

How will CETA affect our profession?

Europeans are resisting over reliance on AVMs

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How will CETA affect our profession?

CETA makes Canada the country with the closest relationship with the EU. It's called a 'second generation' treaty because, unlike in a classic treaty:

- As well as nearly completing the elimination of tariffs, it addresses non-tariff barriers via Regulatory Cooperation.
- It makes it much easier to invest.
- It opens up services.



Our clients the investors

- The freedom to invest in real estate is specifically covered and there are no limitations on the total value of transactions
- Not the same as the iron clad protection of intra-European property investors and Canadian real estate investment funds operating out of Canada won't have an EU 'passport'
- The consequences for real estate are transformational and the clients that we serve get to go cross-border, and so do we.

Valuers

- CETA provides for 'negative' service lists, meaning that all services not specifically excluded are covered by the Treaty.
- No service related to real estate is excluded.
- CETA only guarantees national treatment, whereas EU law enables service providers to operate in the host country on the basis of any home-country rules.
- That means that under CETA, a Canadian appraiser trying to work in Europe can still be forced to acquire a licence or membership in a professional organisation but at least if he does, then he can't be stopped!

CETA – The Future Potential

CETA empowers Canadian and European professional bodies to organise mutual recognition of qualifications, enabling all parties to practice freely on both sides of the Atlantic.

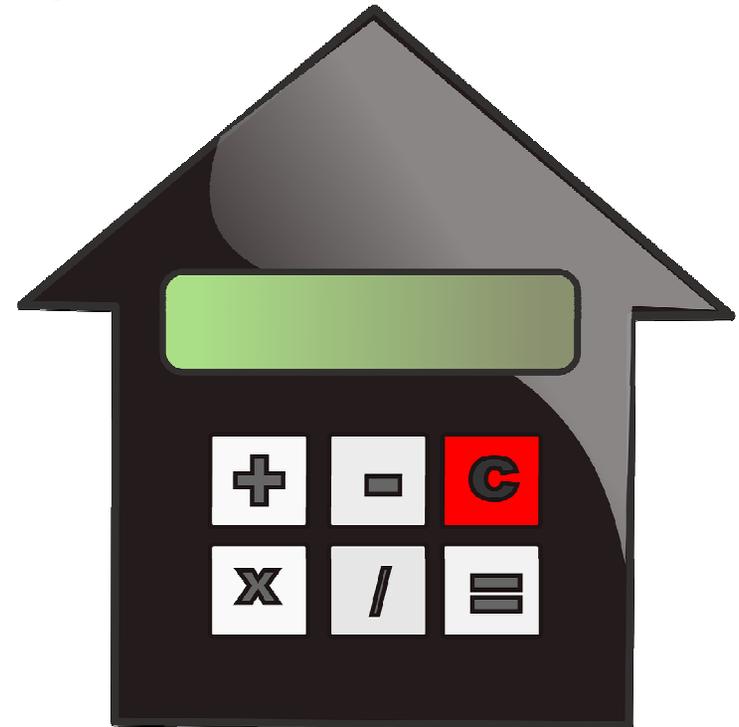
It would still need Canadian government and EU approval, but ***we're half way there!*** Because TEGoVA, AI and AIC have already mutually recognised their standards and qualifications. It wouldn't take much to cut the final deal.

Consumer Protection and the Red Line for AVMs

- In the EU AVMs cannot be used as a stand-alone, valuer-free means of conducting a first-time appraisal of a home to be used as collateral for mortgage credit
- This is all about **consumer protection**, not just bank stability.
- Banks should be able to use AVMs to check the solidity of their collateral portfolios, because for that, individual inaccuracies don't matter, it all evens out.
- But the individual borrower making the biggest lifetime transaction really needs to know what his home is worth.
- Regulators need to understand what AVMs can and cannot do and to question the common 'default' tendency to presume that 'smart' machines can do it all, or will soon be able to.

Limitations of AVMs

- Can't gauge whether the property is in marketable condition
- Limited ability to account for external influences
- Limited data coverage in some areas
- Limited ability to reflect any unique characteristics of the property



The European AVM Industry

- www.tegova.org report on AVM accuracy by Prof. George Matysiak.
The most interesting part is what's not there.
- the European AVM business is carved up between five or six companies. The most striking thing about the report was the refusal of all these companies to provide any explanation whatsoever of how they work, what their comparables data bases are, how their processes lead to their outcomes and how they control, verify and review the AVM outputs.

The TEGoVA AVM Lobbying Campaign

Recently, a couple of members of the Dutch Parliament successfully tabled an amendment to legislation transposing the EU Mortgage Credit Directive into Dutch law that allows valuations for mortgage credit at initiation to be done by stand-alone AVMs.

They did it to save the borrower the cost of a normal valuation.

They did it because they had no idea what was at stake.

TEGoVA has filed a complaint with the European Commission that this is an infringement of the Mortgage Credit Directive, but we can't stop there.

TEGoVA-AI-AIC Cooperation ?

- Procedures already in place for working together on standards and qualifications
- We should develop a united stance on AVMs
- We need a better understanding of AVMs if we are to use them properly and control them. You commonly hear that AVMs are fine for this or that use *'as long as they're controlled by an appraiser'*. How many of us are proficient at 'controlling' AVMs? How many of us have any idea how they work?
- We need to get a handle on this and an AI/AIC/TEGoVA Task Force could be the way.