



# Buying a Home in British Columbia: A Consumer Protection Guide



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# About this Guide

This guide is designed to provide practical information to help consumers in British Columbia make informed decisions about their home purchases.

## ABOUT BC HOUSING

Through the British Columbia Housing Management Commission (BC Housing) the provincial government works to strengthen consumer protection for buyers of new homes in British Columbia. BC Housing is responsible for:

- licensing residential builders and building envelope renovators, and administering Owner Builder Authorizations
- ensuring that new homes are covered by home warranty insurance
- monitoring the provision of third-party home warranty insurance, and
- carrying out research and education to benefit the residential construction industry and consumers

BC Housing does not provide home warranty insurance, nor does it mediate or otherwise adjudicate disputes between home buyers and builders or private warranty providers.

We welcome your questions and comments. You can reach us at:

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## ACKNOWLEDGEMENTS

BC Housing thanks the representatives of many organizations involved in the residential construction industry in British Columbia, including warranty providers and consumer, builder and real estate organizations, which provided valuable input in the development of this guide.

## DISCLAIMER

This guide is intended to provide readers with general information only. The purchase and sale of real estate and the condition of homes and their construction are complicated issues. Readers are urged not to rely simply on the contents of this guide, but to consult with appropriate and reputable professionals and construction specialists, including lawyers, notaries, accountants, architects, engineers and building inspectors, as appropriate. The authors, contributors, funders and publishers assume no liability for the accuracy or the statements made or for any damage, loss, injury or expense that may be incurred or suffered as a result of the use of or reliance on this guide. The views expressed herein do not necessarily represent those of individual contributors or BC Housing.

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Watch for these icons throughout the document:

 **STRATA INFORMATION**

 **KEY POINTS**

 **MORE INFORMATION**



# You're Buying a Home

Whether you're purchasing a brand new home or a resale property, investing in your first home or your next one, buying a home is a big decision. In fact, it's probably the single largest purchase you'll ever make, so you want to make sure that you make a well-informed decision.

It's important to be well-informed and well-prepared before you buy. Going about the home buying process carefully, asking the right questions and getting all the information you need can protect you as a consumer and result in a good decision for you and your family.

This guide is designed to give you some of the information you need. It takes you through the home buying process and explains things you need to know, suggests questions to ask and gives information about where to get help. Although it is primarily aimed at buyers of newly constructed homes, it will also be useful for buyers of resale homes.

## HOW NEW IS "NEW"?

This guide refers to homes at various stages of construction and sale:

- **New home:** a recently constructed home
- **Pre-sale home:** a home that is planned or under construction, and for which a buyer can enter into a pre-sale contract
- **Resale home:** an existing home that has been previously occupied, and is being sold to a new owner

Because this guide has a consumer protection focus, it does not attempt to cover all aspects of home buying, such as house-hunting or financing. But it does point you to other resources where you can find more information.

## BUILDING, BUYING AND SELLING A HOME: WHO'S INVOLVED IN THE PROCESS?

As the home buyer, you're at the centre of a large number of parties, including:

- developers and builders
- contractors
- government regulators
- home warranty insurance providers
- tradespeople
- architects, designers and engineers
- lawyers and notaries public
- bankers and mortgage brokers
- strata councils and strata corporations
- real estate salespersons
- insurance brokers, and
- home inspectors.

While the responsibility for the quality of the final product rests on many shoulders, it is up to you as the buyer to work closely with these parties to help ensure that you will not experience a problem with your home after you move in; or if there is a problem, ensuring that it is dealt with properly.



*This guide points you to other resources where you can find more information.*

# Consumer Protection for Home Buyers in British Columbia

British Columbia has the strongest construction defect protection system for buyers of new homes in Canada. This consumer protection is provided through the *Homeowner Protection Act*. Under this provincial legislation, all new homes offered for sale or built under a construction contract in British Columbia must meet the following requirements:

- new homes must be constructed by a builder licensed by BC Housing, and
- new homes must have third-party home warranty insurance. This home warranty insurance provides up to two years of coverage for defects in design, materials and labour (some limits apply), five years for defects in the building envelope and 10 years for structural defects (so it's often referred to as "2-5-10"). If a new home is re-sold within 10 years, any remaining home warranty insurance coverage is automatically passed on to subsequent purchasers.

However, some new homes, such as those constructed by owner builders, are exempt from these requirements.

These consumer protections, exemptions and steps you can take to protect yourself as a homebuyer are described in more detail in this guide.

## STRATA INFORMATION

For some strata homes that require major building envelope repairs in British Columbia's coastal climatic zone, there are further consumer protection measures. In some cases contractors carrying out building envelope renovations must be licensed by [BC Housing](#), and the building envelope renovation itself must be covered by third-party home warranty insurance for a five-year period. Visit our website at [www.bchousing.org](http://www.bchousing.org) for more information.

## KEY POINTS

- Get all the information you need before you buy a home to protect yourself as a consumer
- BC's *Homeowner Protection Act* provides consumer protection for buyers of new homes in British Columbia
- All new homes in British Columbia must be constructed by a Licensed Residential Builder and covered by third-party home warranty insurance

*British Columbia has the strongest construction defect protection system for buyers of new homes in Canada.*

# The Decision to Purchase

Before you start looking for your new home, ask yourself a few basic questions:

- Where do I want to live?
- What type and style of home do I want?
- What are the choices?
- What can I afford?

Make a list of your household's needs, wants and "nice-to-haves" to guide your search.

## Home Ownership Choices

Consumers have many choices when buying a home. There are various housing types and styles to consider including, for example, detached houses, duplexes, apartments (high-, mid- and low-rise in wood or concrete construction), and row houses and townhouses. Your needs, preferences, household size and finances will determine the housing type that is most suitable for you.

In many cases the housing type you choose will determine the form of legal ownership you have with the property. The main types of home ownership include:

- 1) **Freehold:** the buyer owns the home in fee simple. Freehold ownership can be strata or non-strata:
  - Strata (sometimes called condominium): The buyer owns a specific housing unit (referred to as a strata lot), which is contained in a larger strata property or development. The owner has shared ownership and responsibility for common property shown on the strata and included in the by-laws, such as the building envelope, hallways, roof, grounds, parking garages, etc.
  - Non-strata: The buyer owns, for example, a single detached house on a lot in a subdivision. The owner has full ownership and responsibility for the building(s) and land.
- 2) **Leasehold:** The owner has the right to use a property for a defined period of time, but does not actually own (have freehold in) the property.
- 3) **Cooperative:** The owner owns a share in a company or cooperative venture which, in turn owns (has freehold or leasehold in) a property containing a number of housing units.

Each home ownership option has its pros and cons, as well as legal implications in which you need to be aware when buying a home. Your real estate salesperson or lawyer can provide you with information on these ownership options specific to your situation.

### MORE INFORMATION

A helpful "Home Features Checklist" is available from the Canada Mortgage and Housing Corporation as part of their *Homebuying Step by Step* guide, available at [www.cmhc.ca](http://www.cmhc.ca).



# The Decision to Purchase

## STRATA INFORMATION

### STRATA PROPERTIES

Strata ownership has existed in British Columbia for more than 40 years. Stratas are commonly multi-unit residential properties where you own a strata lot in a low-, medium- or high-rise apartment building, or in a row house or townhouse development. There are also “bare land stratas” where the strata lot boundaries are defined on land, much like a conventional legal parcel, instead of by the floors, walls and ceilings of a building. Most bare land strata developments have private access roads, which all owners are responsible for maintaining, as well as any other common infrastructure, utilities such as sewer and water lines, amenities or facilities. Moreover, there are also leasehold stratas where the strata plan and strata lots are subject to a ground lease.

## MORE INFORMATION

For explanations of the different types of home ownership, see *Buying a Home Guide* by the Real Estate Council of B.C. at [www.recbc.ca](http://www.recbc.ca).

In British Columbia the legislation regarding strata title property is the *Strata Property Act*. The *Act* can be viewed online by accessing the Government of British Columbia’s website at [www.gov.bc.ca](http://www.gov.bc.ca). Instruction guides on various topics related to the *Strata Property Act* are available from the BC Financial Services Authority’s website at [www.bcfsa.ca](http://www.bcfsa.ca).

To find out more about strata living, see *Condominium Buyers’ Guide* from Canada Mortgage and Housing Corporation at [www.cmhc.ca](http://www.cmhc.ca). Information is also available through the Condominium Home Owners’ Association of B.C. at [www.choa.bc.ca](http://www.choa.bc.ca).



