



April 30<sup>th</sup>, 2020

Mortgage Broker Act (MBA) Review  
Ministry of Finance  
PO Box 9418 Stn Prov Govt  
Victoria, BC V8W 9W1  
Email: [MBAReview@gov.bc.ca](mailto:MBAReview@gov.bc.ca)

Attn: Policy and Legislation Division

To Whom it May Concern,

On behalf of over 1,200 Members of the Appraisal Institute of Canada – British Columbia (AIC-BC), I am pleased to have the opportunity to make this submission in the context of the 2020 legislative review of the *Mortgage Brokers Act* (MBA). The AIC-BC would like to thank you and the Expert Panel on Money Laundering in Real Estate for your continued commitment to the protection of the public in British Columbia.

The Appraisal Institute of Canada (AIC) is the premier real property valuation association in Canada. Founded in 1938, AIC is a self-regulating professional organization that grants the distinguished Accredited Appraiser Canadian Institute (AACI) and Canadian Residential Appraiser (CRA) designations to individuals across Canada and around the world. Our Members adhere to national standards – the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) – and are respected worldwide for the rigorous designation criteria and ongoing professional development requirements.

AIC-BC appraisers are unique participants in the real estate transaction. They bring an independent and objective perspective to real estate transactions as they have no vested interest in the outcome of a transaction or in the value of a subject property. AIC-BC has a long history of providing valued, independent opinions about property value. In 2019, AIC-BC's Members conducted more than 220,000 third-party appraisals with an aggregated value estimated at \$409 billion. This represented \$188 billion in residential property and \$221 billion in non-residential property including commercial, industrial, as well as a variety of other types of real estate. Furthermore, we have many Members who provide in-house expertise to private and public sector organizations including Governments, corporations, and mortgage insurers.

As a key industry stakeholder, AIC-BC shares the Government of British Columbia's objectives of finding efficiencies for real estate industry professionals by enhancing public protection and confidence, streamlining regulation, and promoting harmonization. Our organization is particularly committed to ensuring consumers are protected and informed in real estate transactions; we believe this results in a sustainable and healthy marketplace that enables all British Columbians to prosper.

The modernization of the MBA by the Provincial Government to evolving national and international standards is a mandate that AIC-BC welcomes and supports. With that said, the AIC-BC believes that the legislative proposal would be strengthened through the following additional considerations:



### **Prudent Underwriting Guidelines**

Over recent years, federal mortgage lending rules have placed more scrutiny on potential borrowers from federally regulated lending institutions (FRFIs); as a result, there has been a movement to financing through non federally regulated channels which are often facilitated by brokerages. AIC-BC believes that prudent mortgage lending parameters or guidelines for all brokers and lenders in British Columbia should follow provisions for FRFIs where there is a requirement to obtain appropriate numbers of on-site inspections and third-party appraisals to verify the value of collateral used during the mortgage underwriting process.

On-site appraisals carried out by qualified professionals are the most effective way to mitigate lending and fraud risks. Appraisals help to ensure that properties are not overvalued and also help to detect and prevent mortgage application fraud. They provide structured reporting documentation and gather information from on-site activities, transaction activities, bona fide purchasers, and objective data about normal marketplace activity – all information allowing appraisers to provide values grounded in facts and identify and warn of abnormal behaviour that may indicate fraudulent activity such as inflated prices, false transactions, frequent or rapid transactions, “straw buyers”, counterfeit documents, data manipulation or mortgage fraud.

Prudent underwriting guidelines and the requirement for appraisals in regulation of all mortgage brokers will ensure that there is a duty to act in the borrower’s interest, thereby inspiring public confidence and trust in the real estate sector.

### **Regulatory Oversight**

The consolidation of the financial services and real estate sectors under BCFSa is intended to promote increased industry consistency and efficiency. Best practices and transparency remain integral to consumer protection and preventing fraud in real estate. The opportunity to eliminate regulatory gaps within the MBA should ensure that practitioner involvement is implemented at all governance levels and should only be considered where additional red tape does not incumber industry professionals, nor create unnecessary duplication. It is important that appropriate real estate industry experts be consulted and involved in rulemaking for professional standards, qualifications, policies and regulation, as well as compliance and disciplinary/adjudication processes to instill confidence amongst industry and the public.

Regulatory oversight of the financial and real estate sectors must include and rely on the expertise of industry and related stakeholders as a recognized best practice. It is important that practical and knowledge-based decisions continue to be made so that provincial legislators, Government, and stakeholders remain responsive, transparent, and accountable to the public.

### **Data Access**

Adherence to minimum standards of conduct and a duty of care to consumers are objectives that are also shared by the AIC-BC. AIC-BC Members believe that accurate market data is the foundation of quality valuations. Fair access to reliable data is important for mortgage brokers and all stakeholders involved in real estate transactions as it ensures the stability of the economy, protects British Columbia property owners, and provides more effective reporting based on objective and evidence-based research.



Unbiased and independent real estate appraisals play a vital role in helping the public make informed decisions during real property transactions and the lack of reliable information puts our financial system and British Columbia residents at risk for inaccurate valuations and fraud. AIC-BC Members need to have equitable and affordable access to public records of land registry, sales data, and other key data points to effectively authenticate properties, verify ownership, assess scope of work, commission, and complete appraisal assignments.

Appraisal fees, appraisal turn-around times, and client expectations are all based, in part, on access to data. Further limitations by way of high subscription costs or an increased dependence on third-party providers limits a Member's access to data and, therefore, increases risk to the consumer. This can also result in delayed appraisal delivery and inflated costs to the consumer, as well as in maintaining and operating an appraisal practice.

Increased access to data is an underlining component of reducing regulatory gaps. Limiting the fragmentation and commoditization of real estate data by prioritizing a centralized real estate database that is accessible to, and affordable for, all real estate professionals will promote industry growth and help to respond to changes in the financial services industry, including potential consumer risks.

I believe our recommendations not only protect consumers and the lending industry but also place additional checks and balances to ensure long-term industry success within the province. AIC-BC is committed to working with Government to deliver solutions that uphold public confidence and trust in the real estate sector.

Thank you for considering our submission and remain available for any questions.

Respectfully,

Brett Garnett, AACI, P. App  
1<sup>st</sup> Vice President | Appraisal Institute of Canada – British Columbia