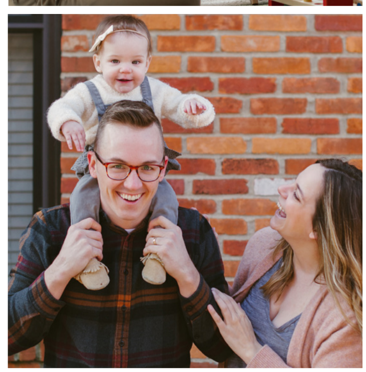
NATIONAL HOUSING STRATEGY

First-Time Home Buyer Incentive

OPERATIONAL POLICY MANUAL



A place to call home

Canada

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1. PROGRAM INFORMATION

To help make homeownership more affordable for first-time homebuyers, Budget 2019 introduced Canada's First-Time Home Buyer Incentive (FTHBI) Program.

The FTHBI Program allows eligible first-time homebuyers, who have the minimum down payment for an insured mortgage, to apply to finance a portion of their home purchase through a form of shared equity mortgage loan ("Incentive") with the Government of Canada.

For the purchase of an existing home or a mobile/manufactured home (new or existing), an Incentive amount of 5% is available. For the purchase of a newly constructed home, an Incentive amount of 5% or 10% is available to qualified buyers.

The Incentive enables first-time homebuyers to reduce their monthly mortgage payment, without increasing the amount that they must save for a down payment.

The shared equity component of the Incentive means that the Government shares in the appreciation or depreciation in the value of the property, up to a maximum gain or loss equal to 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment.

The Incentive is repayable at the earlier of 25 years or the sale of the property. The homebuyer can also repay the Incentive in full at any time, without a pre-payment penalty.

Incentive applications are approved on a first come first serve basis. The program and its eligibility criteria cannot be applied retroactively. The FTHBI Program is subject to change and annual budget allocations.

The FTHBI Program was first launched in September 2019. Effective May 3, 2021, the FTHBI Program eligibility was expanded for Toronto, Vancouver and Victoria Census Metropolitan Areas (CMAs), as defined by Statistics Canada.

Effective June 1, 2022, the Government of Canada modified the Incentive repayment conditions. Refer to section 7.10 for details.

To help more Canadians purchase their first home, Budget 2022 announced an extension of the First-Time Home Buyer Incentive to March 31, 2025.

1.1. Contact Information

National Housing Strategy Website: **placetocallhome.ca**

The First-Time Home Buyer Incentive Contact Number: 1-(877) 884-2642

FNF Canada, funding provider acting on behalf of the Program Administrator 1-(855) 844-4535

2. INTRODUCTION

This document ("First-Time Home Buyer Incentive Program: Operational Policy Manual") represents the operational policy requirements for the FTHBI Program. With respect to mortgage loan insurance applications, standard Lender and Mortgage Loan Insurer policies and guidelines apply unless otherwise noted/clarified within this document and/or within the terms, conditions and applicable documents of the FTHBI Program. In the case of a discrepancy between this document and the Agreement for a Shared Equity Mortgage and Borrowing Disclosure Statement, (the 'Shared Equity Mortgage'), the Shared Equity Mortgage shall prevail.

3. GENERAL INCENTIVE CRITERIA

3.1. Mortgage Loan Insurance Requirement

The first mortgage must be eligible for mortgage loan insurance through either Canada Guaranty, CMHC or Sagen.

3.2. Loan to Value (LTV) Requirement

The LTV must be greater than 80% at the time of the Incentive approval. The LTV ratio is calculated based on the first mortgage only. For clarity, the first mortgage is based on the lending value* less the total down payment (i.e. the borrower's contribution of the down payment plus the Incentive).

* The lending value is the lesser of the purchase price and the fair market value of the home, as determined by the respective Mortgage Loan Insurer.

3.3. Mortgage Loan Insurance Premiums

The Premium* is based on the LTV ratio taking into account the first mortgage only.

