated agent. You will have a contractual relationship with the brokerage but it will not be an agency relationship.

Preamble

Buying or selling a property can be one of the most significant financial decisions you make in your lifetime and your REALTOR® will play a key role in assisting you. That's why it's important to consider how you will work with your REALTOR® to ensure you get the most value from your relationship. Please read this guide thoroughly. Ask questions of your REALTOR® until you're satisfied you fully understand your responsibilities, those of your REALTOR® and the different types of relationships you can form.

What Is Agency?

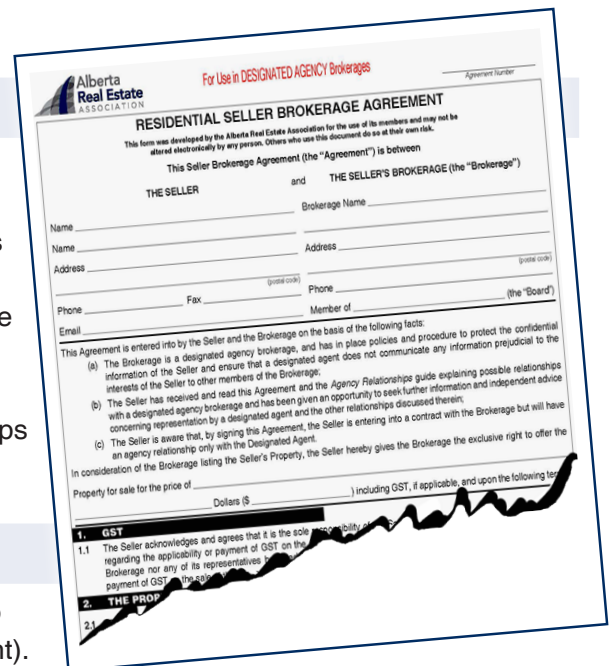
Agency is a relationship established when two parties agree to have one party (the Agent) act on behalf of the other (the Client). When you first contact a REALTOR®, you are not in an agency relationship with the REALTOR®. You should be careful to make a conscious decision whether or not you wish to have the REALTOR® act on your behalf before you take any action that would imply that he or she works for you.

Responsibilities of the Agent

The complex and important nature of a real estate transaction requires the Agent to exercise discretion and judgment when carrying out duties on your behalf. Agents are obligated to protect and promote the interests of their clients as they would their own. Specifically, your Agent owes you the following duties:

- **Undivided Loyalty**

The Agent must act solely in your best interests, must always put your interests above their own interests and above the interests of other parties.



- **Confidentiality**

The Agent must keep your confidences. Confidential information includes any information concerning you, the property or the transaction that is not required by law to be disclosed, but which, if disclosed, could be used by another party to your disadvantage. The duty of confidentiality continues after your agency relationship ends.

- **Full disclosure**

The Agent must inform you of all facts known to the Agent that might affect your relationship or influence your decision in a real estate transaction. This includes any conflicts of interest the Agent might have in the course of providing services to you.



(An exception to full disclosure to you is confidential information your Agent received in a previous agency relationship. The confidential information of a previous client will not be disclosed to you unless the previous client agrees to this in writing.)

- **Obedience**

The Agent must obey all of your lawful instructions as long as instructions are reasonable and ordinary under the circumstances.

- **Reasonable care and skill**

The Agent must exercise reasonable care and skill in performing all assigned duties.

- **Full accounting**

The Agent must account for all money and property placed in the Agent's hands while acting for you.

Your Responsibilities as the Client

In an agency relationship you have duties towards your Agent, which include the following:

- compensating the Agent and the Agent's brokerage for the expenses incurred as a result of carrying out their responsibilities on your behalf
- paying any agreed-upon remuneration (fee) outlined in a signed service agreement
- disclosing to your Agent matters that could affect a transaction, including material facts that must be passed on to the other party in the real estate transaction.

It's also your responsibility to read all documents carefully and ensure you understand what you are signing. If you feel you need assistance or advice, you always have the option to consult a professional such as a lawyer, accountant or inspector.

Types of Agency Relationships

Sole Agency

Sole Agency occurs when one designated agent (an individual REALTOR® or a team of REALTORS®) represents the seller and another designated agent or another brokerage represents the buyer. Each Agent owes their client full agency duties as described above.

A potential conflict of interest occurs when one designated agent represents both the buyer and the seller in a single transaction. By representing both you and the other party in the transaction, the Agent's ability

to fulfill agency duties to you (and the other client) are limited, particularly the duties of undivided loyalty, confidentiality and full disclosure.

Under these circumstances, a different relationship called transaction brokerage can be formed.

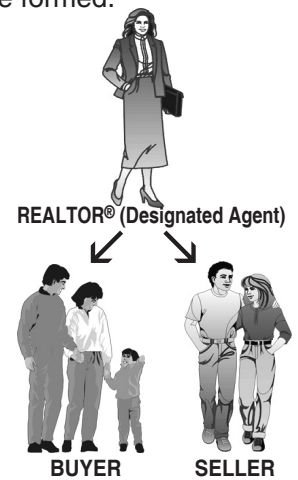
Transaction Brokerage

Transaction brokerage is only permitted with the fully informed and voluntary consent of both the buyer and the seller. The brokerage will obtain this consent through the use of a Transaction Brokerage Agreement, which must be signed by the buyer before an offer is made, and by the seller before the offer is presented. The agreement allows the designated agent to act as a transaction facilitator to help you and the other party reach a mutually acceptable agreement.

The transaction facilitator will treat the interests of both the buyer and the seller in an even-handed, objective and impartial manner, and will ensure that any advice or information given to one party will be disclosed to the other.

However, the transaction facilitator **cannot** disclose any information received in confidence and in particular, **cannot** disclose:

- that the buyer may be prepared to offer a higher price or agree to terms other than those contained in the offer to purchase;
- that the seller may be prepared to accept a lower price or agree to terms other than those contained in the Seller Brokerage Agreement;
- the motivation of the buyer or the seller wishing to purchase or sell the property; and
- personal information relating to the buyer or the seller.



Customer Status (non-agency)

If you do not want to be in an agency relationship but want to work with a REALTOR®, you will be asked to choose customer status. When you have customer status, the REALTOR® is not your Agent and does not owe agency duties to you. Duties are limited to honesty, reasonable care and skill and not negligently or knowingly providing you with false or misleading information. The REALTOR® will provide you with forms to help you complete a transaction, perform services needed to help you complete a transaction, but will not provide you with advice or advocate on your behalf.

For example, if the REALTOR® is representing a seller with whom he or she has a long-standing relationship (e.g. a developer, a relative), the REALTOR® may offer you the choice of customer status. If customer status is recommended for a certain transaction but you would prefer to have an agency relationship, you should ask to be assigned to another designated agent in the brokerage or seek representation from another brokerage.

Making an Informed Choice

Your REALTOR® is responsible for explaining your relationship options. Be sure you understand the duties owed to you and the limitations that exist or might exist with each type of relationship. Don't hesitate to ask your REALTOR® questions and ensure you're satisfied with the answers before making your decision.

Please note:

*Under new federal legislation, the **Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)**, real estate agents are required to collect personal information in order to identify individuals conducting large financial transactions, such as buying or selling property. For more information, visit the **Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)** website www.fintrac.gc.ca.*

Acknowledgment

By signing this acknowledgment, you confirm that you have received the *Agency Relationships* guide explaining the various relationships you may choose to have with your REALTOR® .

ROYAL LEPAGE SOLUTIONS

Name of Brokerage

Name of REALTOR®

Your name (print)

Your signature

Date

Note: This is not a service agreement and does not impose contractual obligations on you.