



Applied Practice Course Component Four

Learner's Activity Book
Residential Trading Services

JANUARY 2023

BCFSA

CLASSIFIED: PUBLIC

Contents

OVERVIEW	1
SCENARIOS	2
One: Land Owner Transparency Act	2
Two: Conflict of Interest	4
Three: Vulnerable Sector	6
Four: Human Rights	10
Five: Privacy	12
Six: Dual Agency	14
Seven: Licensee Obligation to Report Misconduct	16
Eight: Checklist Real Estate	20
Nine: Exemptions	24
Ten: Stigma	26
Eleven: Suspicious Transaction Report - AML	30
Twelve: Ethics	32
Thirteen: Tenanted Property	34

OVERVIEW

Disclaimer

The materials in this course and the class discussions are for educational purposes and are general in nature. The content and the discussions do not constitute legal or other professional advice. Licensees are responsible for exercising their own professional judgement in applying information to particular situations. Be mindful of confidentiality requirements and keep any discussions generic. Contact British Columbia Financial Services Authority (BCFSA) Practice Standards Advisors for further guidance.

Acknowledgments

British Columbia Financial Services Authority would like to thank the following who contributed their time and expertise. Your assistance in the creation of this course has been invaluable.

- Education Advisory Group
- Course Instructors
- UBC Sauder School of Business, Real Estate Division

©2023, British Columbia Financial Services Authority. All rights reserved. No part of this course (whether text, audio, or visual recording), which is covered by the publisher's copyright may be reproduced or copied in any form, by any means, without permission in writing from the Vice President of Education and Licensing, British Columbia Financial Services Authority.



Scenario One: Land Owner Transparency Act

Rajesh Rampal is a licensee with Buyer Paradise Realty in the city of Lakeview B.C. Lakeview is a popular spot for new families to relocate to because of its booming IT sector, young population, proximity to great ski hills, and fantastic school system. All these things mean home prices are rising quickly as demand for homes outpaces the number of properties on the market.

Rajesh specializes in representing first time home buyers and loves the excitement expressed by his clients when they find their first home. He advertises on social media, in the local newspapers, and even has a television commercial, all targeting first time buyers.



Jennie and Andrew DeWard are home buyers who are moving to Lakeview from the town of Cityscape B.C. They see Rajesh's commercial on TV and decide to engage his services to help them find the perfect home. Upon their first meeting Rajesh follows all the Real Estate Services Rules and provides Jennie and Andrew with a Disclosure of Representation in Trading Services indicating that they will be entering into an agency relationship. Rajesh reviews the disclosure form in detail with Jennie and Andrew, ensuring they completely understand the obligations owed to them by Rajesh.

After the paperwork is complete, Jennie and Andrew explain to Rajesh that they are excited as they have never owned a home before and that as first-time home buyers, they will need a lot of advice, including information on Property Transfer Tax exemptions, what home inspectors to use etc.

Rajesh assures Jennie and Andrew that he will walk them through the process step by step to ensure they have all the information they need to make an informed decision.

After Rajesh returns to his brokerage to begin his search for the perfect home, he decides to do his due diligence in confirming the information provided by his buyers. Using the FINTRAC form containing his client's information, Rajesh searches LOTR and discovers that someone with the same name as Andrew, through a numbered company, is part owner of a number of residential properties in Cityscape and even owns two properties in Lakeview. Upon a corporate search of the numbered company, Rajesh believes that Andrew owns the company with relatives as the other directors listed all share his last name of DeWard.

Discussion points:

Discuss the steps that Rajesh should take including:

- Asking his clients about what he discovered;
- Speaking with his managing broker about how to proceed; and
- Determining with his managing broker whether a suspicious transaction report should be sent to FINTRAC after the transaction complete.
- Discuss what would happen if, when asked, Andrew indicates that the business is a real estate investment firm owned by his family but he has never personally been involved in any of the transactions, and therefore believed he was still a first-time home buyer.
 - Would this information change your answers to the first question at all? Why or why not?



Scenario Two: Conflict of Interest

Dennis Deenay is a licensee with Familial Real Estate in Dolphin Cove B.C. In his spare time, Dennis loves to study history and is in the process of building out his family tree. He recently submitted a cheek swab to AncestorDNA in the hopes of finding other family members to add to the tree through their services.

Back at work Dennis entered into an agency relationship with buyer Michael Obama who is looking to purchase a strata lot in the bustling downtown core.

After showing Michael four properties, they finally view a stunning two-bedroom unit overlooking the bay and just steps from all the amenities Michael could want such as dining, bars, shopping, and an athletic center. The seller of the strata lot is Christina Brown. Christina is represented by Lester Leung, a licensee with Condos-R-Us Realty.



Michael tells Dennis he is really interested in the property as he has a cousin who already lives in the building and raves about how great it is. Michael wants to write an offer and makes an appointment with Dennis for 9:00 that evening to get started.

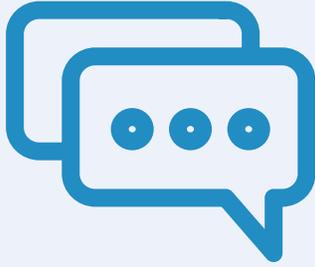
Before his meeting with Michael, Dennis goes home and checks his email. He sees that his DNA results are in and starts checking out the AncestorDNA website. To his surprise, he finds out he has a sibling he did not know about right in Dolphin Cove! He clicks on her profile and sees her name is Christina Brown.

Dennis was shocked. Christina was the seller of the property his client was going to purchase. He thought to himself "This could potentially be a conflict of interest. While I don't know Christina, and she may not have yet discovered that I am her brother, I need to be careful".

Dennis immediately contacted his managing broker to discuss what steps he should take.