For example, if the borrower provides a 5% minimum down payment from traditional sources and receives an Incentive of 5%, the mortgage loan insurance premium will be based on a 90% LTV ratio.

* Premium calculations are subject to the respective Mortgage Loan Insurer's policies and are subject to change.

3.4. Incentive Amount (%)

Property Type	Incentive (%)
Existing Home	5%
New Construction	5% or 10%
Existing or New Construction Mobile/Manufactured Home	5%

The applicable Incentive percentage available is based on the lending value, which is the lesser of the purchase price and the fair market value of the home, as determined by the respective Mortgage Loan Insurer.

3.5. Maximum Incentive Amount (%)

For a 10% Incentive, the maximum down payment is 9.99%. For a 5% Incentive, the maximum down payment is 14.99%.

In order to maintain the LTV requirement of the FTHBI Program (must be greater than 80%), the maximum Incentive the borrower may be eligible for must be reduced from 10% to 5% where additional down payments requirements apply based on the respective Mortgage Loan Insurer's policies.

3.6. Maximum Closing Date

The maximum closing date for an existing home is 6 months from time of application approval. The maximum closing date for new construction is 18 months from time of application approval. For clarity, the application approval is the last approval date on file.

3.7. Incentive Term

The Incentive term must be 25 years.

3.8. Incentive Loan Security

The Incentive must be structured as a second ranking mortgage, which will be registered immediately following the first insured mortgage. The security for the Incentive must be the same security as will be granted for the first insured mortgage. The first insured mortgage shall not be secured by a collateral mortgage unless the first ranking Lender has expressly subordinated any uninsured loan components of the collateral mortgage to the Incentive.

In the case of Indigenous Lands, in accordance with the first insured mortgage, the security for the Incentive may be a ministerial loan guarantee (MLG) or a leasehold mortgage permitted in accordance with the Indian Act, First Nation Land Management Act, Land Code or other First Nation legislation and the requirements of the respective Mortgage Loan Insurer. Where an MLG applies, the housing loan must be in accordance with the requirements set out by Indigenous Services Canada (ISC) and meet requirements for mortgage loan insurance.

In the case of a mobile/manufactured home, the security must be registered under the applicable personal property regimes and mobile/modular home registries, as required. Where the mobile or manufactured home is affixed to borrower-owned land, a mortgage of the land is also required.

3.9. Purchase Plus Improvements

The Incentive is available for new and existing homes where immediate improvements will be made to the subject property. The as-improved lending value will be used when calculating the maximum Incentive amount and the Incentive will be advanced at time of closing (whether single or progress advances).

In accordance with standard mortgage loan insurance requirements, Lenders are required to retain on file verification of completion of home improvements or notify the respective Mortgage Loan Insurer where improvements will no longer be carried out. If improvements are not carried out, the borrower will be responsible for the reimbursement of any over-advanced Incentive funds.

4. BORROWER ELIGIBILITY AND QUALIFICATION CRITERIA

4.1. First-Time Homebuyer

At least one borrower must be a first-time homebuyer. To be considered a first-time homebuyer, at least one borrower must meet the following qualifications:

- Has never purchased a home before; or
- In the last 4 years*, has not occupied a home that either themselves or their current spouse or common-law partner owned; or
- Has gone through a breakdown of a marriage or common-law partnership (even if the other first-time homebuyer requirements are not met).

> **Note:** Even if the borrower or their spouse or common-law partner have previously owned a home, they may still be considered a first-time homebuyer and be eligible for the Incentive.

* Begins on January 1st of the fourth year before the Incentive is funded and ends 31 days before the date the Incentive is funded. For example, if the Incentive will be funded on November 1, 2019, the four-year period begins on January 1, 2015 and ends on September 30, 2019.

