Be informed, be wise

How does a “cooling off really work”

A “cooling off” gives the buyer chance to back out within a time frame. If the buyers back out within that time, the buyers need to give to the vendor 0.25 % of the sales price

Is this a good idea to have a cooling off? The idea was meant that in case a buyer makes a mistake because he or she was pressured into buying, then he or she can pull out.

Why the cooling off is problematic?

It makes the bank lazy to do their work. Banks will take up to 15 days to do their work before they give you a final approval. But the contract only allows for a 5 business day! You can ask the vendor for an extension of the cooling off, but this is often will be declined.

You then have no choice but to rescind (cancel) the contract.

Another problem is that the salesman or the vendor will ask you to waive the cooling off. This is known as giving a “section66w certificate”. This is another ridiculous rule designed to make it more pressurising for the buyer.

You have no control over how fast the bank will give you a loan approval and at the same time, the salesman asking you to waive the cooling off. If you refuse, they often will threaten to sell it to another person.

Cooling off can be manipulated

The salesman does the exchange of the contract and he or she has 3 days to deliver the contract to the buyer’s conveyancer!

What is exchange?

At exchange, that is when it is binding. That is there is agreement that the vendor agrees to sell and that the buyer agrees to buy.

The facts:

There are 2 identical contracts. One is the photocopy of the other. The agent will receive the contract from there conveyancer. He or she will make 2 copies.

The steps:

Step 1: The agent will get the buyer to sign one contract

Step 2: The agent then collect an initial deposit of 0.25% from the buyer

Step 3: the agent then get the vendor to sign the 2nd contract

Step 4: the agent then dates both contracts

At the moment the contracts are dated, that is when exchange begins. It is now legally binding on both the seller and buyer.

Why is it confusing?

It can be confusing because of the 2 identical contracts. We are so used to 1 contract and not two.

Who has control over the exchange process?

The agent

Is there a problem with the exchange process?

Here is a scenario:

Let’s say the agent was dishonest or cunning. Instead of making 2 copies, he makes 10 copies!

An honest and ethic agent will only accept 1 buyer.

But an unethical agent can take up to 3 buyers or more buyers in a very short space of time. The agent then just picks the highest offer and then rejects the rest.

This happens often!

How to minimise this problem? Insist on meeting the vendor and let the vendor sign at the same time as you.