Discussion Points:

- What steps should Dennis take to address this conflict of interest?
 - Discuss the need to avoid conflicts and notify the client of conflicts immediately if they cannot be avoided.
 - Discuss whether Dennis can continue on representing Michael, or if he would need to recuse himself.
 - Discuss whether Dennis has an obligation to notify Christina of their relationship.



Scenario Three: Vulnerable Sector

Prudence Alexander is an 89-year-old woman who had decided that it was finally time to sell the family home. Knowing her children Hunter and Radley might be upset or try to interfere in the sale, Prudence kept her plans to herself.

Prudence contacted real estate representative Devon Darling of Informed Decision Real Estate Ltd. to come present a comparative market analysis of her home that night at 8:00p.m.

Devon did his due diligence and ensured that Prudence was the only registered owner on title. He checked to see if there were any liens against the property or any other encumbrances that might impact Prudence's ability to sell the property. There were none. He then completed a thorough CMA and arrived at an estimated property value of \$500,000 - \$525,000 for her detached home in the suburb of Goldenyears B.C.

At 7:55p.m. Devon arrived and knocked at the door. Prudence answered and Devon introduced himself. Prudence recognized the name but could not recall from where. She asked Devon how they knew each other. Devon reminded her that they had spoken earlier in the day and that Prudence had asked him to complete a CMA and potentially list her home. Remembering the conversation now, Prudence invited Devon in.



Thinking nothing further of the brief memory lapse, Devon asked Prudence for a tour of the home. After viewing the living room, kitchen and backyard, Prudence led Devon upstairs to one of the guest bedrooms. "And you remember your old Bedroom Radley, don't you?" Prudence asked. Caught off guard, Devon reminded Prudence of his name and asked who Radley was. Prudence shrugged off the momentary memory lapse and told Devon that Radley was her daughter who she does not get on with as her children feel she is not capable of taking care of herself. Prudence advised Devon that she was an adult and could make her own decisions.

A little concerned, the two went to the living room where Devon began by reviewing the required Disclosure of Representation in Trading Services form which Prudence signed. He then commenced his presentation showing Prudence how he arrived at the estimated list price for her home. After the presentation Devon asked Prudence if she would like to enter into a listing agreement.

Prudence agreed and Devon began reviewing the service agreement with her. As he was speaking, he noticed that Prudence often seemed confused by what he was saying but when he would ask her if she had any questions, she would simply shake her head "no", and so he would continue on.

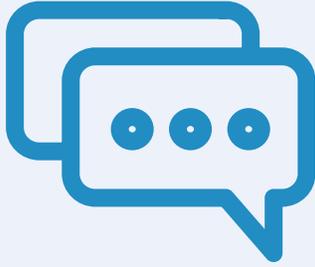
Finally, after reviewing the entire contract, Devon asked Prudence if she understood the documents. Prudence did not answer right away. She seemed confused. "What is this for again?" she asked. "It's a listing agreement Ms. Alexander." Devon replied. "You know, so we can sell your home" he added.

Prudence then said she would sign but something did not feel right to Devon.

Discussion points:

- Devon could tell that something was not right with the way Ms. Alexander was acting. Should he allow her to sign the listing agreement?
 - Discuss the concept of mental capacity and the requirement for clients to make an informed decision.
- What questions could Devon have asked Prudence when he began suspecting she may have memory issues? Who could he have attempted to call?
 - Discuss how a power of attorney may impact a client's ability to enter into a service agreement.
 - Discuss how Devon should have contacted his managing broker to explain what was happening.
 - Discuss that Devon could have attempted to contact Prudence's children to determine if there was a POA in effect.
 - Discuss what an enduring POA is.
 - Discuss that sometimes a licensee should simply not take a listing if there are indications that the client is a member of a vulnerable sector and are unable to make an informed decision because it is clear they are not able to understand what you are explaining to them.
- Other than memory issues, or dealing with the elderly, who else might be considered vulnerable or when might you find clients who are not able to provide informed consent?
 - Discuss dealing with language barriers between the licensee and client.
 - Discuss situations where someone might be under duress or feel so pressured to sell that they really are not providing consent.





Scenario Four: Human Rights

Jerome Jaimeson is a licensee with Equality Home Sales Realty. Jerome has a buyer client, Miranda Matheson who is visually impaired and uses a service guide dog that is certified as a guide dog through the *B.C Guide and Service Dog Act*. Miranda wants to buy a strata unit in a building that is less than ten years old, is turn-key move in ready, and is located on the main floor with a small yard for her dog Dug.

Along with her guide dog, Miranda brings her best friend Melody to all property viewings. Melody helps Miranda understand the home's layout and makes suggestions as to whether she believes the property will be suitable for her.

After five showings, Miranda and Melody believe they have found the perfect condo for Miranda. The building is only two years old, it is a ground floor unit, and is pet friendly (even though that would not impact the ability of a service dog to reside in the home). There is even a great fenced-in yard off the living room that Dug can use.



Happy he found Miranda the perfect home, he, Miranda and Melody went to a local café to look at drafting an offer. Jerome read the entire document to Miranda, and with Melody's assistance, Miranda signed the offer which they left open for acceptance until 11:00p.m. The offer contained a subject asking the sellers to install safety bars in the bathroom shower and tub, and toilet area at their expense.

When Soren Seller received Miranda's offer from his licensee Blair Benson, he noticed the subject pertaining to the safety bars. Soren was not willing to pay any money to upgrade the suite. Additionally, he had some unfounded concerns that someone with limited vision might be a risky buyer to deal with because they may claim that they did not notice any number of "issues" with the property and try and get more money out of him.

Blair explained that Miranda was having a home inspection to locate any deficiencies and also is represented by Jerome who is looking out for her interests. If the defects discovered after closing were patent defects, there would be no need to Soren to disclose them.