4.2. Maximum Number of Incentives per Borrower/Co-borrower/Guarantor

A borrower/co-borrower/guarantor is only permitted to obtain the Incentive once. The maximum of one Incentive includes any variation of borrower/co-borrower/guarantor status (i.e. once an Incentive is disbursed, the borrower/co-borrower/guarantor is not eligible for an additional Incentive regardless of any new first-time homebuyer on the application).

4.3. Equity

The borrower must satisfy minimum down payment requirements, which must come from traditional down payment sources. Non-traditional down payment sources are not eligible to satisfy minimum down payment requirements.

For insured mortgage loans, there is a minimum down payment requirement of 5% of the first $500,000 of the property lending value and 10% of the remainder of the lending value.

Traditional and non-traditional down payment sources are defined by the respective Mortgage Loan Insurer's policies.

4.4. Income

Total qualifying annual income must not exceed a maximum threshold, depending on the housing market. The maximum total qualifying income for Toronto, Vancouver and Victoria CMAs is $150,000 per annum. For all other housing markets, the maximum total qualifying income is $120,000 per annum. The verification of total qualifying income is subject to the requirements set out by Lenders and the respective Mortgage Loan Insurer's policies. It is expected that Lenders apply due diligence in this regard and not knowingly exclude income for any of the borrowers/co-borrowers/guarantors for Incentive eligibility purposes.

Traditional income verification must be obtained (i.e. stated/declared income is not eligible).

As part of the income qualification assessment, Lenders must take into account the total qualifying income of all borrowers/co-borrowers registered on title. Where guarantor income is being used to satisfy borrower qualification criteria for mortgage loan insurance purposes, the guarantor's income must also be factored into the maximum total qualifying income.

For 2-4 unit homeowner occupied properties that will generate rental income, the rental income must also be factored into the maximum total qualifying income.

4.5. Mortgage to Income (MTI) Ratio

The Mortgage to Income (MTI) ratio must not exceed a maximum threshold depending on the housing market. The maximum MTI ratio for Toronto, Vancouver and Victoria CMAs is 4.5. For all other housing markets, the maximum MTI ratio is 4.0.

MTI Ratio	The MTI Ratio relates mortgage to income, as follows: $\frac{\text{First Mortgage}^{*} + \text{Incentive}}{\text{Total Qualifying Income}}$ * Excludes the Mortgage Loan Insurance Premium
Scenario A	$\frac{\$340{,}000 + \$40{,}000}{\$100{,}000}$ **MTI = 3.8** This scenario would be eligible for the Incentive
Scenario B	$\frac{\$357{,}000 + \$43{,}000}{\$100{,}000}$ **MTI = 4.0** This scenario would be eligible for the Incentive
Scenario C	$\frac{\$560{,}500 + 69{,}500}{\$140{,}000}$ **MTI = 4.5** This scenario would be eligible for the Incentive in Toronto, Vancouver and Victoria CMAs
Scenario D	$\frac{\$340{,}000 + \$40{,}000}{\$80{,}000}$ **MTI = 4.75** This scenario would **not** be eligible for the Incentive

4.6. Debt Service Ratios

For clarity, when calculating the debt service ratios at the time of the mortgage loan insurance application, the Incentive is not to be considered a debt obligation and therefore does not need to be included in the borrower's Total Debt Service (TDS) ratio calculation.

5. PROPERTY ELIGIBILITY

5.1. Occupancy

The property must be intended for owner occupancy as the borrower's primary residence. Investment properties, secondary/vacation properties and properties intended for commercial/non-residential use are not eligible.

5.2. Location

The property must be located in Canada and must be suitable and available for full-time, year-round occupancy.

5.3. Property Insurance

The borrower must keep in full force and effect property insurance in an amount of not less than 100% of the full replacement costs of the building(s) with coverage against, at least the perils of fire, and other standard insurable perils. The property insurance must always show the Program Administrator as a loss payee and Mortgagee as its interest appears.

