

# Smart home shoppers look for the warranty

It's a strange twist of human nature that makes many people put more care into shopping for a car than for a home. That's especially true when it comes to warranties.

After all, most wise car-shoppers are quick to ask about the warranty on their prospective purchase: How long does the power train warranty last? How long does the initial blanket warranty last? What is covered, exactly?

There is more to a car deal than turbochargers and leather seats, and there is more to a house deal than whether the place has hardwood floors and a solarium. Many people are tempted to buy a used car, or a used home, because they think it's a better deal. And the home, like the car, may in fact be a better deal if you buy it new for the same reason: It comes with a warranty.

There are the thoughts of Barry Rose, President of the Ontario New Home Warranty Program, when discussing new homes versus resale homes.

"Not enough people know about the Warranty Program, and what it means to them," adds Rose.

He is referring to the mandatory new home warranties which come with every new home sold in Ontario. It's the law, and Ontarians are lucky to have it. This province has the only mandatory new home warranty plan in Canada, and one of just a handful in the entire world.

Mr. Rose is nobody's house-saleman, but as president of the corporation whose job it is to protect the home buyer's interests, he has some powerful reasons to recommend a new home over a used one.

The Ontario New Home Warranties Plan Act lays out specific warranty rights for new home buyers, and names the Ontario New Home Warranty Program as the inde-

pendent corporation that administers the Act.

Since its inception on January 1, 1977, the program has evolved considerably. It has provided warranty protection for over 500,000 new homes, and is entirely self-funding; it costs the taxpayers nothing.

The program's money comes from the fees builders are required to pay to register with the program and to enrol each new home they construct. Over the last 12 years, ONHWP has paid out better than \$48 million in claims to home purchasers.

Its board of directors includes industry people, representatives of mortgage lenders, the government, and the Consumer's Association of Canada. And the protection offered consumers is considerable:

- A buyer's initial deposit on the new-home is protected to a maximum of \$20,000. If the builder cannot or will not complete the sale for reasons that aren't the buyer's fault, the buyer gets the deposit back, and may even claim damages.

- The Act covers incomplete work. Once you have title to a new home and are living in it, the program will compensate you for incomplete work — as long as the items were specified in your contract with the builder — up to 2 per cent of the home's price, or \$5,000, whichever is more.

- The new home buyer is protected against delayed closing and substitutions. The builder cannot delay the closing without giving the buyer proper notice, and cannot substitute key elements in the house if the contract with the buyer said the buyer gets to choose these things.

Once you close your deal and move in, the warranties start running:

- The builder is responsible for an initial

one year warranty against any original defects in manufacture or workmanship, or infractions of the Ontario Building Code.

- The builder warrants the foundation against cracks that leak water from the outside of the house to the basement, for two years.

- From the time the builder's one-year warranty expires until the end of five years from the time you close the deal, the Warranty Program covers the home against Major Structural Defects, which are defined as defects that weaken the building's structure so that it isn't safe to use it as a home.

The total value of all your warranty coverage goes to a maximum of \$100,000, more than enough to cover any foreseeable problems.

"The balance of these warranties can be transferred to a new owner if you sell the house before they're expired," says Mr. Rose.

"But anytime you buy a resale home, you're definitely getting less than the full measure of warranty coverage. How much less depends on how old the home is. If it's reasonably new, your warranties are reasonably whole. If the house is older than five years, you're on your own."

Homes are expensive enough without unforeseen major fix-ups. In addition, Rose also points out that people on the lookout for a new home can still avoid the dreaded Goods and Services Tax, which is scheduled to take effect Jan. 1, 1991.

"Anyone who signs a deal that closes before that date, does not have to pay the GST," Mr. Rose points out.

## Lots of changes

### GST hits buyers and sellers

By JAMIE JOHNSTON

The upcoming GST on new homes in 1991 will affect the real estate market, that's for sure. However, a fact most people have missed up to now is that the GST will also be imposed on most of the support services related to the sale of any home, whether it's new or a resale.

Taxation of the support services involved in a real estate transaction will result in increased costs not only to the buyer, but now there may also be increased costs to the seller.

Services such as lawyers' fees, appraisals, surveys and home inspections will all be subject to an additional 7 per cent in tax next year.

