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March 2016

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Welcome to the March issue of the *Real Estate Journal*, which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

You know what they say, “March comes in like a lion, and goes out like a lamb”, or is it the other way around? Anyway, this month’s edition takes a look into the shadows of the media fabricated mortgage and real estate underworld, as well as five smart technologies that your future self can’t live without!

Thanks again for your continued support and referrals!

## In This Issue

**Shadow Lending,  
 Shadow Flipping,  
 Shadow Protection.  
 Oh My!**

**5 Smart Technologies  
 That Your  
 Future Self  
 Can’t Live Without**

**About  
 Royal LePage**

**DID YOU KNOW...**

Theodor Seuss Geisel, better known as Dr. Seuss, was born March 2nd, 1904. In order to celebrate what would be his 112th birthday tomorrow, here is a collection of some of his quotes!

- A person's a person, no matter how small.
- Sometimes the questions are complicated and the answers are simple.
- Be who you are and say what you feel, because those who mind don't matter and those who matter don't mind.



**Shadow Lending,  
 Shadow Flipping,  
 Shadow Protection.  
 Oh My!**

**O**ver the last few years, the media has done a great job of telling wild stories

listed yet again at \$6.58M. An assignment clause was used and the executed transaction was completely legal.

- Why fit in when you were born to stand out?
- Today is your day! Your mountain is waiting. So get on your way.

about how so-called shadow lenders are seducing Canadians with bad loans, only to foreclose and steal their houses. The term shadow evokes all the right imagery, the back alley deal, thugs with pipe wrenches, extortion, and envelopes full of money. But, taking their imaginations one step further, more recently we've been introduced to an entirely new kind of evil, that of shadow flipping.

I guess we can't get too upset with the media. After all, it's not like they are going to let the facts get in the way of a good story. Truth is, mortgages aren't all that exciting, so when in doubt, sensationalize!

Let's shed some light on the reality of shadow lending and shadow flipping and expose them for what they really are. I apologize in advance for this turning out like Al Capone's vault if we find nothing in the shadows actually worth talking about!

### **Alternative Lending (Shadow Lending)**

The term shadow lending (or shadow banking) is actually quite vague, it usually describes the practice of private lending, as well as any lending done outside the walls of a traditional bank. So, if your parents loaned you \$50,000 for a down payment, they are shadow lenders. Thanks for the shadow loan mom!

[The Bank of Canada states](#): "Shadow banking refers to a set of activities, outside the formal banking system, that carry out similar functions to those performed by banks." The release goes on to say that "while the term "shadow banking" tends to suggest something secretive or illicit... on the whole, shadow banking serves a useful purpose."

And that useful purpose is choice of mortgage products for consumers!

Having more choices is one of the major benefits of working with a mortgage broker. As it becomes more difficult to secure traditional mortgage financing due to government intervention, the alternative lending space is stepping up and creating solutions for clients who would otherwise be turned away from homeownership.

"I had no idea our house was going to be resold. We were shocked when it was flipped." the original owner states.

This just opens the "what if?" game. Sure it seems terrible that they "lost" out on a cool million (and of course this is the main focus of the story), but what if the market took a nosedive instead? Let's say three months down the road the property loses value and is now only worth \$4.2M instead, would the seller be obligated to reimburse the buyer the difference? Of course not. After all, "they had a deal".

Well, what is an assignment clause anyway? In a hot market, such as the one right now in Vancouver, buyers can try to include an assignment clause in a purchase contract where they can assign their rights in the contract of purchase and sell to another party. This allows the buyer to re-sell the property at a higher price before the completion date.

So, what is shadow flipping exactly? I guess it's when a seller agrees to sell their home at a certain price to a buyer, agrees to include an assignment clause in the contract, and the buyer uses the assignment clause to re-sell the property at a higher price before actually taking possession of the property, pocketing the difference.

Now that doesn't sound back alley, it actually sounds quite boring.

Now, just to make it crystal clear, for our purposes here, we are simply talking about the execution of an assignment clause as shadow flipping. We are certainly not endorsing or minimizing any potential breach of fiduciary duty.

### **Shadow Protection**

But how do you protect yourself from falling victim to shadow lending and shadow flipping (if in fact you can fall victim to them at all)? Actually quite easily. First of all, don't buy the media hype!

After that, if you don't understand the terms of a mortgage, ask questions. Then, if you still don't understand, ask

Simply put, while the banks continue to narrow their qualifications, alternative lenders are filling the void and creating products priced based on risk. Sure, these products might come at a higher rate than a traditional mortgage, but ask yourself, if the bank turned you down for a mortgage for whatever reason, wouldn't you want to at least be able to consider more options?

### Assignment Clauses (Shadow Flipping)

In a piece of investigative journalism entitled "[The real estate technique fuelling Vancouver's housing market](#)" we are introduced to the concept of shadow flipping. The article starts with four very important words: "They had a deal." The story goes on to how a family sold their house for \$5.2M, only to find it sold again three months later for \$6.2M and then

more questions. At that point, if you still don't understand, seek legal counsel. And if you don't like the terms of the mortgage presented to you, simply don't sign.