6. INCENTIVE APPLICATION PROCESS

6.1. Application Submission

The Lender must submit a high ratio mortgage loan insurance application to either Canada Guaranty, CMHC or Sagen. The Lender must enter in the comments field the keyword:

"++FTHBI5++" when requesting the 5% incentive; or

"++FTHBI10++" when requesting the 10% incentive.

Note the keyword entered in the comments field does not need to be re-entered on any subsequent submission, as it remains anchored in the file application. Only in cases where there is a change in the requested Incentive amount (%) or a cancellation of the Incentive, would the respective keyword need to be updated in the comments field.

For clarity, the total down payment submitted with the mortgage loan insurance application must reflect the borrower's contribution towards the down payment (minimum down payment must be satisfied from traditional sources) plus the Incentive amount being requested, with the total down payment not exceeding 19.99% of the lending value.

It is important to bring attention to the accuracy of the property postal code since it determines the housing market of the subject property. For new construction, it is essential to input the closest postal code available while confirming that the postal code used falls in the same Census Metropolitan Area (CMA) as the subject property. This can be validated using the tools located on the **placetocallhome.ca** web site.

6.2. Cancellations

To cancel an Incentive application, the Lender must enter in the comments field the keyword:

"++FTHBICAN++"

If the Program Administrator has not received confirmation for funding of the Incentive on or before 90 days after the specified closing date, the Incentive application will be automatically cancelled.

6.3. Post Approval Changes

Post approval errors may be identified and changes may occur between the time of initial Incentive approval and advancement of the Incentive. Re-submission of post approval changes are subject to requirements set out by Lenders and the respective Mortgage Loan Insurer's policies. However, where a change occurs between the time of initial Incentive approval and advancement of the Incentive that exceeds program eligibility criteria, the application must be re-submitted.

For clarity, post approval changes that must be re-submitted include:

- LTV ratio of 80% or less
- Total Qualifying Income exceeds maximum threshold.
- Mortgage to Income Ratio exceeds maximum threshold.
- Change in New/Existing Dwelling Type
- Change in property postal code
- Change in Occupancy Type
- Change in Down Payment Source
- Change in Closing Date

6.4. Incentive Closing Instructions

The Lender must direct the closing lawyer to contact FNF Canada, whom is acting on behalf of the Program Administrator to request the advancement of the Incentive. The closing instructions for the Incentive must include the following:

"Your client is participating in Canada's First Time Home Buyer's Incentive (FTHBI) Program. You will be required to complete a mortgage on behalf of CMHC and in order to receive instructions you must contact FNF Canada immediately at FTHBI@FNF.ca or 1-(855) 844-4535 with the FTHBI identification number ____________ and approved amount ____________. Failure to contact FNF Canada may result in funds not being available on closing."

6.5. Incentive Advancing

The Incentive will be advanced at time of closing of the insured first mortgage.

In the case of a new construction progress advance the Incentive will be advanced concurrently with the final draw under the first insured mortgage, provided that the home is determined to be complete or substantially completed in accordance with Lenders and the respective Mortgage Loan Insurer's policies.

6.6. Closing Costs

The borrower will be responsible for all legal and other costs associated with the registration of the Incentive as well as costs relating to the settlement and advancing of funds, as determined by the Program Administrator.

6.7. Minimum Documentation and Retention Requirements

Lenders must adhere to the minimum documentation and retention requirements set out by Lenders and the respective Mortgage Loan Insurer's policies. In addition to minimum documentation requirements set out by the respective Mortgage Loan Insurer's policies, Lenders must also obtain and retain on file *Canada's FTHBI Program Attestation, Consent & Privacy Notice* document.

Documentation must be retrievable (directly or indirectly) using the Mortgage Loan Insurer reference number and made available to Program Administrator upon request.

7. LOAN ADMINISTRATION

7.1. Mortgage Assumption, Release and/or Replacement of Covenant

A mortgage assumption or release and/or replacement of a covenant where title to the property remains with at least one of the original borrowers does not automatically trigger repayment of the Incentive. Notwithstanding the foregoing, in the case of the death of the original borrower(s), the spouse or child is permitted to assume the obligations under the Incentive without triggering a repayment.