Even the real estate commission will be subject to the GST. Don't expect agents to be able to absorb this tax. Even

if they imply they can absorb it in actual fact they must remit 7 per cent of whatever they collect to the government.

As well, these professionals must pay 7 per cent on almost everything they purchase. So, they have no choice.

These tax changes will have some major implications for anyone contemplating a move in 1991. Cost comparisons between new and resale homes will take a whole new perspective in 1991. The addition of up to 7 per cent tax on a new home's price could make a similar resale home that's just a few years old a better buy.

If you are considering either buying or selling a home soon, it makes good sense to review your situation to see if you can save money by getting a 1990 closing date.

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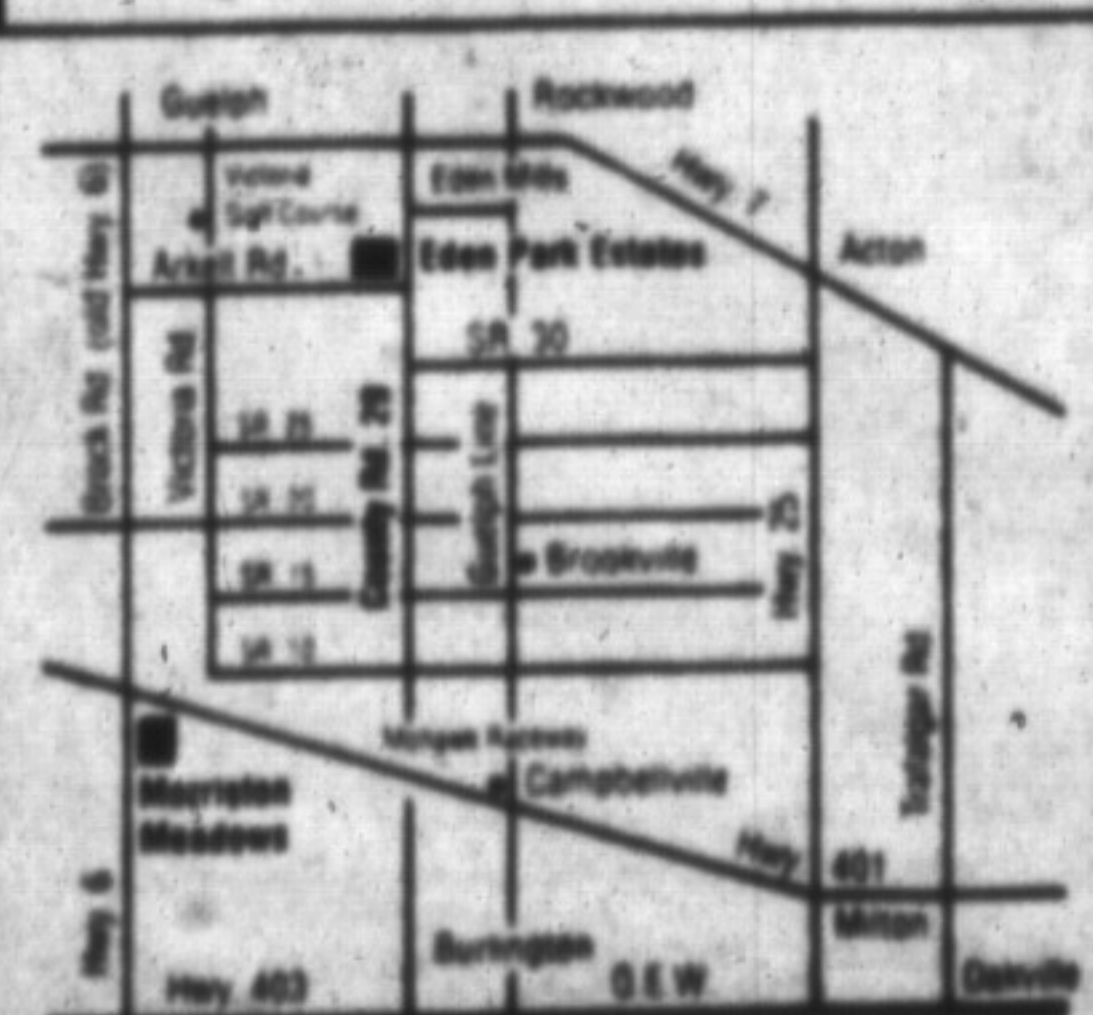
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