Soren was not convinced. He did not want to deal with a buyer who was blind.

Blair advised Soren that discriminating against another individual based on protected grounds, such as a physical disability was illegal and that Soren might need to get legal advice before he refuses to deal with Miranda. Soren advised Blair that he did not care and did not wish to speak with a lawyer. Blair then recused himself from the transaction and contacted Jerome advising him he was no longer listing the property and that Jerome and Miranda could contact the seller directly if they wished. He did not provide any information as to why he recused himself.

Discussion Points:

- Did Blair have to recuse himself from working with Soren?
- Could Blair have advised Jerome that Soren was refusing to respond to Miranda's offer because she was blind?
- What rights would Miranda have if she discovered that Soren was discriminating against her based on a protected characteristic?



Scenario Five:

Privacy

Pamela I. and Selena K. were licensees in the small suburban town of New Gotham. They were both licensed to Ivy Cat Realty. Pamela and Selena had known each other for years, lived together as roommates, and even moonlighted together on several projects involving a wealthy business tycoon, Bruce W., in the nearby city of Gotham. Ivy Cat Realty operated under the designated agency brokerage model. There was a total of 74 licensees licensed to the brokerage.

With the recent downturn in the market, brought on by a high crime rate in the nearby city of Gotham, it was a welcome relief when newly retired buyer Alfred P. walked into the brokerage. Alfred had seen one of Selena K's advertisements which indicated that she specialized in the luxury condo market, and when it came to negotiating, she was "as sharp as a set of cat claws". Alfred was looking to downsize. He recently moved out his employer's luxury estate and wanted somewhere to live that was easy to maintain on his own. He also wanted to live in a building with high end amenities such as a pool, gym, and concierge.

During their meeting Selena presented Alfred with the required disclosure forms and a service agreement. Alfred advised Selena that he had 1.2 million dollars to spend thanks to a great retirement package paid for by his former employer Bruce W, a name Selena immediately recognized. Alfred continued by informing Selena that he would be making a cash purchase.



After viewing a few properties, a new listing came to market. It was a listing taken by Pamela I. for a seller she was representing, Oswald C. Oswald lived in Antarctic Towers, a high-end building with all the amenities Alfred was looking for.

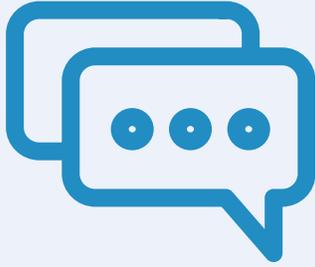
After viewing the home, Alfred was in love with the unit. Selena advised Alfred that they could draft an offer right away. The list price of the property was 1.1 million dollars, but Alfred wanted to try and secure the property for a lower amount. She suggested that based on the comparable sales in the building, Alfred should put in an offer of \$900,000 and she would see if she could get it accepted. Alfred agreed and the offer was drafted. It was open for acceptance until the following morning at 9:00a.m.

That night Selena and Pamela headed into the city for a meeting with a colleague, Jack N. During the commute Selena asked Pamela if she thought Oswald would accept the offer. Pamela advised her that the offer was too low because Oswald was recently out of work and needed to get as much as he could for the property but that if nothing better came along, he might consider it. Not really thinking Selena indicated that she felt she could get Alfred to increase his offer since he just received a large retirement package so if Oswald countered quickly, they could get the deal done.

Based on the new information about the buyer, Pamela and Oswald drafted a counter-offer. The next morning Pamela sent Selena a counter-offer for \$950,000. Selena advised Alfred that if he really loved the place the counter-offer was reasonable and she would recommend he accepts it, which he did.

Discussion points:

- Discuss the FINTRAC obligation to know your client (KYC).
- Discuss the differences in brokerage agency and designated agency.
- Discuss privacy and confidential information.
 - Ask what information Selena and Pamela shared that they shouldn't have.
- Discuss what obligation Selena had, if any, to disclose to Alfred that she lived with Pamela.
 - Explain the requirement to disclose all known material information to the client.



Scenario Six:

Dual Agency

Jermaine and Catherine Williams live on a 2-acre property in the small hamlet of White Pines B.C. White Pines has 900 permanent residents, but in the winter the population increases to about 5,000 thanks to the local ski resort and mountain. Because the winters are getting busier and busier with tourists and seasonal residents, Jermaine and Catherine decide that they want to move to a smaller town on northern Vancouver Island. With enough money to carry two mortgages, Jermaine and Catherine purchase their new home before listing their current property for sale.

In selecting a licensee to represent them, Jermaine and Catherine only had one option, as there was only one brokerage and licensee within 100 km of town. That brokerage was Hot Property Realty which was owned and operated by Belinda Bernstein. After meeting Belinda, Jermaine and Catherine hire her to represent them as their designated agent.

Belinda has been selling homes in White Pines for over 20 years. She has an extensive network of clients and licensees around the province and is sure she can help Jermaine and Catherine find a buyer for their home. As soon as all the necessary disclosure of representation and service agreement forms were signed, Belinda got to work.



Within three days of executing the service agreement, Belinda received a call from James, a real estate licensee in Vancouver. James had a client looking to purchase a home on an acreage in White Pines but James was unfamiliar with the market there. He proposed referring his client Jennifer to Belinda so she could help her find the perfect home. In fact, James advised Belinda that they had seen her new listing (the Williams' home) and she was very interested in it. Belinda thought this was perfect and agreed to show Jennifer around and help her find the perfect acreage.

In their first face to face meeting, Belinda provided Jennifer a Disclosure of Representation in Trading Services form and a service agreement in the form of an exclusive buyer agency contract. She explained to Belinda that since she was a now a client she could show her all the properties that matched Jennifer's search criteria but if Jennifer was interested in her listing, they would need to enter into dual agency with the seller's permission. Jennifer was happy with the arrangement.

