

Registrar Bulletin No. 10CH

Enrolment Process for Contract Homes

Effective Date: February 1, 2021



What this Bulletin is About

Overview

This document summarizes the process for licensed vendors and builders to apply to Tarion to enter into a contract to build contract homes.

Contract Homes Definition

A contract home occurs when a builder contracts with a landowner (Owner) to build a new home on the Owner's land. The builder of a contract home is a "builder" under the *Ontario New Home Warranties Plan Act* and regulations (ONHWP Act) and is also the "vendor" of the home. The builder is therefore responsible for the statutory warranties and protections available to the Owner under the ONHWP Act.

Contract Homes

It is a provincial offence for you to enter into a contract with an owner to build a home without first obtaining a licence from the Home Construction Regulatory Authority (the HCRA); and without first applying to Tarion and receiving enrolment confirmation for the contract homes you anticipate building in the year.

In addition, you must accept and agree to fulfill all the Tarion terms and conditions, as they may apply, related to any homes before you can enter into contracts to build them.

The enrolment process is described below.

1. Obtain your licence from Home Construction Regulatory Authority

You must first make sure that you are **licensed** by the **Home Construction Regulatory Authority** both as a vendor and a builder.

2. Apply to Tarion for an approval to build contract homes (Contract Home Enrolment Confirmation)

After you have obtained your licence, you must apply to Tarion for confirmation of the enrolment for the number of contract homes you estimate that you will build over the next 12 months. We recommend that you do so at or near the time that you receive your Licence from the Home Construction Regulatory Authority, or at or near the time of your License renewal). Apply using an **Application for Enrolment Confirmation** to Tarion. The application can be completed through **BuilderLink**.

To apply you must provide information about your organization and what you plan on building in the next 12 months including:

- The estimated number of contract homes you propose to build;
- Particulars of the type of contract homes you are planning and estimated sales price ranges;
- Financial documentation and other business information about your organization to support your capacity to perform the construction contracts, and sell homes and provide after-sales service;
- Financial support provided to you by way of third party indemnitors (if applicable); and

- other additional information reasonably requested by Tarion to help to develop a risk and underwriting assessment for the work you are proposing.

As part of your application you will be required to submit to Tarion a Vendor & Builder Agreement.

You may also be required to provide a copy of the form of construction contract you propose to use.

*Note: we understand that you may not build the number of homes that you propose initially. It is also possible that you may have want to build more than you originally submitted. If you wish to build more homes than initially approved, contact us when you are aware of the change, and then we can work with you to determine what will be possible, and review and adjust your risk assessment and your enrolment confirmations as needed.

3. Obtain your approval to agree to Build the Contract Homes (obtain your Enrolment Confirmation)

You must have received enrolment confirmation from Tarion for your homes before you can enter into a construction contract or start construction.

Tarion will assess your **Application for Enrolment Confirmation** and give you a written response outlining the terms and conditions that will apply for the issuance of an **Enrolment Confirmation** for the home(s) you have proposed.

The terms and conditions will also set out:

1. The requirement to pay applicable enrolment fees to Tarion prior to commencing construction on a home;
2. The requirement to update the address details of the homes when you have that information;
3. What amount, form and terms of any security that may apply to you in relation to your proposed construction.

After you have signed the Vendor Builder Agreement, and agreed to the terms and conditions, Tarion will provide you with an

Enrolment Confirmation for the contract homes you have proposed to build in the year.

You may now enter into a construction contract during the 12 month period for up to the number of homes set out in the Enrolment Confirmation.

For each home you will build you must ensure that you meet the terms and conditions which will include:

- Notifying Tarion before you commence construction
- Paying the applicable enrolment fee and regulatory fees at the specified time;
- Updating the enrolment specifics for the home including the updated purchase and sale price, and the municipal address.

All of the above can be done using **BuilderLink**.

Ongoing Review by Tarion

Tarion will review your terms and conditions, financial situation, licensing status, and the status of your construction and warranty service record, on an ongoing basis, including annually; and may request changes to your terms and conditions on an ongoing basis to reasonably reflect any changes to your risk assessment.

Any proposed changes will be set out and explained to you in writing in a terms and conditions letter.

In extraordinary cases, or if it is in the public interest to do so, or if the nature of the construction ceases to meet the definition of home under the ONHWP Act, Tarion may revoke your approval to enter into contracts for contract homes. This would be done by way of a Notice of Proposal to refuse or revoke, and you would have appeal rights as described below.

A failure to abide by your terms and conditions may result in sanctions from Tarion, a refusal to approve further homes for sale, a revocation of approvals already given, and may result in a request to Home Construction Regulatory Authority to take action on your licence to sell and build homes.

Dispute Resolution

If you disagree with the terms and conditions proposed by Tarion, or wish to dispute a refusal or revocation of an authorization to enter contracts, the first step is to try to work the issues out with Tarion. We will explain the basis for the terms and conditions and will work with you to try to resolve the concerns you may have. For example, if the issue relates to a lack of equity, it may be that terms can be adjusted if you are able to provide additional financial information, bring in a third party guarantor to support your financial application, or reduce the number of homes you are proposing to agree to build.

If you are unable to resolve your dispute, you can appeal the terms and conditions to the Licence Appeal Tribunal (Tribunal). An appeal must be filed within 15 days of receiving Tarion's decision to propose terms and conditions or refuse the application.

Questions

If you have any questions about this process, you can contact the Underwriting department at 1-877-696-6497, extension 3001, or email us at Underwriting@tarion.com.

Registrar

“Peter Balasubramanian”