## New or Resale

Whether to buy a new or resale home will largely depend on what is available in the area where you want to live, your design preferences and what you can afford. There are advantages and disadvantages to both options that you will need to consider.

### CONSUMER PROTECTION CONSIDERATIONS

British Columbia’s unique system of consumer protection for buyers of new homes means that there are a number of additional factors to consider when thinking about purchasing a new or resale home (strata or non-strata):

- **New home:** If you are buying a brand-new home built by a Licensed Residential Builder, it will be covered by home warranty insurance.
- **Resale home:** If the home was built with a building permit applied for before July 1999, it will not have home warranty insurance. However, if the home was built with a building permit applied for after this time, it should have been covered by home warranty insurance, until 10 years after first occupancy.



# The Decision to Purchase

BC Housing provides an online [New Homes Registry](#) on its website at [www.bchousing.org](http://www.bchousing.org). Use it to find out if a new or resale home or new home under construction has a policy of home warranty insurance and is built by a Licensed Residential Builder, and when the insurance commenced. You can search for single detached homes and multi-unit buildings, including duplexes. Read more about the New Homes Registry on [page 17](#).

## Buying New

### CUSTOM VS. SPEC HOME

#### MORE INFORMATION

To find out more about the considerations involved in buying a new or an existing resale home, see *Homebuying Step by Step* from Canada Mortgage and Housing Corporation at [www.cmhc.ca](http://www.cmhc.ca).

Do you want a ready-to-move-into home or do you want to design every detail? At one end, a custom home is designed from scratch for your site and to your specifications. At the other end, a spec home is built on speculation by the builder or developer without a specific buyer. Other options in between offer various degrees of customization. In all cases, new custom and spec homes must be constructed by Licensed Residential Builders in British Columbia and must be covered by home warranty insurance.

No matter which type of new home you are buying – a brand new custom-built home or a spec home – be sure that you have a written contract that lists exactly what work will be done and when, what you are buying, what you will be charged and when you will pay. Consider legal advice to review the contract.

If you plan to have a custom-built home built on land you own, talk with your homeowner insurance representative (the provider of insurance on your property, as opposed to home warranty insurance) before any work begins, to make sure that your policy covers the risks related to your project.

#### MORE INFORMATION

Get more information on the buying process for custom and spec homes from the Canadian Home Builders' Association at [www.chba.ca](http://www.chba.ca). Also see *Get it in Writing* at [www.hiringacontractor.com](http://www.hiringacontractor.com).

#### STRATA INFORMATION

### PRE-SALES AND CONTRACT ASSIGNMENTS FOR STRATAS

Because residential construction can be a lengthy process, you may decide to purchase a new home before construction has commenced or been completed. BC Financial Services Authority (BCFSA, an independent Crown agency) has issued new policy statements and disclosure requirements regarding pre-sales that consumers should be aware of.

Before signing a pre-sale contract, all prospective pre-sale purchasers of strata properties with five lots or more should receive a Disclosure Statement from the builder or developer, as required under the *Real Estate Development Marketing Act*, and must be given a reasonable opportunity to read it. The Disclosure Statement describes the property that is being sold and the purchaser's right to cancel the pre-sale contract within seven days of signing it. (In the case of a strata property, the Disclosure Statement also includes a summary of the project's common property features and amenities, its governing documents and its budget for the first year after registration.)

# The Decision to Purchase



It also outlines the developer's background such as the company's experience in the development industry, whether it has been bankrupt within the past five years or been disciplined in the past 10 years for matters relating to real estate, mortgages of land, securities, theft or fraud, and any conflict of interest that could reasonably be expected to affect a buyer's purchase decision.

Pre-sale purchasers will be asked to enter into a pre-sale contract with the builder or developer, and to make a deposit. The deposit may be held in trust or protected by a policy of deposit protection insurance. Typically the contract will stipulate when the unit will be constructed and completed and the fixed price for the home as well as any changes or substitutions that the developer may make under the contract.

Once the contract is signed by both parties, it is legally binding. For your protection, seek the advice of a lawyer experienced in pre-sales agreements before you sign the contract. The contract provides you with the right to purchase the unit in accordance with the terms and conditions of the contract; however, there may be exemptions and reservations that could significantly change what you thought you were buying.

You have a seven-day "cooling off" period from the time you receive a copy of the signed contract or the time you acknowledge receiving the Disclosure Statement (whichever comes first) in which to finalize the sale or withdraw your offer.

Contracts for residential units purchased on a pre-sale basis are sometimes sold or "assigned" to another purchaser even before construction has been completed. This contract assignment is a legal sales transaction where the second purchaser takes on the rights and obligations for the new home contract from the original purchaser. The original pre-sale contract with the builder or developer will stipulate if assignments are permitted, if a fee must be paid for the assignment and any other terms or conditions.

In all cases, the builder or developer is the legal owner of the home purchased on a pre-sale or property assignment basis until a legal transfer of title has occurred.



*You have a seven-day "cooling off" period in which to finalize the sale or withdraw the offer.*

## MORE INFORMATION

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There are many important considerations for purchasers buying a new home on a pre-sale basis. The information bulletins *Risks Associated with Purchasing 'Pre-Sale' Residential Units and Additional Disclosure Requirements*, as well as related policy statements from BC Financial Services Authority, are available at [www.bcfsa.ca](http://www.bcfsa.ca).

# The Decision to Purchase

## KEY POINTS

- Housing types include detached houses, duplexes, apartments, row houses and townhouses. Your needs, preferences, household size and finances will determine the housing type that is most suitable for you.
- The main types of home ownership include freehold (strata and non-strata), leasehold and cooperative. Each has advantages and disadvantages, as well as legal implications.
- In strata ownership, you own a specific housing unit within a larger strata property, and you share ownership of and responsibility for the common property.
- Whether you are buying a custom-built home or a spec home, be sure you get a written contract that lists exactly what work will be done and when, what you are buying, what you will be charged and when you will pay.
- If you purchase a strata property before construction is completed, you will be asked to sign a pre-sale contract and make a deposit. Before doing so, be sure to read and understand the Disclosure Statement, which outlines the property's features and your financial obligations. For your protection, seek the advice of a lawyer experienced in pre-sales agreements before you sign the contract.



*The main types of home ownership include freehold, leasehold and cooperative.*

# Affordability and Financing

Buying a home involves many financial considerations. Before you make a commitment, you should realistically determine what your desired home will cost and what you can afford.

## Affordability Guidelines

How much can you afford? That depends on your gross household income, your down payment and the mortgage interest rate. Your lifestyle and your comfort with debt also come into play. Lenders have guidelines to determine how much you can afford in monthly housing costs and how much they will lend you.

## Home Buying Costs

Typically, home buyers pay a certain percentage of the cost of the home up-front (the down payment) and borrow the rest (the mortgage). There are also taxes and closing costs to consider.

### DOWN PAYMENT

Lending institutions usually require a down payment of at least 5% to 10% of the home purchase price. Mortgage loan insurance is typically required by lenders when home buyers make a down payment of less than 20% of the purchase price.

### MORTGAGE

The mortgage is repaid in regular payments that include both the principal (the amount borrowed) and the interest (the charge for borrowing money). The payment may also include a portion of the property taxes.

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Most financial institutions offer an online mortgage calculator to help you calculate monthly mortgage payments based on your down payment and current interest rates. Also see:

- The mortgage calculator available on *Bringing Home Ownership Within Reach* from Canada Mortgage and Housing Corporation at [www.cmhc.ca](http://www.cmhc.ca).
- *Mortgages 101: Buying your first home* from the Financial Consumer Agency of Canada at [www.fcac.gc.ca](http://www.fcac.gc.ca).

### CLOSING COSTS AND ADJUSTMENTS

In addition to the actual cost of the home, there are other costs that you should be aware of – and budget for – right from the start. Closing costs typically range from 1.5% to 4% of the purchase price. Major closing items include the B.C. Property Transfer Tax, GST (if you purchase a new home), as well as appraisal, survey, insurance and legal fees.

#### MORE INFORMATION

For helpful affordability calculations and information on financing your home, see *Homebuying Step by Step* from Canada Mortgage and Housing Corporation at [www.cmhc.ca](http://www.cmhc.ca).

#### MORE INFORMATION

# Affordability and Financing

## MORE INFORMATION

For a list of closing costs, see *Buying a Home in British Columbia* from the Real Estate Council of B.C. at [www.recbc.ca](http://www.recbc.ca).

There will also be adjustments to the purchase price to account for your portion of property taxes, utility fees and monthly strata fees for the portion of the year or month in which you take possession. Depending on when a buyer takes possession, these will either be a credit to the buyer or an additional cost to the buyer at the time the sale is completed.