After looking at just one other property, Jennifer asked to see Belinda's listing, since she had already seen the pictures online while in Vancouver. After looking around the property she knew right away that it was a perfect fit.

Since Jennifer was already a client, Belinda went to her sellers, Jermaine and Catherine and asked them whether they would approve of her acting in a dual agency capacity. She provided all parties with the Disclosure of Risks Associated with Dual Agency Form and read through it with them. Everyone was in agreement and signed the documents. Belinda then had all parties enter into a dual agency agreement.

Discussion points:

- Discuss that since Belinda knew that Jennifer was interested in her property **before** Jennifer became a client, she had a duty to avoid that conflict of interest at the outset.
- Belinda could have explained to Jennifer that while she could represent her in the purchase of another property, if Jennifer wanted to view Belinda's listing, she would not be able to represent her.
- Discuss the potential option of using the Agreement Regarding Conflict of Interest Between Clients form to comply with Real Estate Services Rules.
- Discuss what would have happened if James had never advised Belinda that Jennifer was interested in her listing.



Scenario Seven: Licensee Obligation to Report Misconduct

Darren Dogood was a licensee with Regulation Realty Inc. Darren's new listing was a 3 bedroom, 1,700 square foot detached home in a desirable neighbourhood in downtown New Haven, B.C. and was listed at 1.2 million dollars. Regulation Realty Inc. operated under the designated agency brokerage model. This meant that each licensee acted as a designated agent for their respective clients. Each licensee was assigned a private file cabinet with locks to secure their client files and brokerage policies were in place reminding all licensees at the brokerage to ensure they keep their client's personal information confidential and to mitigate any risks that other licensees at the brokerage gain access to the information.



Two days after taking the listing, Darren received a call from Randy Rebel. Randy was also a licensee with Regulation Realty Inc. Randy indicated that he had a buyer who was potentially interested in Darren's listing and wanted to know if there were any other offers being considered, or if the property had an accepted offer on it. Darren informed Randy that another buyer was faxing in an offer to the brokerage that evening at 7:00p.m. so if the offer arrived, Randy's client would be competing. Randy indicated that his client would submit a competing offer.

After meeting with other clients, Darren made his way to the brokerage to retrieve the offer that was faxed into his fax machine in his private office. He arrived at the brokerage at 8:15p.m. and found the offer sitting on the fax machine. The offer was for 1 million dollars, well below what Darren's client would accept. Darren called the licensee representing the buyer to inform that they might be in competition and wanted to know if the buyer was interested in revising their offer. They were not and were happy with it as written.

Darren contacted Randy who said he would email an offer from his client right away, which he did. Randy's client made an offer of 1,000,500. This seemed odd to Darren as it was so close to the first offer.

As Darren was about to contact his seller client, he ran into Edna Ethic. Edna was also a licensee at the brokerage and a friend to both Darren and Randy. Edna informed Darren that she was at the brokerage when she noticed Randy enter into Darren's office and look at some papers on the fax machine. When she asked Randy what she was doing, Randy responded that Darren had asked to grab something from his office for him. Edna thought nothing of it but upon further consideration, thought she should just let Darren know.

Darren told Edna that he had not asked Randy to grab anything and that the papers on the fax machine were an offer on a listing that Randy's client was also bidding on. This would explain why the two offers were so similar.

Darren asked Edna to go with him the next day to report the issue to the managing broker but Edna, being friends with both Darren and Randy, Edna didn't know what to do.

Discussion points:

- Discuss the obligation under the Real Estate Services Rules to report misconduct to your managing broker.
- Discuss that while the Real Estate Services Rules speak only to misconduct of other licensees at the same brokerage, there is an ethical obligation to report any licensee's misconduct to the managing broker.
- Discuss the managing broker obligations under the Real Estate Services Rules to "take reasonable steps to deal with the matter".
- Can Darren still present Randy's client's offer to his seller?
 - What information does Darren need to provide to his seller?





Scenario Eight: Checklist Real Estate

Arnold is a licensee with Best Realty Real Estate Brokerage in Downtown B.C. Arnold recently completed his applied practice course and is ready to work with his first buyer. Because Arnold is new, he asked his managing broker to help him create a checklist of everything he would need to do with his buyer including:

- What disclosures needed to be made, and when;
- What steps he had to take if he encountered a conflict of interest;
- What to do with a deposit that must be held by his brokerage in trust; and
- A general list of subject conditions to include on an offer to best protect his buyer.

Like most new real estate licensees, Arnold really wanted to make sure his first client had a great experience working with him, so he planned to follow the list line by line.

After viewing six different homes with Arnold, buyers Ben and Betty Bok, viewed one property on Wednesday night that was just perfect. The home had:

- Three bedrooms;
- Three and half bathrooms;
- 2,500 square feet of finished living space; and
- A large backyard with a beautiful tree lined stream running through it which the Boks wanted to install a gazebo next to that they could use for bonfires and relaxing.



They advised Arnold on Thursday morning that they were ready to write an offer. They made an appointment to meet up with Arnold at a local café to draft the contract of purchase and sale.

Arnold knew from his checklist that he needed to verify that the sellers on the contract of purchase and sale matched the names of the registered property owners on title. He showed a copy of the title to the Boks verifying that this was the case.

Arnold suggested that they:

- Offer the full asking price for the property as based on his estimation, the property is valued appropriately;
- That they include a home inspection and financing subject;
- That they request in the offer that the transaction complete on August 31, and take possession on September 1. The sellers requested these dates as they aligned with the purchase of their new home and Arnold believed that accepting these dates would make the Boks offer stronger in the eyes of the seller; and
- That a 5% deposit be included to be paid to his brokerage in trust upon subject removal by way of a bank draft.

