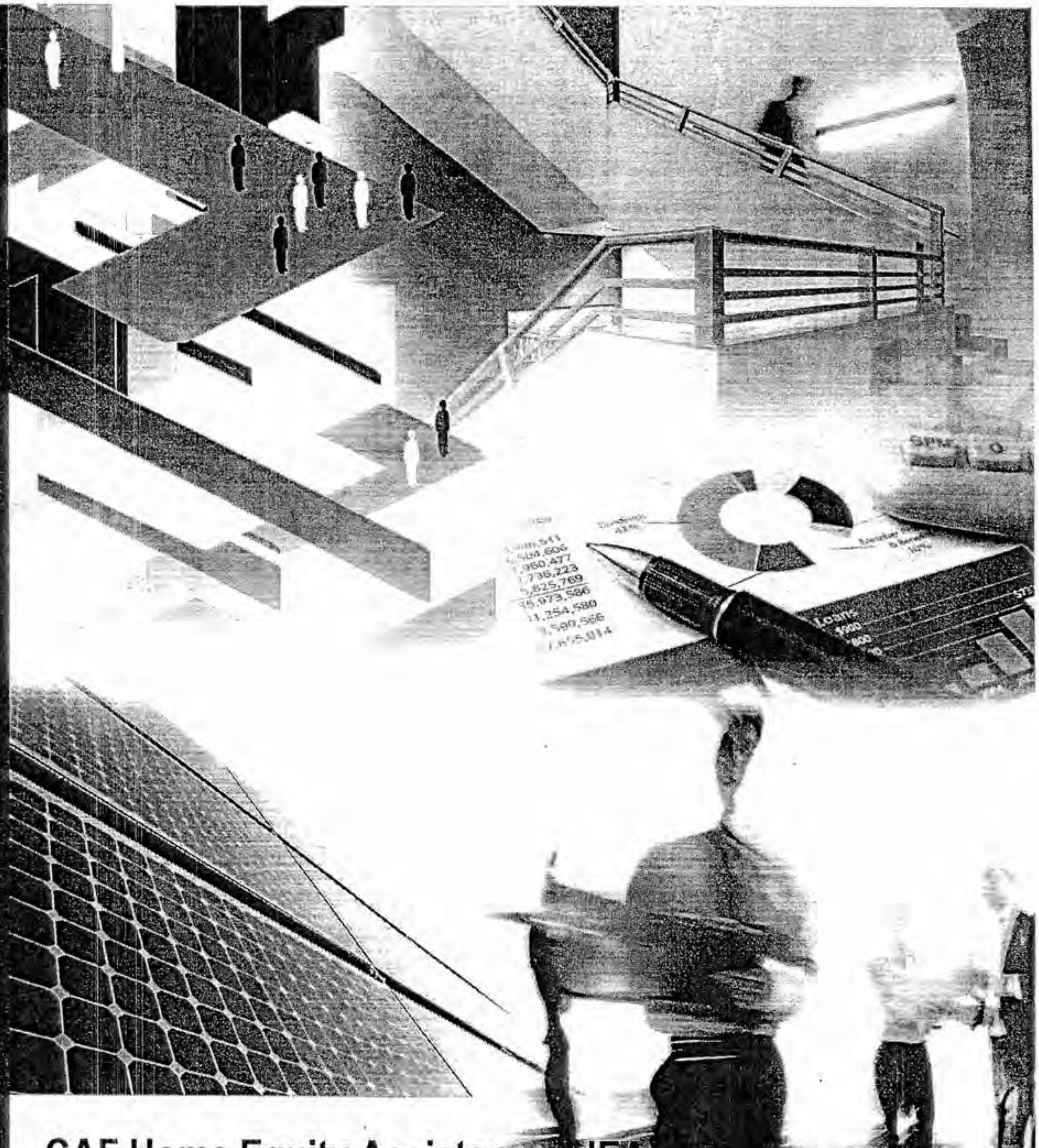

CAF Home Equity Assistance (HEA) Benefit Review – *Final Report*

Prepared For: The Office of the Ombudsman DND/CF

April 2015

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CAF HEA Benefit Review

Executive Summary

Background and Approach:

The CAF Home Equity Assistance Benefit (HEA) is a relocation benefit available to CAF members. It is designed to compensate members who experience a loss on the sale of their homes in the event of relocation associated with a military reposting. The current HEA Benefit program offers a Core tax-free reimbursement of 80% of home equity loss, to a maximum of $15,000 based on available funds from Members Custom and Personalized envelopes. A full 100% equity loss reimbursement is available if certain conditions are met.

