

Scotiabank updated its Terms of Reference for residential appraisals. Please take the time to familiarize yourself with the updated requirements, particularly with respect to Paragraphs 1, 2e, 5, 7 and 10. We'd also like to remind those who have not completed their migration to the Solidifi 0713 Appraisal form template that Scotiabank will soon not be able to accept appraisals completed on any other form.

1) General terms of engagement

- a. All residential appraisal assignments will be prepared by or co-signed by a Scotiabank Approved Appraiser who maintains one of the following designations:

CRA (Canadian Residential Appraiser)	All other real estate appraisal designations/qualifications require approval from Scotiabank prior to any appraisal being accepted or completed.
AACI (Accredited Appraiser Canadian Institute)	
EA (Évaluateurs Agréés du Quebec)	

- b. Appraisals must show client as "**Scotiabank**", "**Scotia Mortgage Authority**", "**Bank of Nova Scotia**", "**Scotiabank National Collection Centre (NCC)** or "**Scotiabank Special Accounts Centre (SAC)**".
- c. All residential appraisal assignments must be prepared in accordance with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).
- d. When an appraisal is requested to be completed in a specific language (English or French), the assignment should not be accepted unless the report can be delivered in the requested language.
- e. By accepting a residential appraisal assignment, the appraiser agrees to comply with these Terms of Reference, minimum content requirements, conditions, and obligations, as amended from time to time. Appraisals not prepared in accordance with these Terms of Reference cannot be accepted by Scotiabank.

2) Full (non-desktop/drive-by) residential real estate appraisals – minimum content

a. Dates of comparable sales

i. All properties other than rural/recreational/cottage/leisure

If appraisal indicates price trends are <u>stable and/or increasing</u> :	Comparable sales should be within: Six (6) months
If appraisal indicates price trends are <u>declining</u> :	At least one comparable should be within: Three (3) months Other comparables should be within: Six (6) months

ii. Rural/recreational/cottage/leisure properties

Comparable sales should be within **Twelve (12) months**

- iii. **Mandatory**: If comparables in the above noted time frames are not available, the appraisal **must** provide an explanation such as, but not limited to, the following example explanations:

- Older comparables used are the best available (more recent comparables not available) and/or are most similar to the subject property;
- Older comparables used are appropriate for current market conditions;
- Where time adjustments are warranted or not, please make reference to the market statistics supporting time adjustments or lack thereof (note: the actual statistics do not need to be included, just a reference to the type/source of statistics).

b. Minimum number of comparable sales required

i. When total net adjustments for all comparables are <u>not</u> greater than 20%:	Three (3) comparables
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ii. When <u>one or more</u> comparables have total net adjustments greater than 20%:	Four (4) comparables
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iii. **Mandatory:** Preferably, comparable sales should have total net adjustments not more than 20% (negative or positive). When one or more net adjustments are greater than 20%, at least four (4) comparables **and** a narrative rationale/explanation must be included.

2) Full (non-desktop/drive-by) residential real estate appraisals—minimum content (con't)

c. **Approaches to value**

a) **Direct Comparison Approach (mandatory)**

- i. Individual dollar adjustments **must** be shown in the Sales Comparison Chart.
- ii. Total gross and net adjustments **must** be shown as percentages.
- iii. Unadjusted sale prices of the comparables should bracket the final value estimate where possible. If not possible, the appraiser must include a narrative rationale/explanation.
- iv. When “adverse influences” are noted, please clearly confirm if taken into account in the valuation.

b) **Cost Approach (mandatory, except for condo/strata units)**

- i. Mandatory, even when no weight is given to this approach. Land value **must** be included.

c) **Income Approach (not mandatory, but left to the professional discretion of the appraiser)**

- i. When the Income Approach is employed at the discretion of the appraiser, the appraisal must use the lesser of the “actual” or “economic” (market) rents in the income approach to value.

d. **Current or prior sales and/or listing history of subject property**

- a) Analyze any current agreement of sale, option or listing, and analyze any prior sales of the subject property occurring within the three years prior to the effective date. Comment on any differences in appraised value(s) and current/prior sales or listing prices.

e. **Photographs of subject property (appraisals/progress inspections/other inspections)**