In addition to those suggestions, Arnold and the Boks completed the rest of the offer including a statement that the buyers had reviewed the title and were satisfied with it. Arnold also reviews and discusses the *Disclosure of Buyer's Rescission Right* with his clients and ensures the related sections of the contract are completed.

After presenting the offer, Arnold received a call from the listing agent and was advised that the Bok's offer had been accepted with no counter-offer. Arnold was thrilled and called the Boks immediately to give them the good news. He met with the Boks and picked up their deposit which was promptly delivered to his brokerage to hold in trust.

Over the next week the Boks worked to remove all subjects from the offer. By subject removal date they had a home inspection which found no issues with the property, and they got their final approval for the financing of the property.

Three weeks later the Boks met up with their lawyer to go over the paperwork. The lawyer reviewed a bunch of documents and then went through the offer with them. The lawyer immediately noted that the completion date was on a Saturday and that it was not possible for him or the financial institution to complete the transaction on a weekend. The Boks advised the lawyer that Arnold suggested these dates as they were the dates that the seller wanted. The lawyer informed them that they would either need to request that the closing be moved to the Friday before, or the Monday after but that attempting to amend an accepted offer came with some risks, including that a seller may claim that this change was a reopening of the offer and they could decide not to move ahead with the transaction.

The Boks were extremely upset and immediately called Arnold. Arnold was shocked. He never thought to look at a calendar to ensure that the completion date was on a weekday. It was not something that was outline on his checklist. Arnold immediately contacted his broker. He asked his broker why ensuring completion dates fell on a weekday was not included in the checklist they created. The managing broker was surprised "Arnold, a checklist is just a list of items to be mindful of when completing a transaction. You still have to apply common sense to the scenario at hand".

Arnold was really upset. He contacted the seller's licensee and advised them of the issue. Luckily for Arnold, the listing agent also failed to realize that the completion date was on a weekend and felt confident that the sellers would allow the Boks to move the dates up to the Friday before. Arnold and his managing broker drafted an amendment to the offer which the sellers signed. With the new amendment, the transaction completed on August 30, and the Boks took possession on August 31.

One month after moving into their new home the Boks went to the municipality to get permits to build their large gazebo on the river. When they received a rejection from the municipality, they were surprised. They called the municipality and were advised that there were riparian rights for the river. The municipality told the Boks that the title for the property should have indicated that there was a restrictive covenant prohibiting construction on or within 20 feet of the stream.

Distraught, the Boks contacted Arnold. How could he not tell them about the restrictions? Arnold was confused. His checklist told him to ensure that the title was in the name of the sellers but did not say he had to read everything else. Arnold once again contacted his managing broker. His managing broker was now frustrated. "Arnold, you learned in your pre licensing course that you must review title for easements, rights of way, encroachments, liens etc. How could you not review the title? Like I said last time, this checklist was meant as a guide of things to remember, not an exhaustive list. Every real estate transaction is different, and you have to apply what you know to each transaction to protect your clients. If you were unsure what to do, you should have come to me. We are going to have to resolve this issue or will end up in court!".

Discussion Questions:

- Discuss some of the issues with relying solely on "checklist real estate".
- How was the property evaluated? Should a CMA have been done?





Scenario Nine: Exemptions

Salima Singh is licensed as a strata property manager. She has been licensed with Savvy Strata Property Management Services for the past eight years and manages seven strata corporations. Salima used to be licensed in trading services as well but gave up that license four years ago to focus full time on strata management.

Salima owns a strata lot in a building that she does not manage and has decided that she would like to upgrade from a one-bedroom unit to a larger two-bedroom unit so that she can create a home office to work from. Because she used to sell properties, Salima decides that she is going to represent herself in the sale of her property. The market in downtown Oceana's West End is booming and Salima is sure she will not need to do a lot of marketing to get her unit sold.

Salima created some newspaper marketing indicating that her home was a "For Sale by Owner" property, but that she would offer a cooperating commission to any buyer who was being represented by a licensee. In her advertisements she mentioned that she would be holding an open house that Saturday from 2-4.



By 2:00 on Saturday there were already five people waiting outside Salima's lobby door. With her home cleaned and staged and looking great, she let the potential buyers up to view the unit. Four of the five consumers had a licensee with them while one did not.

As more potential buyers were coming and going, the unrepresented consumer, Sam, approached Salima and advised that he was interested in the property. Because he was unrepresented, he told Salima that he did not know how to write up a real estate contract. Salima assured him that because she used to be licensed in trading services, she could draft the contract on his behalf, advise him what conditions should be included in the contract, such as financing, but would charge him for that service since it was work she did not anticipate having to do. Sam told Salima he would go home, think about it, and call her in a few hours if he wanted to proceed.

Right after Sam left, Lilly, another potential buyer approached Salima with her licensee, Bentley. Bentley was licensed to Better Buyer Realty in the neighbouring town of Mountain Peak. His client, Lilly, wanted to relocate to Oceana to be closer to the beach. Bentley asked Salima if she was working with any licensee, to which Salima replied that she was not. Bentley advised Salima that his client, Lilly, was interested in the property and would be submitting an offer by 2:00 pm that day.

Sure enough, just before 2:00, Salima received an offer from Lilly. The offer was full asking price and had no conditions (was subject free). Salima quickly contacted Sam to see if he was still interested in the property, but he advised he had seen another property he was more interested in. With that information, Salima immediately accepted Lilly's offer and emailed it back to Bentley. In the email Salima, thanked Lilly for her offer and advised her that as a licensed strata property manager, she could confirm that the building was well run and that Lilly would have many happy years there.