## PROPERTY TAXES

Don't forget to budget for your annual property taxes. Property taxes may be included in the closing cost (the balance of the yearly tax on the home).

## STRATA INFORMATION

### STRATA FEES

When buying a strata lot, in addition to the normal purchase costs, you need to budget for the strata fees. The fees reflect each strata unit's share of the annual budget and the common expenses. Common expenses include monthly maintenance fees, property management fees and the cost of repair, operation and maintenance of the common property elements. Special contingency fund levies, for large expenses such as a new roof or major renovations, will also be included in common expenses. What is and is not included in a strata's monthly fees should be clearly outlined in the operating budget. Review the complete strata plan and schedule of unit entitlement that determines your share of the common costs. You may discover the unit you are interested in is significantly larger than other units in the development and your share of the common costs is a higher ratio.

Effective December 13, 2013, all strata corporations of five units or more in British Columbia, must complete a depreciation report as required by the *Strata Property Act*, unless they have passed a three-quarters vote each year they wish to be exempt from the requirements. The depreciation report, if available, must be included with a Form B Information Certificate. The report provides information on current and future costs of renewals of common property, and the financial implications that may influence your decision to purchase. For more information check out *What a Strata Corporation Needs to Know About Depreciation Reports* published by the Condominium Home Owners' Association of BC [www.choa.bc.ca](http://www.choa.bc.ca).



## KEY POINTS

- Most lending institutions require a down payment of at least 5% to 10% of the home purchase price.
- Mortgage repayments include both the principal (the amount borrowed) and the interest (the charge for borrowing money).
- Closing costs typically range from 1.5% to 4% of the purchase price.
- Strata purchasers must pay monthly strata fees, which reflect each unit's share of the annual budget and common expenses.

# Role of the Real Estate Salesperson

To get accurate information about a home you are considering buying, it's helpful to have a qualified real estate salesperson who is experienced in that type of home, whether it's a new or existing home. In B.C., real estate salespersons must be licensed under the provincial *Real Estate Services Act* by the Real Estate Council of British Columbia.

## What's in a name?

Various terms are used by different organizations to describe people who assist in the buying and selling of homes. For convenience, this guide uses the term "realtor" to refer to real estate licensees, agents and brokers.

Realtors provide a variety of services, from providing information about available properties and sources of financing to helping you make a written offer to purchase. In most cases, they do not charge buyers a fee.

Realtors can also advise whether a home you are considering buying is in compliance with the *Homeowner Protection Act*, has a policy of home warranty insurance, or whether the owner has been provided with an Owner Builder Disclosure Notice.

A realtor may be an agent for the seller, the buyer or both. If the licensee is representing both in the same transaction, he or she must tell you so. Know who your realtor represents.



## KEY POINTS

- Use a qualified realtor who is experienced in the type of home you are considering buying.
- Know whether your realtor represents the seller, the buyer or both.

## MORE INFORMATION

To find out more about the role of realtors, check *Buying a Home in British Columbia* and *Selling a Home in British Columbia* from the Real Estate Council of B.C. at [www.recbc.ca](http://www.recbc.ca).



*Real estate salespersons must be licensed by the Real Estate Council of British Columbia.*

# Checking Out the Builder

Most new home builders are reputable professionals who provide a good quality product. Even so, it's smart to check out your builder's qualifications and service record.

## Builder or developer?

Although builders and developers have different roles in home construction, the term "Licensed Residential Builder" includes both builders and developers. This guide refers to both as builders.

## Builder Licensing Requirements

New homes in British Columbia must be built by builders who are licensed under the *Homeowner Protection Act* by BC Housing. You can check the Public Registry of Licensed Residential Builders at [www.bchousing.org](http://www.bchousing.org) also online to ensure your builder is licensed.

The New Homes Registry can be used to find out if the home has a policy of home warranty insurance and is built by a Licensed Residential Builder, or whether it is built without home warranty insurance under an exemption, such as an Owner Builder Authorization. Check out the [New Homes Registry](http://www.bchousing.org) at [www.bchousing.org](http://www.bchousing.org). Exceptions to the licensing requirement include:

- homes built by owner builders (an owner builder is a person who is authorized to build a single dwelling unit for his or her personal use)
- homes built by builders under a building permit applied for before July 1, 1999

## Tips for Checking Out the Builder

Visiting the company's website or doing an Internet search is a good place to start. Here are key questions to ask about the builder:

- Is the builder licensed by BC Housing?
- How long has the builder been in business?
- How many homes has the builder built that are similar to the type you are considering?
- Get references from homeowners currently living in homes the builder has built. Request a list of homes or projects completed by the builder within the last few years. Make arrangements to view some of these homes and speak to the current owners if possible. Have the owners made any claims for construction defects? Contact the warranty company to find out and learn more.
- Does the builder have an after-sales service program? Ask the builder and former clients. Attention to details, good after-sales service and quality construction come at a cost, so it is not wise to select a home based on its price and features alone.
- Is the builder a member of an industry organization such as the Canadian Home Builders' Association, Urban Development Institute, Independent Contractors' Association of B.C. or B.C. Construction Association? Membership in these organizations may indicate a commitment to professionalism and industry involvement and experience.

### MORE INFORMATION

To find out more about residential builder licensing in British Columbia, visit our website [www.bchousing.org](http://www.bchousing.org).



# Checking Out the Builder

- Have any complaints been registered against the company with the Better Business Bureau (BBB)? You may inquire about the number of complaints received by the BBB against a builder or developer in the past three years, and whether these complaints were resolved.
- Has the builder received any compliance orders, monetary penalties or convictions under the *Homeowner Protection Act* and regulations? You may wish to check the BC Housing website at [www.bchousing.org](http://www.bchousing.org) for a list of builders who have received convictions or enforcement actions.
- You may wish to do a court search to find out whether any legal action has been brought against the builder or the builder's related companies. Discuss any concerns with the builder.

## MORE INFORMATION

There are a variety of resources available to help you check out the builder:

- find out whether the builder is licensed by BC Housing on the Public Registry of Licensed Residential Builders at [www.bchousing.org](http://www.bchousing.org)
- visit the Canadian Home Builders' Association's website at [www.chba.ca](http://www.chba.ca) for information on how to select a home builder, and

## KEY POINTS

- New homes in British Columbia must be built by builders who are licensed under the *Homeowner Protection Act* by BC Housing. Check the Public Registry of Licensed Residential Builders on the [BC Housing](http://www.bchousing.org) website to ensure that your builder is licensed.
- Check out the qualifications and service record of the builder of a home you are considering to buy.



*It is smart to check out your builder's qualifications and service records.*



# Checking Out the Home

## Building Codes and Building Authorities

The provincial Building Code is intended primarily to ensure that health and safety standards for buildings are met. Municipal building inspection offices usually review the major stages of home construction, identify building code deficiencies and ensure that they are corrected before certifying the building as fit for occupancy.

However, the Building Code is not meant to guarantee overall construction quality. For example, the quality of work, finishes, landscaping and driveways are not regulated by the Code. A building that meets all Code requirements could still have problems if the design is not properly executed. As well, municipal building inspectors cannot ensure the quality of every aspect of every structure. You should view the building inspection process more as an audit of the construction process than as a comprehensive review of all components.

The level of Code enforcement varies throughout the province. Some municipalities do detailed inspections, while others do not do on-site inspections. The City of Vancouver does not use the provincial Code, since it has its own building code, the Vancouver Building By-law.

For these reasons, it is important that you check out the condition of the home you are considering to purchase.

### MORE INFORMATION

To find out more about the building codes for residential construction, visit the *Research and Education* section of the BC Housing website at [www.bchousing.org](http://www.bchousing.org).



### MORE INFORMATION

To find out whether a new home has a policy of home warranty insurance and is built by a Licensed Residential Builder, see the New Homes Registry on BC Housing's website at [www.bchousing.org](http://www.bchousing.org).

## New Homes Registry

Prospective home buyers can use a free online tool on the BC Housing website called the New Homes Registry that allows one to quickly check the residential builder licensing and warranty status of a new home or a new home under construction by using the civic address. This tool helps home buyers make more informed decisions when buying a new home.

Both single detached homes and multi-unit homes, including duplexes can be searched on the registry. Home buyers can obtain valuable information such as the name and contact number of the warranty provider, the builder's warranty number and whether an owner-built home can be legally offered for sale. Home buyers can obtain valuable information such as the name and contact number of the warranty provider, the builder's warranty number, warranty commencement date, and whether an owner-built home can be legally offered for sale.