- a) Exterior front, rear and street scene photographs **must** be included.
- b) Interior photographs **must** also be included, including photographs of **basement** area.
- c) Photographs of negative aspects/damage and/or renovations must be included and also identified and described in narrative form.
- d) For Progress Inspection reports, photographs of the exterior and interior must be sufficient to help the reader assess whether the property is secure (including all windows and doors installed) and if the property is weather protected/air tight (roof installed and exterior walls enclosed).
- e) Where an appraisal/inspection involves confirmation of the presence of a “CSA” standard certification label (manufactured/mobile homes), include a photograph of the label.

f. **Location map(s)**

- a) Map(s) showing the geographic location of the subject property and comparable properties required.

g. **Multi-Unit Real Estate**

- a) For Multi-Unit properties, the actual municipal zoning designation **must** be provided.
- b) All units **must** be inspected.

h. **Properties greater than 10 acres - hypothetical condition required**

- a) For properties greater than 10 acres in site area, the appraisal is to be based on the hypothetical condition that the lands in excess of 10 acres are not to be included in the final value estimate. The excess lands may be included in the Cost Approach, under extras, provided they are marked as surplus land.

i. **Outbuildings**

- a) Outbuildings for rural properties such as barns, silos, sheds etc. are not to be included in the final estimate of value. The contributory value of detached residential garages is to be recognized in the final value.
- b) For recreational properties, the appraisal is to include and recognize the contributory value of outbuildings/structures such as guest cabins, boathouses and docks.
- c) Although certain outbuildings are to be excluded from the valuation (as above), a brief description (and photographs where possible) of the use and nature of the outbuildings is to be included

3) Desktop/drive-by appraisals

- a. Desktop/Drive-by appraisal assignments should only be accepted when the appraiser deems that a reasonable level of information is available for the subject property to complete a desktop or drive-by.
- b. The appraiser should only accept a desktop/drive-by assignment when a reasonable property size or property size range is known or can be reasonably estimated.

4) Rental schedule (A)

- a. When a "Rental Schedule (A)" is requested as part of an appraisal assignment (which may sometimes be referred to as "Schedule A"), this is not to be interpreted as a request to complete an Income Approach.
- b. Requests for a "Rental Schedule (A)" only require the estimate of market (economic) rents for each rental unit. Vacancy rates and expenses are not required and the completion of the Income Approach is left to the professional discretion of the appraiser.

5) Appraisals for power of sale/foreclosure purposes

- a. For power of sale/foreclosure appraisals, all provisions of these Terms of Reference apply except the provisions of Paragraphs 2h (regarding 10 acre assumption) and 2i (regarding outbuildings) may be ignored. The appraisal is to include the market value of the real estate as a whole, including the entire land parcel and all outbuildings.
- b. A standard definition of Market Value and Exposure Time applies. A 'forced sale' value is not required, unless otherwise specifically requested.

6) New construction ("as if complete" value)

- a. "As if complete" valuations must reflect the state and anticipated quality of the property when complete, both interior and exterior.
- b. A brief description of the anticipated quality, site improvements, driveway, garage and level of finishes, etc., and the source of this information, is required.
- c. A description of the existing state of the property, and percentage of completion, is also required.

7) Renovation financing & purchase plus Improvements ("as if complete" & "as is" value)

- a. Two values are to be provided, the "As is" value and the "As if complete" value.
- b. The 'As if complete' value must be supported by market comparables. 'As if complete' valuations derived by adding costs to the 'As is' value will **not** be accepted.
- c. When the 'As is' condition comprises vacant land, the vacant land value must be supported by at least three market comparables.
- d. When the 'As is' condition is an inhabitable home before renovation or alteration, the 'As is' value must be supported by market comparables.



- e. When the 'As is' value is a home in the midst of a renovation or in the process of being constructed (where a Direct Comparison Approach is not viable), the 'As is' valuation may be estimated by deducting costs to complete (and other necessary costs and allowances as needed) from the 'As complete' valuation.
- f. Progress Inspection forms, to be ordered at a later date, are to be fully completed.
- g. Ensure the original plans and specifications are followed, and that the builder or owner hasn't deviated from them by leaving out extras or changing the home's overall measurements.
- h. Progress Inspections must include photographs. See Paragraph 2d).

8) Manufactured and modular homes

- a. Appraiser to confirm if the unit has a Canadian Standards Association (CSA) certification label affixed to the home and the certification label confirms CSA standard A-277.
- b. Include a photograph of the CSA label.
- c. Confirm in the narrative of the report if a CSA label cannot be located.
- d. These requirements are applicable for both appraisal and inspection reports for manufactured/modular homes.