In order to effect a change of a covenant to the Incentive, the borrower must contact the Program Administrator and provide documentation to support the change of covenant from the first ranking mortgage. It will also be incumbent on the borrower to make the necessary arrangements with their lawyer to receive instructions from the Program Administrator on the preparation of the necessary agreement (e.g. assumption agreement and/or release of covenant,) and to coordinate its execution.

It is recommended that all borrower(s) obtain independent legal advice when considering a change of covenant. The borrower will pay any costs associated with a change of covenant.

In effecting a release and/or replacement of covenant, the Lender and/or Mortgage Loan Insurer's respective underwriting policies must be adhered to, as applicable.

7.2. Dissolution of Relationship/Buyout of Co-Borrower's Interest in the Property

A dissolution of relationship/buyout of a co-borrower's interest in the property where no new funds are required must follow the policy requirements set out for mortgage assumption, release and/or replacement of covenant as outlined in section 7.1.

Where additional insured funds are required to purchase the departing co-borrower's interest, this will be considered a sale of the property, which is not permitted under the FTHBI Program. Accordingly, any additional insured funds will trigger repayment of the Incentive. The Program Administrator at its discretion may agree to allow the Incentive to continue under existing terms, be extended or allow the repayment requirements to be modified for hardship situations.

7.3. Substitution of Security (Portability)

A substitution of security (portability), which is considered a sale of the property is not permitted under the FTHBI Program. Accordingly, a substitution of security will trigger repayment of the Incentive.

7.4. Partial Release of Security

A partial release of security, whether voluntary or by forced means such as expropriation, of any portion of the charged lands is considered a sale of the property under the FTHBI Program. Accordingly, a partial release of security will trigger repayment of the Incentive. The Program Administrator at its discretion may agree to allow the Incentive to continue under existing terms, be extended or allow the repayment requirements to be modified for hardship situations.

7.5. Change in Intended Use of the Property – Occupancy

A change in occupancy does not trigger repayment of the Incentive. The first ranking Lender is not permitted to knowingly allow a borrower to circumvent the eligibility criteria with respect to occupancy for the FTHBI Program.

The Program Administrator does not need to be notified of a change in occupancy.

7.6. Change in Intended Use of the Property – Commercial Use

The FTHBI Program is available only for residential properties. Commercial uses are not permitted.

7.7. Change in Lender of First Ranking Mortgage (i.e. Switch from one Lender to another)

A change in Lender, whether initiated by the borrower or purchased by the acquiring Lender, will not trigger repayment of the Incentive. Where a change in Lender results in a discharge and subsequent reregistration of the first ranking mortgage, a postponement/subordination agreement may be required. Should a postponement/subordination agreement be required, refer to section 7.9

Where a postponement agreement is not required, the Program Administrator does not need to be notified of a change in Lender of the first ranking mortgage.

7.8. Refinances

Refinancing the first ranking mortgage does not trigger a repayment of the Incentive. The Lender will decide on the precise procedures to follow and the form of refinance documents to use. In processing a mortgage refinance, the Lender must ensure that:

- The second ranking position of the Incentive is maintained;
- The combination of charges does not exceed 80% LTV at time of refinance;
- Any fees or costs related to the transaction, including the registration of a postponement/subordination agreement with the Program Administrator if required (refer to section 7.9), will be paid by the borrower.
- The fair market value of the property at the time of the refinance must be used to determine the Incentive amount for the purposes of calculating the LTV regardless of whether the Incentive is being repaid or not at that time.
- The Lender remains responsible for ensuring compliance with regulatory LTV requirements for refinances.

The maximum loan amount the Program Administrator will agree to postpone to will not exceed the outstanding amortizing balance that would otherwise be owing under the original insured housing loan. Where the replacement security is a collateral mortgage the Lender must expressly agree to subordinate the new refinance loans secured under the collateral mortgage.