Discussion Questions:

- Discuss what errors Salima made throughout the course of events in the scenario.
 - Should she have offered to provide real estate services to Sam? Why or why not?
 - What should she have advised Lilly or Bentley, with respect to her being a licensee, prior to the offer being accepted.



Scenario Ten: Stigma

Vince Value was a buyer living in the big city of Windy Rivers, B.C. Recently engaged, Vince was looking to purchase a detached or semi-detached home with two bedrooms and at least two and half bathrooms for no more than 1.25 million dollars. To help him find the perfect property, Vince engaged the services of Donald Disclose of New Era Real Estate. Donald has been licensed for six years and specializes in working with buyers.

Donald and Vince met up at a local café to formalize their agency relationship. After completing the Disclosure of Representation in Trading Services form, gathering the required FINTRAC information, and an exclusive buyer agency agreement, Donald asked Vince for a list of requirements for the new home. He also asked if there was anything Vince would consider to be a deal breaker when it came to a property he might want to purchase. Vince thought for a minute and replied that the home had to be turnkey without a need for major renovation. He also indicated, with a nervous laugh, that he did not want to live in a haunted house as he had a real fear of ghosts. "What an odd thing to bring up. Ghosts aren't real.", Donald opined.



After viewing several homes that did not quite hit the mark, Vince brought Donald to view a two-bedroom, three-bathroom, detached home in Vince's preferred neighbourhood. The home was perfect! While the home was over 60 years old, it was recently updated with a new roof, new electrical, and fully renovated interior. The home was priced slightly above Vince's budgeted amount at 1.3 million dollars, but he hoped there would be some wiggle room in the price that could be negotiated.

Vince was thrilled and wanted to put in an offer right away to avoid the risk of another buyer snatching up the property before he could. He asked Donald to draft an offer. Donald drafted the offer to Vince's specifications with an offer price of 1.25 million dollars, and subject to a home inspection, financing, and approval of the Property Disclosure Statement. The offer was open for acceptance until 9:00 that evening.

Donald immediately delivered the offer to the seller's licensee at 4:00p.m. and waited. Within thirty minutes the seller's licensee contacted Donald to advise him that the sellers would accept the offer and emailed a fully executed contract back, along with a copy of the PDS.

Sitting down with Vince, Donald reviewed the PDS which indicated there were no major issues with the home and no material latent defects were disclosed on the document. This meant, according to Donald, that there was nothing hidden that the sellers had to disclose, but that the home inspection would find any potential issues, or patent defects, that a buyer is responsible for identifying. Vince was happy that there were no hidden defects and booked a home inspection for the next day.

After the inspection was complete, only a few minor issues were identified. Some of the windows were sticking and needed some small repairs, there was a crack in a kitchen floor tile, and one of the bathroom plugs sockets was not working properly and would need to be replaced. Other than that, the rest of the home appeared to be in good order and well maintained.

Vince was satisfied with the results of the inspection removed all his conditions, and on possession day he moved into his new home.

Night 1:

All went well on Vince's first night in his home. He unpacked his clothes and most of the kitchen boxes. He opened a glass of red wine and spent the evening thinking of the many happy years he would surely have there.

Night 2:

While getting ready for bed at 10:00 p.m. Vince heard weird knocks on the bathroom wall. Thump, thump, thump. After trying to identify the source of the sound with no success, he continued getting ready for bed and went to sleep assuming it was just a rattling pipe.

Night 3:

At 6:00 p.m. Vince was making dinner in the kitchen when he heard a loud crash. He ran into the living room and noticed a vase had fallen off the mantle above the fireplace and shattered on the floor. Vince started to get nervous. The vase had not been anywhere near the edge of the mantle so how could it have fallen off? Vince had seen a popular horror movie a few years back that this reminded him of. He began to wonder if the home was haunted, his worst nightmare. Vince cleaned up the broken vase and nervously went to bed.

Night 4:

At midnight, awoken from a deep sleep, Vince heard a scratching sound behind his bed, in the walls, and a strange noise that sounded like a man groaning and growling. He was terrified! He got up to see if he could find the source of the sound but when he went into the hallway, all he saw was the light fixture suspended from the ceiling swaying back and forth, back and forth. The sound of the of chain that held the light up creaking with every sway. Vince did not sleep much the rest of the night.

Night 5:

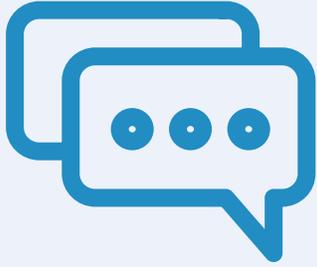
Once again, at midnight Vince heard the groaning sound. Nervously, Vince got out of bed, walked out of his bedroom to the hallway where from the corner of his eye he saw a shadow of a man moving across the wall. After what felt like an eternity frozen in fear, Vince ran back to his bedroom, closed the door and spent the rest of the night hiding under his covers in bed.

The next morning Vince contacted Donald. He told Donald he thought the house was haunted, asked why the sellers never disclosed that there were ghosts in the house and why nothing was noted on the Property Disclosure Statement. Donald, thinking this was a silly question, informed Vince that ghosts were not real, and for that reason were not considered to be a material latent defect requiring voluntary disclosure by a seller. A fear of ghosts would be considered “stigma” which is a personal belief or value that may affect a buyer’s interest in a property. Donald then suggested to Vince that most of what he saw had perfectly natural explanations. The banging could be attributed to vibrations from a nearby train track. The moaning could have been people outside talking to each other. The shadow could easily have been Vince’s shadow created by light coming in through a skylight in the hallway ceiling, and the rest were just general noises in a large, older home.

Vince was unhappy. He was sure that the house was haunted! He reminded Donald that he instructed him not to show him haunted houses and wanted to know what Donald did to determine whether or not the house was haunted. Donald replied that he had not done anything because ghosts were not real. Vince stated that he was going to file a complaint with BCFSA but Donald was not worried. He felt he had done everything right.