Despite its many benefits, issues and concerns have been raised with the HEA program, chief among these are the following:

- The current Core benefit maximum of $15,000, while tax free, does not reflect the majority of cases as most losses exceed this amount. The current maximum was set more than a decade ago and in most cases no longer reflects current housing markets and property values;
- In most cases, only 80% of equity losses are covered thus even those reporting small losses will be out of pocket for at least part of the loss (i.e., at least 20% of their loss);
- While 100% reimbursement of equity loss is possible, the conditions and burden needed to support full reimbursement are deemed onerous to the point most are not successful and simply give-up, indeed since 2009 only two CAF members have been reimbursed for their total equity loss ;
- Among the conditions that need to be proven to support 100% reimbursement the CAF member must *"build a case for depressed market status"*, which is defined as *"a community where the housing market has dropped more than 20%"*. This has created challenges in two ways:
    - "Community" is not well defined and this has caused issues in interpreting its meaning. The Treasury Board for example has defined community using StatsCan census boundary definitions. Others including most claimants have suggested narrower neighbourhood level definitions are more appropriate. In a number of cases, the definition of community has directly impacted the determination of whether a member lives in a depressed market, and thus whether they are entitled to 100% equity loss reimbursement; and,

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- The requirement to assess broader market conditions not only complicates the current approach, but can result in misleading conclusions as it is common for individual property values to rise or fall regardless of broader community market performance (i.e., individual properties can increase in value in a depressed market, and vice-versa).

For all of these reasons, as well as the number of complaints received at the DND/CF Ombudsman's Office, there is a need to re-consider the HEA approach. In support of these efforts, the DND CF Ombudsman's Office engaged MHPM along with Tiree Facility Solutions Inc. and Colliers International, to review the current CAF Home Equity Assistance Benefit as well as industry best-practices, and based on this to recommend a possible new CAF home equity loss benefit formula and model.

The results of our analysis including proposed changes to the HEA Benefit Model/Formula are described herein and seek to provide a simplified and defensible basis for determining residential home equity loss reimbursement, associated with CAF member relocations across Canada.

The Proposed/Recommended Formula:

- The proposed/recommended equity loss reimbursement formula calculates the loss in equity as the difference between initial period home value and end of period home value, with a member to be compensated as a percentage of this Home Equity Loss, subject to maximum limits;
- The recommended formula requires undertaking market value appraisal reports by experienced and accredited appraisers, to develop individual property value estimates at the time of sale along with retrospective values to the time of purchase;
- The recommended formula is straightforward, reflects industry best practices, and is usable anywhere in Canada. Moreover, it would be based on data that is readily available to industry participants across Canada and utilizes well accepted valuation/appraisal techniques; and,
- Significantly, the proposed formula expressly does not require or consider broader community market conditions, but rather focusses exclusively on individual property level data. The current requirement to assess broader community conditions is, in our view, a misnomer that complicates the current approach and can lead to misleading conclusions. The proposed formula eliminates this issue.

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The proposed HEA Formula and approach is as follows:

Home Equity Loss = End of Period Value - Initial Period Value (home equity loss if negative)

- Initial Period Value (or going-in value) represents the value at the time the asset was acquired and is the lesser of the Purchase Price or Appraised Value at the time of acquisition (as determined by a retrospective value estimate conducted at time of sale);
- End of Period Value represents the value at the time of sale:
    - If Selling Price > Appraised Value, then Selling Price would represent the end of period value;
    - If Selling Price < Appraised Value, then Appraised Value would represent the end of period value.

Proposed CAF Member Compensation:

CAF Member compensation under the new Formula is proposed as follows:

- 95% of the First $15,000 of Home Equity Loss, tax free (Members would not be compensated for 5% of their equity loss);
- 95% of Home Equity Loss between $15,000 and $100,000 of Home Equity Loss (taxable benefit); and,
- 0% of Home Equity Loss above $100,000.