Where a postponement agreement is not required, the Program Administrator does not need to be notified of a refinance transaction.

Note: Some Lenders may require the Incentive to be repaid in the event of a refinance.

7.9. Postponement/Subordination Requests

Requests for postponement/subordination will generally be approved to accommodate the refinance of the first ranking mortgage or a change in the first ranking Lender, provided the Incentive remains in no worse than second ranking position. In limited circumstances, the Program Administrator may agree to a concession to third ranking position.

It will be incumbent on the borrower to make the necessary arrangements with their lawyer to receive instructions from the Program Administrator on the preparation of the postponement/ subordination agreement and to coordinate its execution.

The approval of a postponement/subordination request is at the sole discretion of the Program Administrator. The borrower will be responsible for all costs associated with the preparation and execution of the postponement/subordination agreement.

7.10. Incentive Repayment

Effective June 1, 2022, the Government of Canada amended the Incentive repayment calculation under the FTHBI program, as set out below.

The Government of Canada will limit its share in the appreciation or depreciation of the home at the time of repayment up to a maximum gain or loss of 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment.

Pursuant to the Incentive repayment calculation, the borrower must repay the Program Administrator a percentage of the market value of the home at the time of repayment equal to the percentage (i.e., 5% or 10%) of the original home value used to determine the Incentive, up to a maximum repayment amount equal to:

(i) where the home’s value has appreciated, the Incentive plus a maximum gain of 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment; or

(ii) where the home’s value has depreciated, the Incentive minus a maximum loss of 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment.

In the case of appreciation, the above Incentive repayment calculation is retroactive to the implementation date of the FTHBI Program (i.e., September 2, 2019).

In the case of depreciation, the above Incentive repayment calculation applies to all borrowers who have signed a shared equity mortgage (SEM) agreement on or after June 1, 2022. For greater clarity, if a borrower has signed a SEM agreement before this date, then the borrower must repay the Program

Administrator a percentage of the market value of the home at the time of repayment equal to the percentage (i.e., 5% or 10%) of the original home value used to determine the Incentive.

The Government of Canada will share in any appreciation or depreciation based on the above terms and conditions, regardless of any borrower spending to improve the property. The borrower may voluntarily choose to repay the full amount of the Incentive at any time, however partial repayments are not permitted. The borrower must repay the Incentive after the earlier of 25 years or if the property is sold. Additional events throughout the life of the Incentive may trigger repayment. The Program Administrator reserves the right to add or amend the terms and conditions necessary for the Incentive calculation at time of repayment.

The Program Administrator at its discretion may agree to allow the Incentive to be extended or allow the repayment requirements to be modified in hardship situations.

7.11. Property Valuation at the Time of Incentive Repayment

In the event of a repayment triggered by the sale of the property, the Incentive amount must be based on the market value of the property at the time of sale, which generally would be supported by the purchase price as stated in the purchase and sale agreement. In the case where the sale is non-arm's length to the borrower, an independent third-party appraisal performed by an appropriately qualified real estate appraiser must be obtained.

In the case of an early voluntary repayment, the Incentive amount must be determined using the fair market value of the property. An independent third-party appraisal performed by an appropriately qualified real estate appraiser must be obtained at time of repayment.

Where the repayment is triggered by the expiry 25 years, the Incentive amount must be determined using the fair market value of the property. An independent third-party appraisal performed by an appropriately qualified real estate appraiser must be obtained at time of repayment.

Third-party appraisals must be dated within 90 days of repayment of the Incentive. The borrower will be responsible for obtaining and incurring all costs associated with the independent third-party appraisal. Appraisals must be obtained in accordance with the requirements set out in Appendix A: Terms of Reference for Appraisers.

Where differing opinions of value exist, the Program Administrator at its own cost, reserves the right to obtain an independent third-party appraisal to ensure the valuation reflects fair market value.

