Appraisal Institute of Canada
Institut canadien des évaluateurs

May 14, 2019

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comments@osc.gov.on.ca

To Whom It May Concern:

Re: CSA Second Notice and Request for Comment Proposed Amendments to National Instrument 45-106 Prospectus Exemptions and National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations relating to Syndicated Mortgages

On behalf of the Appraisal Institute of Canada (AIC) and our more than 5,500 valuation professionals, we are pleased to have the opportunity to make this submission in the context of the *Canadian Securities Administrator (CSA) Second Notice and Request for Comment on Proposed Amendments to National Instrument 45-106 Prospectus Exemptions and National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations relating to Syndicated Mortgages*.

We begin by stating that we support the CSA's and Ontario Securities Commission's efforts on addressing fraud in syndicated mortgage investments and implementing its proposals from March 2018.

As mentioned in our June 2019 submission, on-site appraisals carried out by qualified professionals are the most effective way to mitigate lending and property investment risk. Professionally prepared appraisals help to ensure that properties are not overvalued/inflated and help to detect and prevent mortgage fraud or other issues involving real property, thus contributing significantly to real estate market integrity and stability in Canada.

As it pertains to the recent notice and request for comment, we first would like to reiterate our support for a decreased time period between the effective date of an appraisal and the date of delivery of the appraisal to 6 months from 12 months. We fully acknowledge that the new proposed amendments reflect that change. As previously mentioned, markets can change drastically and in a very short period of time in a given market, as we have seen in several cities across the country such as Toronto, Vancouver, Calgary and Montreal. With a year-long window, our concern is that potential purchasers could end up relying on an appraisal that could already be months out of date by the time it is delivered to them. Thus, we recommend a six-month window between the effective date of the appraisal and its delivery date, as it will better capture any significant change in a given market and decrease the risk of significant changes in a market occurring between the two dates.

We would also like to reiterate another recommendation from our June 2019 submission: to include a statement indicating that a qualified appraiser must have professional liability insurance appropriate to a valuation assignment. AIC fully supports the proposed amendment (Section 1.1 Definitions) that defines "professional association" and "qualified appraiser". As a complement, we recommend adding the requirement of the qualified appraiser having liability insurance coverage appropriate to the valuation assignment. This ensures proper protection for both the investor/purchaser and the appraiser in high-risk endeavours.

Once again, we applaud the CSA's efforts and its provincial partners in closing the existing gaps in syndicated mortgage-related investments in order to protect the public and mitigating risks related to mortgage fraud. AIC shares these objectives and is available to provide support to these efforts. If you require further information regarding the recommendations presented above, please do not hesitate to contact me.

Yours truly,

[redacted]

Keith Lancastle MBA, CAE, AACI (Hon.)
Chief Executive Officer
Appraisal Institute of Canada