



# BUILDER BULLETIN 37

WARRANTY COVERAGE ON LEASE TO OWN HOMES  
Effective: September 15, 1996

## Background

Vendors and purchasers of new homes have entered from time to time into lease to own agreements which satisfy the requirements of mortgage insurers and make home ownership available to more and more individuals. The Ontario New Home Warranty Program (ONHWP) has examined these agreements and determined that subject to certain provisions these homes qualify for warranty protection and must be enrolled.

## Lease to Own Agreements

Where a lease to own agreement is determined to be a bona fide agreement of purchase and sale, the freehold home or condominium unit is subject to warranty coverage and must be enrolled at the time of construction by its vendor. To be a bona fide agreement of purchase and sale the lease to own agreement would include the following:

- state the total purchase price
- detail the terms of the lease portion of the agreement (e.g., the lease payment, the future value of the accrued down payment, and when the sale transaction closes and title transfers to the lessee)
- contain no provision for the lessee to opt out of the purchase of the unit
- contain no uncertain or ambiguous terms

The lessee is a person or persons who has entered into a lease to own agreement, has occupied the unit, but has not yet purchased or taken title to the unit.

Warranty coverage begins on the date of possession which is the date on which the home is completed for possession as specified in the Certificate of Completion and Possession (CCP). In the case of a lease to own agreement, it is the date that the unit is first occupied by the lessee.

Warranty issues will be dealt with in the same way as any home or unit obtained through a standard agreement of purchase and sale. Complaints to ONHWP will be referred to the builder/vendor as always. If the lessee and the builder/vendor cannot resolve the dispute ONHWP may conciliate. However, if the builder/vendor will not or cannot address any warranted complaints ONHWP will not satisfy the claim until the lessee becomes the owner.

Condominium common element warranty issues in a project where some units were obtained through lease to own agreements shall be handled as if all units were obtained through standard agreements of purchase and sale to promote a fair balance between unit owners and buyers and condominium corporations.

### For More Information

If you have any questions regarding the enrolment and warranty coverage for lease to own homes please contact the ONHWP Office in your area.

Issue Date: September 3, 1996