Discussion Points:

- Outline the duties owed to all clients under Real Estate Services Rules.
- Discuss the importance of explaining what defects must be disclosed voluntarily by a seller versus which ones don’t at the outset of the relationship.
- Discuss why every licensee should determine whether there are any stigmas that might impact their client’s interest in purchasing a property.



Scenario Eleven: Suspicious Transaction Report - AML

Harry Homestead is a licensee licensed to Real Estate Realty in Corruption Valley, B.C. Harry received a call from a buyer named Lenny Launderer. Lenny was looking for a new home. Harry asked when he would be able to meet Lenny in person to complete the required disclosure paperwork so they could begin their agency relationship. Lenny advised him that he was out of the country but could complete the paperwork if Harry emailed it to him which Harry did. The paperwork was returned and signed within an hour. All the required paperwork was now complete including the FINTRAC identity verification which was done according to the FINTRAC guidelines.

During their next phone conversation Lenny stated that he wanted to pay all cash for the property and wanted the property to be purchased through his numbered company. He said that he felt this would make his offer more appealing to a seller if he ended up competing for the property. Harry explained that Lenny should not worry as much as it was a buyer's market in Corruption Valley and there was little chance of competition against other buyers for a home.



Harry found three properties for Lenny to look at. He emailed over the listing spec sheets and Larry indicated that one of the properties was perfect. Harry asked when Lenny would be able to view it in person, but Lenny again indicated that he was out of town and didn't need to see the property in person. Harry then offered to go to the property and film it, with the permission of the seller, so that Lenny could get a better idea of the condition of the home, but Lenny had no interest in that. He wanted to make an offer immediately. Harry tried to explain to Lenny that there were risks to buying a property sight unseen and suggested that at the bare minimum he have Harry go view the property and take pictures of it. Lenny began getting frustrated and instructed Harry to just write the offer.

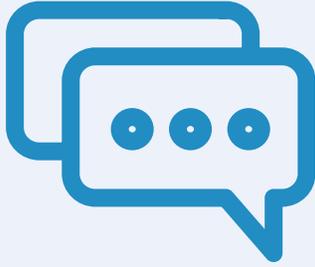
Harry told Lenny that he would go back to his office and do a comparative market analysis on the home to determine whether the list price of \$565,000 was fair market value, or if he thought there was wiggle room to negotiate the price and would get back to Lenny in a few hours. Lenny was very eager to get the offer submitted. He asked Harry to just draft an offer with no conditions, at \$595,000 to get a quick closing date...ideally within two weeks. Again, Harry informed Lenny that there were no competing offers on the property so there was no need to offer so much. Lenny began getting irritated. He asked Harry why he wouldn't just follow his instruction. Harry advised that he was just trying to act in Lenny's best interest. Lenny retorted that he was a savvy real estate purchaser and did not need or want Harry's advice.

Harry was nervous because Lenny's requests were unusual, but he drafted the offer per Lenny's specifications, got Lenny to sign the offer via email, and sent it to the seller who accepted the offer right away.

After reviewing the paperwork, Bradley Broker, Harry's managing broker, called him up to ask him about the transaction. There were a number of red flags in the offer, such as lack of any conditions, and an unusually high offer price all in cash which concerned him. He instructed that Harry immediately complete a FINTRAC Suspicious Transaction Report per *PCMLTFA* requirements and submit it to FINTRAC.

Discussion Questions:

- Discuss the STR requirements.
- Discuss what red flags Harry should have noticed during the transaction.
- Discuss what options Harry had if he felt uncomfortable representing Lenny.



Scenario Twelve:

Ethics

Simon Slick is licensed with Best Bet Real Estate in Victoriana, B.C. Despite Simon enjoying a good reputation among clients, he is known by other licensees for his questionable ethics. While Simon will follow all rules and legislation, if there is a way to work around them to make things easier, he will do it.

One day Simon was working with a client, Bashir, who was interested in selling his 1997, three bedroom, two and a half bathroom townhouse. Based on comparable sales in the area Simon indicated that the suggested market value of the home was \$450,000 - \$475,000. The properties which sold at the higher end of the range had been fully renovated while Bashir's had not been.

Bashir, however, was still happy to list his home at \$450,000 as that was the minimum price, he was willing to accept to sell the home. As the two began filling out a listing contract Simon looked up at Bashir and said, "wait a second, I have an idea". Bashir was curious. Simon continued, "If we list your home at \$400,000 we will likely drum up multiple offers because it will be priced far below market value. Those multiple offers could very well push your sale price far above \$450,000."

While that sounded like a great idea, Bashir was nervous that if someone offered him full asking price, he would have to accept it. Simon dispelled that fear and said that Bashir would be under no obligation to accept an offer if he did not want to, even if it was a full price offer. So, Bashir agreed, and the home was listed at \$400,000. The contract was drafted to expire in six months.



Day one on the market and already Simon had let Bashir know that twelve potential buyers were interested in viewing the property. Bashir was excited.

Simon and Bashir met at Bashir's home at 7:00p.m. to review five submitted offers. As required, with each offer, Simon presented Bashir with the Disclosure to Sellers of Expected Remuneration prior to going through the details of the offer. Sadly, while all but one of the offers came in over the \$400,000 asking price, none came close to the \$450,000 Bashir had expected to get. Simon reminded Bashir that he could counter whichever offer he most liked and they could try to get the offer price up, or they could wait for a new offer to come in.

Bashir decided to counter the highest offer which was for \$430,000. He changed the price to \$450,000 but accepted all the other terms requested by the buyer. The counteroffer was rejected. Bashir then asked Simon if he could counter another offer but at that point all other offers had expired. The buyers would need to submit a new offer. Simon advised Bashir that he would call the licensees representing the other buyers and see if any of them were interested in resubmitting a new offer. None did.