For residential builder and home warranty information on a home registered between July 1, 1999 and November 19, 2007, or if a property cannot be found on the New Homes Registry, you can call the Licensing and Consumer Services branch of BC Housing.

Free access to the [New Homes Registry](#) is available on the BC Housing website at [www.bchousing.org](http://www.bchousing.org).

# Checking Out the Home

## New Home Walk-through Inspection

In a walk-through (also called a new home orientation or pre-delivery inspection), the buyer and builder inspect the property together prior to closing or settlement. Walk-throughs generally apply to brand new homes, and this is usually your first opportunity to inspect the newly finished home.

During the walk-through, you and your builder (or the builder's representative) will verify that all terms of the contract have been met, that the home is substantially completed and that major items are in working order.

- Review how the systems in your home operate, such as ventilation, plumbing and heating.
- Inspect every room in the home's interior to identify and record any damaged, incomplete or missing items as well as anything that is not operating properly.
- Inspect the home's exterior to assess exterior finishes and the driveway, walkway, decks, patios and landscaping.
- Inspect interior items including bathroom fixtures, appliances, cabinets, floors, doors and windows.

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• **For stratas, verify what the strata corporation is inspecting and what you, as a unit owner, should inspect. Common property elements such as heating systems and landscaping will generally be inspected by the strata corporation, while you inspect your own unit.**

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- As part of the walk-through you may also want to establish what the lockdown procedures are for your new home once the walk-through and sign off are complete. Find out if anyone will have access to your new home before you move in, and why.

Your builder or developer will likely have a form for you to complete. Home warranty insurance providers generally rely on information recorded on the form to determine whether or not they will cover physical damage to materials such as finished flooring, countertops and plumbing fixtures. Where damage may have occurred after occupancy, the warranty provider may not assess it as a defect to be covered by the policy. In addition, it's smart to document the inspection by taking pictures.

### Green homes

More people are choosing to buy homes with features that meet their needs while reducing the impact on the environment. "Green" homes and communities can offer benefits such as:

- fewer environmental impacts
- greater energy efficiency
- a healthier indoor environment for occupants; often a better quality home, and
- often being located within walking, cycling or transit distance from shops, schools, work and other daily destinations, reducing vehicle use.



### STRATA INFORMATION

### MORE INFORMATION

Check out Green Building and Energy Programs on the BC Housing website at [www.bchousing.org](http://www.bchousing.org).

# Checking Out the Home



If you are considering buying a home with energy efficiency or green features, find out:

- Has the home been built under a recognized program that promotes energy efficiency or green construction, such as Built Green BC™ or LEED® Canada for Homes?
- Do the features have different maintenance or operating requirements that you need to be aware of?
- What is the life expectancy of the green or energy-efficient features and when will they need to be replaced? How much will this cost?

## Checking Out Resale Homes

Perhaps the most challenging step in buying a resale home is to evaluate its physical condition. You should do a thorough check of the home before you make an offer to purchase.

### HOME INSPECTION

Many home buyers obtain advice from a home inspector (sometimes also called a house or property inspector) on the physical condition of the home. A home inspection is a non-destructive, visual examination of the current condition of a house or multi-unit building.

Home buyers are sometimes advised by real estate salespersons and lenders to arrange home inspections. Although some lenders require inspection reports, it is up to you whether or not to use a home inspector. Some consumers hire home inspectors to assist them with the walk-through of their new home.

As of March 31, 2009 all home inspectors operating in British Columbia have to be licensed by the Business Practices and Consumer Protection Authority. For further information consult Consumer Protection BC at [www.consumerprotectionbc.ca](http://www.consumerprotectionbc.ca).

If you hire a home inspector, be aware of the limitations or written disclaimers associated with the inspection. For example, home inspectors will examine (where visible) foundations, walls, roofs and chimneys, but are not required to inspect any evidence of water penetration, condensation and mould. Similarly, inspectors cannot inspect or comment on insulation, walls, floors, attics or crawlspaces, etc. where they are not reasonably accessible or readily visible. Home and property inspection associations provide information on their websites describing what an inspector is and is not required to inspect.

### WARRANTY INSURANCE CLAIMS HISTORY

Prospective buyers can ask if warranty claims for construction defects have been made on an existing home with home warranty insurance currently in place. If you are interested in buying a home with home warranty insurance, you can request a claims history of the home from the current owner, who can request this from the warranty insurance provider (for a fee of not more than \$25). If you are a prospective purchaser of a strata lot, request this information from both the unit owner and the strata corporation (for the common property claims history).

### MORE INFORMATION

Website links for home and property inspection associations in British Columbia:

- the Canadian Association of Home and Property Inspectors (B.C.) at [hiabc.ca](http://hiabc.ca)
- the Applied Science Technologists and Technicians of BC - Property Inspectors at [www.astbcpi.org](http://www.astbcpi.org)

# Checking Out the Home



Prospective buyers of homes less than five years old are also encouraged to ask the current owner if there are any exclusions from the standard coverage. Sometimes owners choose to finish the home themselves, instead of having the builder finish the home. If that is the case, the builder's warranty will exclude the design, labour and materials provided by the owner. Knowing what is or is not covered by the warranty may assist you in deciding whether or not to make the purchase.

## Owner-built Homes and the Owner Builder Disclosure Notice

An owner-built home is a single dwelling unit constructed by the original owner for his or her personal use. In British Columbia, owner builders are exempt from the requirements of the *Homeowner Protection Act* to be licensed as residential builders and to carry home warranty insurance, provided that they receive an authorization from BC Housing.

Owner builders must build or directly manage the construction of the new home. If someone other than the owner builder performs a management or builder function, that person must be a Licensed Residential Builder and must arrange for home warranty insurance. Owner builders must own and occupy the home for 12 months, after a final occupancy permit has been issued for the home, before offering it for sale.

An owner builder must provide any prospective purchaser and subsequent purchasers with an Owner Builder Disclosure Notice indicating that the home was not built by a Licensed Residential Builder and whether or not it has home warranty insurance (most owner-built homes do not). The home may not be offered for sale and/or sold until the Owner Builder Disclosure Notice has been issued.

An owner builder who sells a home without home warranty insurance is subject to the 10-year statutory protection provision of the *Homeowner Protection Act* and agrees with subsequent purchasers that the home is free from:

- defects in materials and labour for at least two years after original occupancy
- defects in the building envelope for at least five years from original occupancy, and
- structural defects for at least 10 years after original occupancy.

Some exceptions apply and are listed in the [Homeowner Protection Act Regulation](#).

If you are purchasing an owner-built home, find out how much time is left on the 2-5-10-year components of the statutory protection. The date of original occupancy is determined by looking at the occupancy date, as recorded on the Owner Builder Disclosure Notice. Under the statutory protection provisions of the *Act*, you may launch a legal action against the builder if defects covered by the statutory protection arise and the owner builder is not willing to remedy them or reimburse you for the cost of repairing the defects.

### MORE INFORMATION

To learn more about **Buying and Selling an Owner-built Home**, check out BC Housing's *Regulatory Bulletin* on this topic at [www.bchousing.org](http://www.bchousing.org).

### MORE INFORMATION

The BC Housing [New Homes Registry](#) lists all homes built after November 19, 2007 under an Owner Builder Authorization, along with information about whether they have been occupied long enough to be sold or not.

# Checking Out the Home

## KEY POINTS

- If you are buying a new home, conduct a walk-through with your builder to verify that all terms of the contract have been met, that the home is substantially completed and that major items are in working order. Document any problems or omissions in writing and, optionally, in photographs.
- Consider hiring a home inspector or professional engineer to evaluate the physical condition of a resale home you are considering buying. Be aware that the inspection does not cover all aspects and areas of the home.
- If you want to have an existing strata property inspected, you will need to have both the individual unit and the common property evaluated.
- In a strata purchase, be sure to review all pertinent documents, including strata council minutes, budgets, any engineer's or consultant's reports on the property, of the Form B Information Certificate for the property, and a copy of depreciation report if available.
- With stratas, find out whether any building envelope repairs are planned, are underway or have been completed; whether any special levies apply; and whether there is home warranty insurance on the repairs and what the insurance covers.
- An owner builder must provide any prospective purchaser and subsequent purchasers with an Owner Builder Disclosure Notice indicating that the home was not built by a Licensed Residential Builder and whether or not it has home warranty insurance.