Sensitivity analysis was conducted to assess variations in reimbursement amounts. The base case utilizes 95% reimbursement with a $100,000 cap. While variations were considered, these amounts provide a reasonable balance between cost and benefit, and therefore remain the recommended solution.

Issues and Implications:

- A member should not be compensated for a loss in equity when a property is purposely sold below its market value or if deferred maintenance or required capital repairs impacts the overall sale price. The proposed approach and the requirement to consider appraised values considers these impacts and ensures this would not occur;
- A key aspect of the recommended formula is the completion of appraisals by accredited appraisers, carried out in consideration of the unique attributes of CAF relocations and at the time of purchase and sale. To do so effectively, we recommend the development of a specific appraisal format as described in more detail herein;

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CAF HEA Benefit Review

- It is acknowledged that if implemented, the recommended model and changes will increase home equity loss reimbursements to CAF members, at an associated cost increase to the DND/CAF. Positively, the proposed changes will result in a simplified program, where the benefits should be better understood and more easily accessed.

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Section 1 – Project Scope and Mandate

The CAF Home Equity Assistance Benefit (HEA) is a relocation benefit available to CAF members. It is designed to compensate CAF members who experience a loss on the sale of their homes in the event of relocation associated with a military reposting.

Close to 15,000 CAF members and their families are relocated annually, both within Canada and internationally, and these relocations are deemed crucial to DND's operational requirements. [1]Although it is a member's personal decision to rent or purchase their accommodations when they are posted and reposted, members are encouraged to own their homes and to build equity so that upon retirement from the CAF they will be in a stronger financial position.

It is also recognized that CAF members may be required to move frequently, within short periods of time, and sometimes in situations and markets where they have limited control. The HEA, and its predecessor programs, are aimed at compensating members who experience a loss in home equity in these situations.

The current HEA Benefit program offers a core tax-free reimbursement of 80% of home equity loss, to a maximum of $15,000 based on remaining available funds from Members Custom and Personalized envelopes, with 100% equity loss reimbursement available if certain conditions are met.

Despite its benefits, issues and concerns have been raised with the HEA program, particularly by members who experience home equity losses which exceed the Core benefit. Members seeking reimbursement in these cases report that conditions and the burden needed to support their applications for reimbursement are onerous, and by way of example since 2009 only two CAF members have had 100% of their equity loss reimbursed. During this same period, many other members have been forced to absorb equity losses above the Core benefit.

This situation has led to numerous challenges of the current program, including high profile court cases and associated media coverage. It has also led the Chief of the Defence Staff (CDS) to initiate a review of the HEA to ensure it remains adequate, and for the Chief of Military Personnel (CMP) to work with the Treasury Board Secretariat (the program authority), to review these issues.

In support of these efforts, the DND CF Ombudsman's Office engaged MHPM along with Tiree and Colliers International, to review the current CAF Home Equity

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[1] *Historically, on average, close to 15,000 CAF members and their families are relocated annually, although for the active posting season 2014, only 9,200 relocations were made. (Source: Director Military Career's presentation to the Ombudsman Office staff, 24 September, 2014).*

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Of the identified and available residential market data sources, the most comprehensive, widely used and readily available is the Multiple Listing Service (or MLS). This national on line system includes details on sales, active listings and even expired sales for residential properties. It is the primary and key source of residential market data across Canada and is used extensively by real estate salespeople, brokers, and by the appraisal industry for conducting residential property appraisals. MLS data is also available and accessible to the general public, albeit on a more limited basis than to brokers and appraisers, as only active listings are typically available to the general public.

Examples of the type and extent of information that is available from the MLS system are appended – see Appendix B.

The comprehensiveness of the MLS System, its availability and national coverage make it the "ideal" data source for use in a revised HEA model. The consideration of models and options has been developed with this in mind.