Bashir was upset as over the next week, of the three more offers that were submitted, none came close to \$450,000 and when countered, the buyers would not accept the price increase. So, Bashir requested that his listing agreement with Simon be terminated so he could relist in a few months and get a fresh start.

Simon advised Bashir that per their service agreement, since Bashir did technically get offers over asking, Simon would be owed his commission since he met the terms of the service agreement. Bashir was shocked. He would not have tried to list below \$450,000 if Simon had not suggested it. Simon knew that he wanted to get at least \$450,000 for the home. Bashir told Simon he was going to file a complaint with BCFSa and would not pay anything. Simon retorted that unless he paid, he would not allow Bashir to terminate the agreement early.

Discussion Points:

- Discuss the importance of providing a client all pros and cons to any marketing strategy being recommended.
- Discuss why it is so important that a client understand the remuneration structure and if and when they will have to pay a licensee for their services.
- Discuss how acting in a client's best interest may impact marketing strategies.



Scenario Thirteen: Tenanted Property

Rebecca Rental is a licensee with All Service Realty. Rebecca specializes in helping buyers find investment properties, and sellers with tenanted properties. Rebecca was the designated agent in the listing of a two-bedroom tenanted strata unit owned by Sandy and Steven Seller. Sandy and Steven had rented their property out to Tim and Tammy Tenant five years ago. The original lease was for a 12-month term and then continued on as a month-to-month tenancy. Tim and Tammy were excellent tenants and were sad at the thought of potentially having to move when the property sold. That is why Sandy and Steven wanted to work with Rebecca, in the hopes of finding another investor who wanted to keep the property tenanted.

After two months, unrepresented buyer Bennie Bayer contacted Rebecca and advised her that he was interested in writing an offer on the property. He was curious if there was a lease in place as he intended to occupy the property and did not want to get stuck having tenants to deal with. Rebecca advised Bennie that the tenants were on a month to month, and he could request in his offer that the tenants be given the required notice in order to provide vacant possession by the closing/possession date.



Once Rebecca received the offer by email, she contacted Steven and Sally. Rebecca provided them with the required disclosure forms, including the disclosure of Buyer's Right of Rescission, contained in the CPS, and went through the offer with them. Even though they were excited to have received an offer, they were sad and worried that the buyer was not interested in keeping the tenants in place. Rebecca explained that Sally and Steven could continue showing the property in the hopes of getting a backup offer which would provide some added security. Should the first offer not complete, the second offer would come into play. This was a great plan. Sandy and Steven decided not to inform the tenants that they had accepted an offer in case the deal collapsed. Instead, they continued to show the property to other buyers while Bennie worked to remove the subjects from his offer.

After seven days Bennie Bayer removed subjects and the offer was firm. Per the Residential Tenancy Act, Sandy and Steven had to now provide a written two months notice and pay one month's rent back to the tenants. Sandy and Steven were nervous. They decided they would first call the tenants before sending the formal written notice. Since, up to that point, their relationship was good, they believed that a phone call might soften the message.

Tim and Tammy did not receive the news well. They were not interested in moving and believed that Rebecca did not try hard enough to find a buyer who was willing to maintain the tenancy. They felt that they had been more than accommodating with showings and allowing strangers into their home and that they deserved better. They advised Rebecca, Sally and Steven of their frustration and told them that now that there was an accepted offer, they would not allow access to the property until they moved. Rebecca advised the tenants that the accepted offer allowed for Bennie to enter the property one more time with a contractor to get a quote on some renovations that would need to be done. When she told them that she was giving the required notice that they would be in the unit in two days at 2:00p.m, Tim and Tammy hung up the phone.

Two days later Rebecca met Bennie and his contractor at the property. She knocked on the door and no one answered. Assuming the tenants had gone out, she attempted to unlock the front door with her key but quickly realized that the locks had been changed. Frustrated, Rebecca called Sandy and asked if she was aware that the locks had been changed on the door. Sandy was stunned. She did not know. She asked if the tenants were aware she was coming, and Rebecca reminded her that they had told the tenants on the phone. Sandy was a bit confused "Don't you have to give written notice?" she asked. "I assumed you did that." Rebecca replied. "Nope...I didn't." said Sandy.

"In any case, they knew we were coming and should have been here. I am going to see if there is any way we can get in." Rebecca hung up the phone and went around to the back of the house where there was a sliding glass door. Luckily, the door was unlocked. So, Rebecca, Bennie and his contractor went into the property. No one was home, and the contractor was able to get all the information and measurements he needed. When they were ready to leave, Rebecca just closed the sliding glass door behind her.

Later that night Tammy and Tim came home and noticed that items had been moved around. Had they been robbed? Nothing seemed to be missing. But someone had been in there. Immediately they contacted Sandy and Steven. Sandy advised them that Rebecca had gone in, per the verbal notice provided to them two days prior. "But we never got written notice", retorted Tim. "You will have to take that up with Rebecca." Sandy said.

Tim and Tammy called Rebecca but she did not answer the phone. There was no need for her to speak with the tenants again as she did not require any access to the property until closing. She knew proper written notice to terminate the tenancy had been given, and now she could just wait until completion day.

Discussion Points:

- Discuss section 29 of the *RTA* which outlines the requirements that must be met before a landlord may enter (or the landlord's agent per the government of B.C.).
- Discuss the implications of representing a property that is tenanted or writing an offer on a tenanted property.



**BC Financial
Services Authority**

600-750 West Pender Street
Vancouver, BC V6C 2T8

604 660 3555

Toll free 866 206 3030

info@bcfsa.ca

bcfsa.ca