## STRATA INFORMATION

Visit the website of the Architectural Institute of British Columbia at [www.aibc.ca](http://www.aibc.ca). Also, check out *Advice on Hiring a Professional Engineer or Professional Geoscientist*, available from the Association of Professional Engineers and Geoscientists of B.C. at [www.apeg.bc.ca](http://www.apeg.bc.ca).

## STRATA INFORMATION

## Evaluating Resale Strata Properties

If you want to have an existing strata property inspected, you will need to have both the individual unit and the common property evaluated. It's a good idea to hire either an independent, insured, licensed professional engineer or architect, or a home inspector to do the inspection. Keep in mind, though, that in most cases home inspectors may not be required or able to inspect or report on common elements such as roofs, the building envelope, plumbing, electrical, insulation and ventilation. If you hire a home inspector, find out how much of the common property the inspector will be examining, and recognize the limitations of the inspection. When you purchase your strata property you are also purchasing a share of the asset and liability of the common property. You may also wish to have a qualified engineer inspect the building envelope and major building systems prior to your decision. A depreciation report is a valuable tool in assessing the long-term cost projections for the strata property.

### KNOW WHAT INFORMATION TO GATHER

Prospective purchasers should obtain as much information as possible about the strata lot, strata corporation and condition of the common property, including the building components and structure.

# Checking Out the Home

You should obtain and carefully review the following documents:

- Copies of the strata council minutes for the last two years or longer. These minutes may indicate if there are any significant problems present.
- A copy of the current budget and a statement of the contingency reserve fund, to help determine if there is enough in the budget to meet the current operations of the building, and enough contingency to cover an emergency repair or replacement.
- A copy of the strata plan that shows what property you will be responsible for and what is common property (e.g. decks and balconies), the provision of parking and storage space or any changes that have been made to the development that may affect you.
- Any engineer's or consultant's reports on the property
- Form B Information Certificate for the property with a copy of a depreciation report if available.
- A history of insurance claims on the strata common insurance, copy of the current insurance
- A copy of all current bylaws and rules in effect

It may be necessary to submit your request for the documents in a written format. If there is a problem at a later date and a document has not been disclosed, it may be necessary to rely on your written request for documentation.



## STRATA INFORMATION



### STRATA MINUTES

When reviewing the meeting minutes for a strata lot you are considering buying, look for the minutes pertaining to all of these types of meetings:

- strata council meetings
- annual general meetings
- special general meetings
- any additional meetings such as information meetings

### FORM B INFORMATION CERTIFICATE FOR EXISTING STRATA PROPERTIES

Obtain a Form B Information Certificate before completing an agreement for sale for an existing strata lot. Under the *Strata Property Act*, prospective purchasers who have entered into an agreement to purchase strata lots are permitted to obtain a Form B Information Certificate from the strata corporation, which is obliged to provide it within one week of the request. (Note that there is a fee for this form and for any accompanying documents.)

Form B Information Certificate provides critical information that will help prospective purchasers know more about their financial obligations and other important legal matters, including:

- monthly strata fees payable by the owner
- any amount that the owner is obligated to pay in the future for a special levy that has already been approved, and the date by which the payment is to be made
- any expected shortfalls in the strata corporation budget for the current year

## MORE INFORMATION

BC Financial Services  
Authority, [www.bcfsa.ca](http://www.bcfsa.ca).

# Checking Out the Home

## MORE INFORMATION

For more information on evaluating strata properties, obtain a copy of the bulletin *What you Need to Know When Buying a Strata Property: Condo, Townhouse or Bare Land Strata* from the Condominium Home Owners' Association at [www.choa.bc.ca](http://www.choa.bc.ca).

- the amount in the contingency reserve fund minus expenditures that have been approved but not paid for, and
- copy of the depreciation report if completed.

Keep in mind that the information contained in the Form B Information Certificate is valid only for the day it was issued, acknowledging that changes in financial status, rules, rentals, strata fees, court actions and other important matters can all occur in a day.

Your review of these documents should also focus on the condition of the major building components that could be costly to repair or replace in the future, such as:

- When was the roof last inspected? Are there any reported water leaks or water leak repairs?
- Are there decks and balconies, and when were they last maintained?
- What type of siding or cladding is on the building? Has it ever been repaired or replaced? If yes, why? (See Building Envelope Renovations in the next section.)
- How old is the plumbing system? When is it due for replacement?
- Is there an elevator? What maintenance or upgrades are planned for the elevator?
- Is water draining properly in the parking area?
- Has a special levy been agreed upon, or have any major repairs or problems been noted that could lead to a special levy in the future?

If the documentation raises questions or concerns, or if you are not able to locate desired information, direct your questions in writing to the strata corporation, the current owner of the unit or the developer if it is a new development, requesting that the parties respond in writing.

## MORE INFORMATION

Check out *Maintenance Matters* bulletins and videos available on BC Housing website at [www.bchousing.org](http://www.bchousing.org) for helpful tips and information.



## BUILDING ENVELOPE RENOVATIONS

If you are considering buying a strata lot in an existing building that does not have home warranty insurance, it is possible that building envelope repairs are needed, have been started, or have been completed. In this case, you need to take extra precautions to make sure that you are aware of any current or future special levies, that the repairs have been or will be done properly and that appropriate building envelope warranty insurance is in place, if applicable. Review the strata council minutes.

### What's the building envelope?

The building envelope includes the components that separate the indoors from the outdoors, including the exterior walls, foundation, roof, windows and doors.

### Regulations pertaining to building envelope renovations

Repair contractors who perform a building envelope renovation must be licensed by BC Housing and must provide mandatory, third-party warranty insurance in order to get a building permit for applicable building envelope renovations. In geographic areas where building permits are not required for such building envelope renovations, licensing and warranty insurance must be in place before the renovations begin. Some types of repairs are not included in this requirement.

For more information visit [www.bchousing.org](http://www.bchousing.org).

# Checking Out the Home

## **If no building envelope repairs have been done:**

- find out if an engineering report has been done on the building envelope in the past, when it was carried out and whether the strata took any action as a result of the report's findings
- determine if the strata is planning to carry out a building envelope engineering report in the future
- find out if any owners have reported water leakage problems in their units
- find out if the strata carries out regular inspection and maintenance of the building envelope, and
- commission a building inspection by a qualified engineer.



## **If repairs are pending:**

- find out what special levies have been charged or are planned
- get a copy of the engineering report from the strata council and determine whether the repairs will be done by a building envelope renovator licensed by BC Housing, and
- find out whether there will be warranty insurance on the repairs and, if so, what coverage will be provided.



## **If repairs are underway:**

- find out what special levies have been charged or may be needed in the future, based on a work plan approved by the owners
- find out whether there will be warranty insurance on the repairs and, if so, what coverage will apply, and
- find out when the repairs are expected to be completed.

## **If repairs have been completed:**

- get the engineering report and find out whether the repairs were done by a Licensed Building Envelope Renovator
- find out whether there is warranty insurance on the building envelope repairs and, if so, what coverage applies
- find out when the building envelope warranty insurance expires, and
- find out whether the owner of the strata lot being purchased has paid all of its assessments related to the repairs.



# Resale Homes: The Purchasing Process

## Making an Offer



You've found the home you want to buy. Now it's time to make an offer to purchase. Once you and the seller sign the offer, it becomes a legally binding contract. That's why it's important to work with a realtor or lawyer to prepare your offer, and to investigate your prospective purchase carefully before the offer is finalized.

### WHAT THE OFFER SHOULD CONTAIN

The offer should include such information as the amount of the deposit you are paying, your desired closing and possession dates, any conditions (called "subject clauses") that must be satisfied before the sale can occur, and a list of items, or "chattels," that are included in the sale price (such as drapes, refrigerator, etc.).

### SUBJECT CLAUSES

Subject clauses set out conditions that must be met before the sale can go through – for example, the arrangement of financing or a satisfactory property inspection. You may also wish to add a mandatory warranty insurance coverage clause. For example, "It is a fundamental term of this contract that the mandatory warranty insurance coverage required under the *Homeowner Protection Act* be provided." Subject clauses must be carefully and precisely worded, so your real estate salesperson or lawyer should be involved in composing them. Once the conditions have been fulfilled, you should provide written notification to the seller that you are removing the subject clauses. This notice must be provided on or before the date indicated in the contract. If you are unable to meet the conditions on or before that date despite every reasonable effort to do so, the contract ends and there is no legal obligation to complete the purchase.