7.12. Approval of Sale by the Program Administrator

In the event of a sale, the borrower must notify the Program Administrator in advance and seek concurrence as to the market value of the home.

The borrower must provide the Program Administrator a copy of the purchase and sale together with confirmation that the sale is to a third party at arm's length to the borrower, no later than 10 days prior to the scheduled sale closing date.

8. DEFAULT MANAGEMENT

8.1. Events of Default

The borrower will be deemed to be in default of the Incentive for any event as specified in the Shared Equity Mortgage.

The Program Administrator must be advised of the undertaking of any legal remedies under the first ranking mortgage.

The Program Administrator reserves the right to demand payment in full of any Incentive where it is satisfied on reasonable grounds that the terms and conditions of the Shared Equity Mortgage have been breached.

8.2. Situations of Hardship

The Program Administrator at its discretion may agree to extend or modify repayment requirements for hardship situations. Each borrower hardship will be handled on a case-by-case basis and evaluated on its own merits and circumstances.

8.3. Incentive Recovery

The Program Administrator reserves the right to pursue legal action, in accordance with normal mortgage enforcement remedies, against the borrower for any and all amounts left unpaid following a repayment trigger.

APPENDIX A: TERMS OF REFERENCE FOR APPRAISERS

Third-party appraisals must be obtained based on the following criteria:

1. The appraisal report must be obtained from an accredited professional and the report prepared according to industry standards;
2. The appraiser must be a member in good standing of a trusted and recognized Canadian professional association and must hold a professional title (OEAQ, AIC, CNAREA);
3. The appraiser must have professional liability insurance coverage against errors and omissions;
4. The borrower must specify to the appraiser the agreed upon inclusions per the purchase and sale agreement (ex.: spa, appliances, home theater etc.), as applicable;
5. The appraiser must clearly indicate the intended use of the report and be addressed to both the borrower and the Program Administrator;
6. Where multiple appraisals are obtained, the objective of the appraisal report must be the same for each appraisal: determining the fair market value of the property for the repayment of the Incentive granted under Canada’s First-Time Home Buyer Incentive Program;
7. The market value of the property must be as of the date of the appraiser’s visit;
8. The market value of the property must be based on its condition on the date of the appraiser’s visit;
9. Comparable sales should not be more than six months old for properties in urban zones and no more than 12 months old for rural or isolated zones. Where acceptable comparable sales are not available, the report must provide rationale as to why older sales have been utilized;

10. A time adjustment factor must be applied in the event of rising or declining market conditions, as applicable. If time adjustment factors are applied, they must be substantiated with imperial evidence and not solely based on the appraiser's experience and judgement. A paired sales analysis or other means must be used;

11. A list of repairs performed in the last 5 years or since the date the Incentive was approved (if less than 5 years) must be provided;

12. Comparable sales, along with their descriptions, must be included as annexes to the file (MLS or internal analysis with pictures);

13. The appraisal report must include photos of the property (interior and exterior photos);

14. An analysis of comparable sales is mandatory even if the subject property is located in a remote area or on-reserve;

15. The appraiser must use two approaches to establish the market value (cost approach and comparison approach);

16. The appraiser must use precise and adjusted gross and net percentage adjustments to avoid comparing with non-comparable sales. Net adjustments must be less than 30%;

17. In a situation where good comparable sales are not available, at least one sale within a variance of 10% of the value is required;

18. Land value must be supported by comparable sales;

19. For condominium units, comments on the following items must be provided:

   i. common expenses (e.g. maintenance fees);

   ii. state of the replacement reserves;

   iii. repairs (e.g. special assessments) and the quality of the project management;

20. The highest and best use must be clearly described;

21. A physical inspection of the property is mandatory (interior and exterior). Any potential environmental or structural issues must be identified;

22. A title search must be performed and commentary on any outstanding arrears must be included, as applicable;

23. The AIC or OEAQ template or forms must be used;

24. All assumptions made must be identified.

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