9) Mobile homes

- a. Appraiser to confirm that the unit has a Canadian Standards Association (CSA) certification label affixed to the unit and the certification label confirms CSA standard Z-240MH.
- b. Include a photograph of the CSA label.
- c. Confirm in the narrative of the report if a CSA label cannot be located.
- d. The dimensions of the mobile home, particularly its width, must be included.
- e. The actual or approximate age or year built of the mobile home must be included.
- f. Appraiser is to confirm that the unit is permanently affixed to one of the following foundation types:
 - Perimeter Concrete
 - Block Foundation
 - Steel Pilings
- g. Specify and describe the type of foundation when it is not one of the above types.
- h. Appraiser to also confirm if heat, electrical, water supply and sewage systems appear to be operational.
- i. These requirements are applicable for both appraisal and inspection reports for mobile homes.

10) On-site inspections & preserved wood foundations

- a. Carefully measure the home to ensure accurate building floor area(s). If other sources of floor area are used (municipal records etc.), it is the responsibility of the appraiser to determine if the stated measurement appears reasonable. Direct on-site measurement is preferred to avoid errors.
- b. If the home has a preserved wood foundation, please provide comments on the visual/apparent condition of the foundation.

11) Errors & omission insurance

- a. All appraisal service providers are required to carry Errors & Omission insurance. Scotiabank reserves the right to request updated proof of Insurance from time to time either directly or through our authorized Appraisal Management Companies AMC(s).
- b. Appraisal assignments are not to be accepted by an appraiser if they do not have valid Errors & Omission insurance.

12) Professional attire and courteous conduct

- a. Scotiabank strives to provide excellent and courteous service to our clients. When interacting with Scotiabank clients (or occupants of the subject property), we expect a high level of professionalism from our appraisal service providers and we ask that our clients be treated with courtesy and respect.
- b. Personal grooming and attire are expected to reflect the established standards of the business community, in which you are located, and the clientele you service, whether you are dressed in casual, business casual or business attire. At all times, you are expected to project a positive and professional image.

13) Use of standard appraisal form

- a. In order to assist in our underwriting function, Scotiabank requires that all approved residential appraisers use standard template forms for appraisal and other real estate services, which will be identified and/or provided by our authorized Appraisal Management Companies AMC(s).
- b. It is critical to our underwriting function that all forms be completed carefully and completely.

14) Privacy and confidentiality

- a. Appraisal reports completed on our behalf are the property of Scotiabank and neither the report nor any information from the report may be distributed or disseminated to anyone without our express and written consent.
- b. Appraisers must comply with the provisions of the Personal Information Protection and Electronic Documents Act with which Scotiabank is required to comply and with any other applicable privacy legislation. Appraisers shall not provide or otherwise make available any personal or business information gathered by the Appraiser in the course of a Residential Appraisal Assignment (all such information is to be considered confidential information) to any person, firm or corporation, except as otherwise provided by these Residential Terms of Reference or as consented to in writing by Scotiabank. Such restrictions shall not apply to information:
 - a) that becomes publicly known through no wrongful act of the Appraiser;
 - b) properly made available to the Appraiser without confidential or proprietary restriction from a source other than Scotiabank;
 - c) that the Appraiser can show, by written records, was rightfully in its possession;
 - d) which is approved in writing by Scotiabank for disclosure;
 - e) required to be disclosed by law or any regulatory authority having jurisdiction; or
 - f) hereafter independently developed, as shown by written records maintained, contemporaneously with such development, by an agent or employee of Company having no knowledge of or access to any confidential information disclosed in the course of a Residential Appraisal Assignment hereunder.
- c. Scotiabank and its subsidiaries and affiliates reserve the right to use the appraisal reports in any way they decide is necessary for mortgage lending purposes. On its completion, all title, interest, and rights in the appraisal report will vest only with Scotiabank and its subsidiaries and affiliates. By submitting the report an Appraiser acknowledges and accepts the title, interest, and right of Scotiabank to the appraisal report.
- d. Scotiabank agrees not to share the appraisal report with anyone other than our affiliates, subsidiaries and mortgage default insurers (if needed to complete a financing request), without the express and written consent of the Appraiser, except where we are required by law or by any regulatory authority having jurisdiction to share or disclose the appraisal report or any information contained in it.