## STRATA INFORMATION

### STRATA SUBJECT CLAUSES FOR RESALE STRATA PROPERTIES

A common subject clause in strata property purchases, in addition to those listed above, is a satisfactory review of the strata council minutes for the past two years or longer. Also, ensure that you have obtained the Form B Information Certificate before completing an agreement for sale for an existing strata lot, and review it before you make your decision to remove subjects. This is an important time to review the depreciation report. The report must identify all common property and assets that the strata must maintain and repair, and the future costs and time period for which repairs and maintenance are due. In addition, before removing subjects, find out whether a building envelope study has been conducted on the building and whether the corporation has a building envelope maintenance and inspection program, and review the specific allocations for property use such as parking and storage. Find out if there are repairs planned, completed and underway and what type of warranty would be provided if any.

# The Purchasing Process

## The Closing

If all of the conditions in your offer to purchase are met and the offer is signed stating a completion day for the transaction, the closing is set into motion. A land survey and a property title search are done, your lender provides the mortgage money to your lawyer or notary public, and your lawyer or notary public pays the seller, registers the home in your name and provides you with a deed. The home is now yours. If the home is new, verify that you have received a final occupancy permit issued by the municipality or district.

### KEY POINTS

- Once you make an offer to purchase, and you and the seller sign the offer, it becomes a legally binding contract.
- The offer to purchase should include the amount of the deposit you are paying, your desired closing and possession dates, any subject clauses that must be satisfied before the sale can occur, and a list of items that are included in the sale price.
- Once the conditions of any subject clauses have been fulfilled, you should provide written notification to the seller that you are removing the subject clauses. If the conditions are not met, the contract ends and there is no legal obligation to complete the purchase.

### MORE INFORMATION

For a complete list of what to include in an offer to purchase, see *Buying a Home in British Columbia* from the Real Estate Council of B.C. at [www.recbc.ca](http://www.recbc.ca).



*If the home is new, verify that you have received a final occupancy permit issued by the municipality or district.*

# Role of Lawyer or Notary Public

Choose your lawyer or notary public soon after you decide to purchase a home to ensure that your interests are represented throughout the transaction. It's wise to use a lawyer or notary public who specializes in real estate, even if it costs a little more.

## MORE INFORMATION

The Society of Notaries Public of British Columbia provides a searchable directory of B.C. notaries public online at [www.notaries.bc.ca](http://www.notaries.bc.ca).

The Law Society of British Columbia has information on finding and working with a lawyer at [www.lawsociety.bc.ca](http://www.lawsociety.bc.ca).

### **The lawyer or notary public can help you by:**

- Ensuring that the home is in compliance with the *Homeowner Protection Act* prior to closing the sale, that it is covered by a policy of home warranty insurance or that the owner has been provided with an Owner Builder Disclosure Notice.
- Searching the title to find out if anyone other than the seller has any legal rights to the property or if there are any registered easements or restrictive covenants.
- Preparing the documents to transfer ownership from the seller to you, and arranging for you to sign them.
- Confirming that all payments for which the seller is responsible have been made.
- Ensuring that you have a legal right to any “extras” offered by a developer, such as an extra parking stall.
- Preparing a Statement of Adjustments outlining all monies owed by you and the funds you will need to complete the transaction.
- Delivering the final amount due to the seller and ensuring that you are registered as the owner in the Land Title Office.

## KEY POINTS

- Your lawyer or notary public will help you by searching the title to the home, preparing and reviewing purchase documents, delivering the final amount due to the seller and ensuring that you are registered as the owner in the Land Title Office.
- It's wise to use a lawyer or notary public who specializes in real estate, even if it costs a little more.



*It is wise to use a lawyer or notary public who specializes in real estate, even if it costs a little more.*

# Home Warranty Insurance

## MORE INFORMATION

To find out more about home warranty insurance and how it works, see *Guide to Home Warranty Insurance in British Columbia* from BC Housing. Visit [www.bchousing.org](http://www.bchousing.org).

Purchasing a home is a significant investment, and you want to make sure it is well protected. Home warranty insurance is a limited policy of insurance covering construction defects in a new home. Along with other basic forms of insurance, such as fire and theft insurance, it's designed to give you financial security and peace of mind against risks that you can't control. And the good news is that British Columbia's construction defect protection is the strongest in Canada.

In British Columbia, home warranty insurance is provided by private insurance companies that have been approved by the BC Financial Services Authority and that meet the requirements of the *Homeowner Protection Act*.

## Summary of Coverage

The table below summarizes the home warranty insurance protection that may apply to homes in B.C.

TYPE OF HOME	TYPE OF PROTECTION
New home constructed under a building permit applied for on or after July 1, 1999*	Mandatory third-party home warranty insurance applies, unless there is an exception.
Resale home constructed under a building permit applied for on or after July 1, 1999*	Some or all of any existing 2-5-10 warranty insurance may have expired.
Owner-built home constructed by an owner builder under a building permit applied for on or after July 1, 1999*	Statutory protection applies for the first 10 years after occupancy. Some owner builders also arrange for home warranty insurance. Check Owner Builder Disclosure Notice provided by the seller.
Home constructed under a building permit applied for before July 1, 1999	No home warranty insurance coverage.



For homes built with a building permit issued after November 19, 2007, check BC Housing's online [New Homes Registry](#). The Registry is searchable by legal or civic address, and will tell you whether the home has a policy of home warranty insurance, who the warranty provider is and whether the home was built by an owner builder. If you cannot find the address on the Registry, and the home was built after July 1999, call Licensing and Consumer Services at 604-647-7050 or toll-free at 1-800-407-7757.

Before purchasing a home, know exactly what type of warranty coverage it has. Ask your builder to explain what is and is not covered by the warranty before you make a final decision. You can also speak directly to the warranty provider.

\* Or a home in a geographic area in which building permits are not required, where construction commenced on or after July 1, 1999.

# Home Warranty Insurance

## BUYING A HOME WITH EXISTING HOME WARRANTY INSURANCE COVERAGE



Home warranty insurance stays with the home. If you are buying a home constructed under a building permit that was applied for on or after July 1, 1999, (or a home in a geographic area where building permits are not required, and construction commenced by that date), there are a number of things you should do:

- Find out about the nature and extent of any existing home warranty insurance. For example, find out how much time is remaining in the 2-5-10 policy and who the warranty insurance provider is (some policies may have longer time frames, although the mandatory minimum is 2-5-10).
- Obtain a copy of the warranty insurance documents from the previous owner. If this is not possible, contact the warranty insurance provider.
- Find out if there are any past claims against your policy that are unresolved.
- Find out if there are any specific exclusions listed in your policy.
- Remember that if you are buying a strata titled home there are two warranties, one for the individual unit and one on the common property.

## Types of Protection

### MANDATORY HOME WARRANTY INSURANCE

Mandatory home warranty insurance covers three basic elements of home construction:

- **two years** on labour and materials (some limits apply)
- **five years** on the building envelope (including water penetration), and
- **10 years** on the structure.

The two-year labour and materials provision provides coverage on any defect for:

- 12 months on detached homes and individual strata lots, and
- 15 months on common property of strata projects.

Defects in labour and materials related to delivery and distribution systems (electrical, plumbing, heating, ventilation, air conditioning, etc.) are covered for 24 months in all buildings, including the common property of strata corporations.

The requirement for 2-5-10 warranty insurance cannot be waived by any contract.

### What is a defect?

Defects are defined by the *Homeowner Protection Act* as damages resulting from design, materials and labour that are contrary to the Building Code, or damage that requires repair or replacement due to the negligence of the builder or a person or company working for the builder.

Non-compliance with the Building Code is considered a defect covered by home warranty insurance if the non-compliance constitutes an unreasonable health or safety risk, or if it has resulted in, or is likely to result in, material damage to the new home.

### MORE INFORMATION

To get the most out of your home warranty insurance, make note of each coverage expiry date and make sure you understand the extent and limitations of your coverage.

# Home Warranty Insurance

BC Housing's *Residential Construction Performance Guide* explains how new homes should perform and which defects are covered by home warranty insurance in British Columbia – including possible defects in design, materials or workmanship. Homeowners are using the guide to make more informed decisions and to self-evaluate possible defects. Visit the BC Housing website at [www.bchousing.org](http://www.bchousing.org) to view this free online guide.

## STRATA INFORMATION



### STRATA PROPERTIES

Strata homes have two different types of home warranty insurance coverage:

- one that covers each individual unit, and
- one that covers the common property.

The individual unit owner is responsible for the policy on the unit, and the strata corporation is responsible for the policy on common property. Make sure you know what is covered under the policy for your unit, what is covered under the common property policy and the expiration dates. The strata owners and council need to understand clearly who is responsible for reporting warranty claims, inspections and servicing. If the strata corporation is being represented by the strata manager for claims, ensure the agreement is written into the management contract clearly identifying the expectations and obligations of the manager.