Ultimately, no one is forcing you to sign mortgage documents.

If you are worried about being taken advantage of on a real estate contract, and the idea of someone flipping your house in the shadows upsets you, simply don't accept any offer that includes an assignment clause. It's just that easy!

At the end of the day, you should always seek professional advice and make informed decisions. It's your money and your property, you have every right to spend it, or not, sell it, or not, how you see fit.

## 5 Smart Technologies That Your Future Self Can't Live Without



**J**ust like the smartphone revolution of the 2000s, smart home technology is on track to take over our lives in the very near future. So, in the interest of giving you a head start, here are five pieces of smart technology that you'll most likely come to covet, crave, and eventually need, on a daily basis:

### The Doorbell Camera

There's nothing quite like being able to see who's just arrived at your front door, from the comfort of your couch, downstairs in your rec room. If it's your nosy neighbour, you can stay put. If it's that tasty pizza you've been waiting for, you'll be at the door in a matter of seconds. Either way, you'll be happy that you had this little piece of tech sweetness installed.

personalized plan for heating your home. Gone between 9 and 5, every day? This engineering marvel will pick up on that fact, and will adjust the heat accordingly. Like it warm in the morning and cool in the evening? Same deal.

Specs:

\*It saves your money. What more do you need to know?

### Amazon Echo

What is it? The Amazon Echo is a voice controlled mechanism in the form of a small black cylinder that sits comfortably on your shelf or coffee table. With your voice as its guide, it can (and does) play audiobooks or music, checks the weather, answers your questions, and gives you relevant information on demand (again, provided there is an available internet connection). It also has the ability to tap into many smart

**Specs**

- \*Two-way talk
- \*Custom smartphone/tablet alerts
- \*Motion detection
- \*Night vision
- \*180 degrees of smart doorbell vision

**The “Ping” Camera**

Is it spying? Maybe. Is it cool and convenient? Absolutely. If you’re the type that enjoys keeping tabs on your home, office, beachfront property or backyard treehouse, even when you’re not physically on site, this technology might be for you. These cameras allow you to check on various locations, all from the palm of your hand (via a smartphone or tablet). So if your child is vegging on the couch and he or she should be raking the yard, you can let them know the inconvenient truth with the simple touch of a button.

**Specs**

- \*Two-way talk (some models)
- \*Night vision capability
- \*Live 1080HD-streaming video
- \*Custom alerts
- \*Ability to watch multiple locations on one screen

**Nest Learning Thermostat**

Are you “pro” or “con” about saving money on energy? If “pro”, check out the Nest Learning Thermostat. This is not your grandpa’s rig. It actually learns your schedule and patterns, and “after a few days”, it begins to set up a

home security systems, for easy, hands-free access.

This thing seriously does everything except buy and bag the groceries. While it doesn’t ship to Canada (yet), the belief is that will soon change.

**Specs:**

- \*Lightweight (26.9 oz.)
  - \*2.5 inch woofer\*2.0 inch tweeter
  - \*Bluetooth capability (obviously)
  - \*Totally awesome
  - \*6 foot power cable
- (This might be the only drawback. The short cable will be annoying for some)

**The (Samsung) Fridge to End All Fridges**

At the onset of 2016, Samsung took its fridge game to the next level by introducing The Family Hub Refrigerator. What does it do, other than keep your food cool/frozen, you ask? Well, it gives you direct access into your fridge via your smartphone and well placed cameras. Forgot if you have broccoli left? You’ll know what needs to be picked up at the grocery store. It identifies certain foods that need to be replenished (and alerts you). It tracks product expiration dates in order to cut down on waste (and save you money). It plays music through a built-in speaker (or through Bluetooth connected speakers). It will even play TV shows or movies via its high-quality touch screen (21.5 inches of LCD glory). This is truly the fridge to end all fridges!

**About**

**ROYAL LEPAGE**

Royal LePage is Canada’s oldest and largest Canadian owned real estate company. Founded in 1913 by Albert LePage when he was just 26 years old, Royal LePage is now Canada’s largest real estate company with more than 14,000 agents in more than 600 locations across the country. And we firmly believe that you can only become the oldest and largest company by being the best.

Over the years, we’ve learned a lot about real estate – and how to provide the best possible service for our clients. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force and almost doubled its market share.

Throughout our successes, we remain dedicated to helping you through the real estate process. Our commitment to innovation and customer service is as strong as ever.

We offer all of our REALTORS® – from those serving tiny communities to those in major urban centres – strong support from our national pool of knowledge, skill and technical expertise. We regularly invest time, money and resources to develop and provide the knowledge and tools they need to best market your home, including:

- Up-to-date information about local market conditions
- Quarterly housing reports
- Creative brochures and newspaper ads to showcase your home
- Ongoing negotiation, marketing and technical training

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