

2016 AREA Purchase Contract Revisions

Backgrounder: New Financing Schedule – When and How to Use It

When is the Financing Schedule needed?

The Financing Schedule is used when a portion of the purchase price is being paid by seller financing, mortgage assumption, or other value. The schedule can be used with the residential, condominium and country residential purchase contracts.

To use the schedule, indicate that it is attached and part of the purchase contract by checking the appropriate box in Section 9 (Attachments and Additional Terms). Complete the schedule based on the applicable terms of the deal:

- Seller Financing (where the seller is providing the buyer with financing) - this condition requires the seller and buyer to seek qualified mortgage advice to structure terms of the seller provided financing. A date and time is established in 1.1(a) by which mutual agreement on these terms must be reached.
- Mortgage Assumption (where the buyer is assuming the seller's mortgage) – this condition has 3 elements:
 - i. Mortgage Details (1.1(b)(i)) – here, the seller makes warranties about their mortgage. Inapplicable warranties can be struck. For warranties 7-9, the seller will clarify the statement from the options given. For example, in 7, if the mortgage payments include taxes, the seller would select “include”. If taxes are not included, “do not include” would be appropriate.
 - ii. Condition Day (1.1(b)(ii)) – here, the buyer and seller establish a time and date by which the lender must provide confirmation that the buyer can assume the mortgage. Since the confirmation is at the lender's discretion, the seller and buyer should leave enough time for this to occur.
 - iii. Seller Warning (1.1(iii)) – this clause indicates to the seller that if their mortgage is default insured (i.e. CMHC or other mortgage loan insurers), there are certain liability issues that the seller must consider. Consultation with the seller's lawyer and mortgage company is recommended.
- Other Value (where the buyer is providing certain items to the seller as part of the purchase price) - Relevant details of items such as equipment, vehicles, etc. are recorded here (2.1). The value of the item is especially important for the parties to reach agreement on as it will be used towards payment of the purchase price.