## MORE INFORMATION

For more information on manufactured housing in British Columbia, visit the Manufactured Home Registry at [www.bcregistryservices.gov.bc.ca](http://www.bcregistryservices.gov.bc.ca)

### MOBILE OR MANUFACTURED HOMES

Under the *Homeowner Protection Act*, mobile or manufactured homes constructed and certified by the Canadian Standards Association (specifically CAN/CSA-A277 for factory-built homes and CSA-Z240 for mobile homes) are not required to have home warranty insurance in British Columbia. This exemption does not apply to hybrid homes that are partially constructed under these CSA standards, e.g. a manufactured home with a site-built addition. To protect owners and purchasers, all mobile or manufactured homes must be registered with the Manufactured Home Registry of BC Registries and Online Services.

## What's Excluded

Home warranty insurance does not cover everything in a new home. Warranty providers can exclude any of the following:

- landscaping
- non-residential detached structures (however, parking structures, recreational and amenity facilities in multi-unit buildings are covered)
- commercial use areas
- roads, curbs and lanes (however driveways and walkways are covered)
- site grading and surface drainage, except as required by the Building Code
- the operation of municipal services
- septic tanks and fields
- water quality and quantity.

# Home Warranty Insurance

In addition, some specific defects can be excluded:

- normal wear and tear
- normal shrinkage of materials from construction
- use of the home for non-residential purposes
- materials, labour and design supplied by the owner (check with the original owner if possible)
- damage caused by anyone other than the residential builder
- damage caused by insects or rodents
- failure of an owner to prevent or minimize damage and acts of nature, and
- failure to carry out proper maintenance.

See your policy documents for full details.



## When 2-5-10 Coverage Begins

New home warranty coverage begins on whichever of the following dates comes first:

### **FREEHOLD (PRIMARILY DETACHED) HOMES:**

- Custom-built homes: date of first occupancy, date of first occupancy permit or date the home was completed and ready for occupancy
- Spec homes: date of first occupancy or date of transfer of legal title to first owner

### **STRATA HOMES:**

- Strata lot: date of first occupancy or date of transfer of legal title to first owner
- Common property: date of first-unit occupancy in strata building or date of transfer of legal title to first owner in building

## Documentation

Owners of new homes should get their home warranty insurance documents from the warranty provider shortly after the purchase is completed or first occupancy begins. Review the documents carefully to be sure that you know what is covered, what the expiry dates are and what your responsibilities are. The documents will also tell you what to do in case you need to make a claim on the policy.

Store the documents in a safe place, together with your other documents relating to the home, such as the walk-through inspection report and any other warranties.



# Home Warranty Insurance

## Maintenance Required

In order to not limit your home warranty insurance policy, you must properly maintain the home in accordance with any maintenance information you receive from your builder or warranty provider. If the building is damaged because you didn't maintain it properly, the warranty provider may be able to limit your coverage, if the coverage is contingent on proper maintenance. (The *Strata Property Act* specifically includes this responsibility for strata property owners.) This also includes funding. Is the strata corporation budgeting for annual inspection and maintenance required by the warranty contract?

You can find helpful information about *Maintenance Matters* on the [BC Housing](#) website. This popular bulletin series and companion videos explain the importance of building maintenance and provide tips and checklists for homeowners and stratas.

## If a Problem Arises

If you discover a construction defect that is covered by your home warranty insurance policy, you must inform the warranty provider and the builder in writing within the required time periods. The warranty provider is ultimately responsible to repair any construction defects covered by the home warranty insurance policy within a reasonable time. Keep copies of all correspondence.

The *Homeowner Protection Act* provides for mandatory mediation of disputes between warranty providers and owners who have filed a claim before the expiry date of coverage. This mediation is exercised at the sole discretion of the owner, and the warranty provider is required to participate. If there is no agreement, the mediator will end the mediation. The dispute must then be solved some other way, usually through arbitration or the court system. This mediation is performed independent of BC Housing.



## Manufacturers' Warranties

Many building components come with warranties from the product manufacturer that extend beyond the mandatory home warranty insurance coverage period. For example, flooring, cabinets, windows, plumbing fixtures and fittings often come with a manufacturer's warranty. Ask the builder for copies of any manufacturer's warranties and review the coverage they offer.

## Other Types of Insurance

In addition to your home warranty insurance, consider buying these other types of insurance.

- Property insurance insures your home and possessions against fire, earthquake or theft. It also insures you against liability for accidents that happen to others while on your property. Ensure that coverage begins on your occupancy date. This type of insurance is required for strata owners, and is often required by lenders for owners of



# Home Warranty Insurance

freehold properties. Strata corporations must insure common property and common assets for full replacement value. There is no provision for lower coverage in the *Strata Property Act*.

- Mortgage life insurance pays off your mortgage if you die before the mortgage is fully paid. It is optional.

## KEY POINTS

- In British Columbia, all new homes must have a policy of home warranty insurance, unless an exemption applies such as owner-built homes.
- Home warranty insurance stays with the home.
- Home warranty insurance does not cover all aspects of the new home, so read your policy documents carefully to see what is and is not included.
- In order not to limit your home warranty insurance policy, you must properly maintain the home.
- If you discover a construction defect that is covered by your home warranty insurance policy, you must inform the warranty provider and the builder in writing within the required time periods.
- The *Homeowner Protection Act* provides for mandatory mediation to resolve residential construction disputes between warranty providers and owners. This mediation is performed independently from BC Housing.



*Ask the builder for copies of any manufacturer's warranties and review the coverage they offer.*

# Home Buyer Checklist

Buying a new home can be a rewarding experience. Use this checklist as you go through the buying process.

- I made a list of my household's needs and wants to guide my search for a home.
- I made a realistic budget for my home purchase, including the down payment, mortgage, closing costs and moving costs.
- I have engaged my own real estate salesperson.
- I checked out the builder, including licensing with BC Housing, past references and professional organization affiliations.
- For a custom-built home, I received a written contract that lists all aspects of the work to be done, the work schedule and all costs; and ensured that the contract includes coverage for new home warranty insurance. I have reviewed the contract with my lawyer.
- For any home purchase, I received a written contract that details exactly what I am buying, what the price is and when payment is due.
- I have considered the option of having the home inspected by a home inspector or engineer.
- For a strata property, I received and read the by-laws, rules, meeting minutes, and any other pertinent information (Form B Information Certificate) before making an offer to purchase, and have received and read a copy of the depreciation report.
- For a resale home, I determined how much time, if any, is left in the home warranty insurance coverage.
- For a brand new home, I verified that home warranty insurance is in place, who the warranty provider is and the expiry dates.
- For a strata property that required building envelope renovations, I confirmed if the renovations were done by a Licensed Building Envelope Renovator and if building envelope warranty insurance is in place.
- I reviewed the contract documents and Disclosure Statement.
- I had a lawyer review any documents (including the offer to purchase) before signing them.
- I made myself familiar with what is covered in my home warranty insurance policy and what I must do to keep the warranty in force.
- For a strata property, I determined home warranty insurance expiry dates for common property and the individual unit.
- For owner-built homes, I got a copy of the Owner Builder Disclosure Notice.
- I kept copies of all correspondence related to my home warranty insurance and any claims I have made.



# Glossary

Note: *The Homeowner Protection Act* defines many of these terms in more precise language. Refer to the *Act* for specific definitions.

**APPRAISAL** – an estimate of the market value of a property

**BUILDER** – a person or company who builds, arranges for or manages the construction of a new home, including a developer and a general contractor, but not a subcontractor or tradesperson

**BUILDING ENVELOPE** – the components that separate the indoors from the outdoors, including the exterior walls, foundation, roof, windows and doors

**BUILDING PERMIT** – a certificate that must be obtained from the municipality or regional district by the property owner or contractor before a building may be erected or repaired

**CLOSING COSTS** – the costs, in addition to the purchase price of the home, that are payable on the closing date

**CLOSING DATE** – the date on which the sale of a property becomes final and the new owner takes possession

**COOPERATIVE** – a form of ownership in which the owner owns a share in a company or cooperative venture which, in turn, owns a property containing a number of housing units

**CUSTOM HOME** – a home that is designed and built to the buyer's specifications

**DEED** – a legal document that transfers ownership to the purchaser and is registered as evidence of ownership

**DEPOSIT** – money placed in trust by the purchaser when an offer to purchase is made

**DEPRECIATION REPORT** – a legislated planning requirement in British Columbia; used to establish long-term planning for common property and assets

**DOWN PAYMENT** – the portion of the house price that the buyer must pay up-front before securing a mortgage; generally 5% to 25% of the purchase price

**FACTORY BUILT HOME** – a home which is governed by or required to be certified under CSA standard CAN/CSA-A277

**FREEHOLD** – a form of ownership that gives the owner full use and control of the land and buildings on it for an indefinite period of time

**HOMEOWNER** – someone who buys a home, or contracts with a builder to construct a new home

**HOME WARRANTY INSURANCE** – a contract of insurance covering defects in the construction of a new home and consequential losses or costs incurred by the owner

**LEASEHOLD** – a form of ownership that gives the owner the right to use a property for a defined period of time

**LICENSED BUILDING ENVELOPE RENOVATOR** – a repair contractor who is licensed by BC Housing to perform building envelope renovations



# Glossary

**LICENSED RESIDENTIAL BUILDER** – a builder who is licensed by BC Housing to build new homes

**MANUFACTURED HOME** – a factory-built home or a mobile home

**MOBILE HOME** – a home which is governed by or required to be certified under CSA standard CSA-Z240

**MORTGAGE** – security for a loan on the property the buyer owns

**NEW HOME** – a building that is newly constructed for residential occupancy, including a multiple residence or the common property of a strata corporation

**NON-STRATA** – a form of housing ownership in which the buyer has full ownership and responsibility for the building(s) and land

**OFFER TO PURCHASE** – a written contract setting out the terms under which the buyer agrees to buy; if signed by both the buyer and the seller, it becomes a legally binding document

**OWNER BUILDER** – an individual who is exempt from the *Homeowner Protection Act's* licensing and home warranty insurance requirements in order to build a detached or single self-contained dwelling unit for personal use

**PRE-SALE HOME** – a home that is planned or under construction, for which a contract may be signed between a buyer and builder or developer

**RESALE HOME** – a home that has been previously owned and occupied, and that is being sold to a new buyer

**SPEC HOME** – a home that is built on speculation by the builder without a specific buyer

**STATUTORY PROTECTION** – a new home warranty imposed under the *Homeowner Protection Act* on all homes not otherwise covered by a policy of home warranty insurance

**STRATA** – a form of housing ownership in which the buyer owns an individual unit as well as a share of common property with other owners

**SUBJECT CLAUSE** – a condition that must be met before the sale of a home can be finalized; it forms part of the offer to purchase

**TITLE** – the right to use land and buildings under certain conditions, depending on the type of ownership, and registered with the Land Title Registry

**WARRANTY PROVIDER** – a person or company that provides warranty insurance and is authorized under the *Financial Institutions Act* to carry on insurance business



# Additional Resources

## **Applied Science Technologists and Technicians of BC – Property Inspectors (ASTTBC-PI)**

10767 - 148<sup>th</sup> Street  
Surrey, BC V3R 0S4  
Tel: 604-585-2788  
[www.asttbcpi.org](http://www.asttbcpi.org)

## **British Columbia Real Estate Association (BCREA)**

1420 - 701 Georgia Street West  
PO Box 10123, Pacific Centre  
Vancouver, BC V7Y 1C6  
Tel: 604-683-7702  
[www.bcrea.bc.ca](http://www.bcrea.bc.ca)

## **Building Officials' Association of British Columbia (BOABC)**

Suite 205 - 3740 Chatham Street  
Richmond, BC V7E 2Z3  
Tel: 604-270-9516  
[www.boabc.org](http://www.boabc.org)

## **Canadian Association of Home and Property Inspectors of British Columbia (CAHPI-BC)**

#5 - 3304 Appaloosa Road  
Kelowna, BC V1V 2W5  
Tel: 250-491-3979 (outside B.C.)  
Toll-free: 1-800-610-5665

## **Canadian Bar Association, British Columbia Branch**

10<sup>th</sup> Floor, 845 Cambie Street  
Vancouver, BC V6B 5T3  
Tel: 604-687-3404  
Toll-free: 1-888-687-3404  
[www.cba.org](http://www.cba.org)

## **Canadian Home Builders' Association of British Columbia (CHBA BC)**

400 - 6400 Roberts Street Burnaby,  
B.C. V5G 4C9  
Tel: 604-432-7112  
Toll-Free: 1-800-933-6777  
Email: [info@chbabc.org](mailto:info@chbabc.org)  
[www.chbabc.org](http://www.chbabc.org)

## **Canada Mortgage and Housing Corporation (CMHC) BC & Yukon Regional Business Centre**

20<sup>th</sup> Floor, 1111 West Georgia Street  
Vancouver, BC V6E 4S4  
Tel: 604-731-5733  
Toll-free: 1-800-309-3388  
[www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)

## **Condominium Home Owners' Association (CHOA)**

Suite 202 - 624 Columbia Street  
New Westminster, BC V3M 1A5  
Tel: 604-584-2462  
Toll-free: 1-877-353-2462  
[www.choa.bc.ca](http://www.choa.bc.ca)

## **Financial Consumer Agency of Canada**

427 Laurier Avenue West, 6<sup>th</sup> Floor  
Ottawa, ON K1R 1B9  
Tel: 1-866-461-3222  
[www.fcac.gc.ca](http://www.fcac.gc.ca)

## **BC Financial Services Authority (BCFSA)**

Suite 2800 - 555 West Hastings Street  
Vancouver, BC V6B 4N6  
Tel: 604-660-3555  
Toll-free: 1-866-206-3030  
[www.bcfsa.ca](http://www.bcfsa.ca)

## **Government of British Columbia, Building and Safety Standards Branch**

Office of Housing and Construction Standards  
PO Box 9844, Stn. Prov. Govt.  
Victoria BC V8W 9T2  
Tel: 250-387-3133  
[www.housing.gov.bc.ca](http://www.housing.gov.bc.ca)

## **Homebuilders Association Vancouver (HAVAN)**

Suite 1011 - 7445 132 Street  
Surrey, BC V3W 1J8  
Tel: 778-565-4288  
[www.havan.ca](http://www.havan.ca)

# Additional Resources

## **Licensing and Consumer Services Branch of BC Housing**

203 - 4555 Kingsway  
Burnaby, BC V5H 4T8  
Tel: 604-646-7050  
Toll-free: 1-800-407-7757  
[www.bchousing.org](http://www.bchousing.org)

## **Insurance Council of British Columbia**

Suite 300 - 1040 West Georgia Street  
P.O. Box 7  
Vancouver, BC V6E 4H1  
Tel: 604-688-0321  
Toll-free: 1-877-688-0321  
[www.insurancecouncilofbc.com](http://www.insurancecouncilofbc.com)

## **Law Society of British Columbia**

845 Cambie Street  
Vancouver, BC V6B 4Z9  
Tel: 604-669-2533  
Toll-free: 1-800-903-5300  
[www.lawsociety.bc.ca](http://www.lawsociety.bc.ca)

## **Manufactured Home Registry BC Registry Services**

PO Box 9431, Stn. Prov. Govt.  
Victoria, BC V8W 9V3  
Tel: 250-387-7848  
Toll-free: 1-877-526-1526  
[www.bcregistryservices.gov.bc.ca](http://www.bcregistryservices.gov.bc.ca)

## **Real Estate Council of British Columbia (RECBC)**

900 - 750 West Pender Street  
Vancouver, BC V6C 2T8  
Tel: 604-683-9664  
Toll-free: 1-877-683-9664  
[www.recbc.ca](http://www.recbc.ca)

## **Society of Notaries Public of British Columbia**

1220 - 625 Howe Street, Box 44  
Vancouver, BC V6C 2T6  
Tel: 604-681-4516  
Toll-free: 1-800-663-0343  
[www.notaries.bc.ca](http://www.notaries.bc.ca)

## **Urban Development Institute (UDI)**

Suite 200 - 602 West Hastings Street  
Vancouver, BC V6B 1P2  
Tel: 604-669-9585  
[www.udi.bc.ca](http://www.udi.bc.ca)

## **Vancouver Island Strata Owners Association**

Box 601  
185 - 911 Yates Street  
Victoria, BC V8V 4Y9  
Tel: 250-920-0222  
Toll-free: 1-877-338-4762  
[www.visoa.bc.ca](http://www.visoa.bc.ca)



Licensing and Consumer Services  
Branch of BC Housing  
[www.bchousing.org](http://www.bchousing.org)  
Email: [licensinginfo@bchousing.org](mailto:licensinginfo@bchousing.org)

203 – 4555 Kingsway  
Burnaby, BC V5H 4T8  
Telephone: 604-646-7050  
Toll-free: 1-800-407-7757