4.3 HEA Benefit Options and Assessment

Approach:

A series of HEA Benefit Model options have been identified and evaluated. The identification and evaluation of options considered the overarching criteria and objectives as highlighted above, as well as financial impacts, as follows:

- Simplicity - Will the resulting HEA Model and Formula simplify the approach, including availability of required data?
- Validity - Will the approach yield results deemed valid and which will be recognized as acceptable by industry and key stakeholders?
- Ease of Implementation - Will the approach be relatively easy (or difficult) to implement and monitor?
- Financial Impacts – What is the financial impact of the proposed model and formula, both to DND/the CAF and to individual members?

HEA Options and Evaluation:

The following options have been identified and evaluated against the above. The current model (Status Quo) is also presented, as a baseline:

- **Option 1, Status Quo** – representing the Current HEA Model and comprising the prevailing Core reimbursement limits (80% and $15,000) along with a requirement by the Member to demonstrate depressed market status in order to obtain benefits beyond Core reimbursement;

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Assistance Benefit as well as industry best-practices, and based on this to recommend a possible new CAF home equity loss benefit formula and model.

The results or our analysis, including conclusions, rationale and recommendations with respect to a possible new model and formula, are provided herein.

In reviewing the accompanying report and its findings and conclusions, it should be recognized that it has been prepared solely on the basis of the information and assumptions as set forth in the accompanying text. MHPM, along with Tiree and Colliers International, have attempted to verify this information wherever possible, using a combination of data checks and interviews with various officials, however it is not possible to fully document all factors nor to account for all of the changes that might occur in the future. If, for any reason, major changes occur that influence the information and assumptions set forth in this report, the findings should be reviewed in the light of these changed circumstances and revised, if necessary.

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Section 2 – The Current HEA Benefit

2.1 HEA Benefit: Approach and Methodology

Background/History

A home equity loss (HEA) benefit has existed for CAF members since the early 1990s. The program introduced at this time reimbursed 90% of a member's home equity loss upon reposting, although to qualify for the benefit housing prices at the member's place of duty had to decrease by at least 10%. Provisions also existed where more than 90% of the equity loss could be reimbursed with the approval of the Chief of Defence (CDS) and if undue financial hardship could be demonstrated. At the time, the reported major source of concern with the program was the requirement to prove the 10% market decline.

In 1996, a Guaranteed Home Sale Program (GHSP) was introduced, remaining in place for approximately three years. This program was considered a success and well subscribed, with approximately 2,600 members taking advantage of it over the three years. The only reported source of dissatisfaction with the GHSP was that identified sale prices were deemed low in certain cases.

The Integrated Relocation Pilot Program (IRPP), a Public Service initiative, was introduced April 1, 1999. It was designed to provide government transferees with flexible, customized relocation assistance delivered through a contracted service provider. Also at this time, the Treasury Board became project authority and within the DND the Director of Compensation and Benefits Administration became responsible to administer the program, whereas previously the CDS had full authority to approve equity loss reimbursements.

This new approach provided DND with the flexibility to address many of the Quality of Life (QOL) issues raised by the Standing Committee on National Defence and Veterans Affairs (SCONDVA), and was therefore endorsed by the Department. IRPP was adopted as a permanent policy in 2002.

The Program included significant changes to available HEA benefits and the methodology by which they were calculated. The key change was the introduction of a Core benefit with a $12,000 maximum loss. This was subsequently amended (in 2002) to a $15,000 maximum loss, with this amount available tax free, in alignment with Canada Revenue Agency (CRA) regulations.

A final and key change occurred to the HEA in 2009 (Canadian Forces Integrated Relocation Program - CF IRP 2009) whereby members seeking reimbursement $15,000 would be required to demonstrate that their equity loss was a result of living in a depressed market. This was defined by Treasury Board as *"a community where the housing market has dropped more than 20%"*.

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Current HEA Benefit

The current HEA benefit compensates CAF members who experience an equity loss on the sale of their homes, in the event of relocation or reposting. Under the Canadian Forces Integrated Relocation Program Directive (CFIRP Directive), the program provides a Core and tax-free reimbursement of 80% of home equity loss, to a maximum of $15,000 based on remaining available funds from Members Custom and Personalized benefit envelopes.

Custom benefits, representing equity losses above $15,000 can be reimbursed, indeed up to 100% of equity loss is reimbursable, if certain conditions are met, notably and as above if it can be demonstrated by the CAF member that that their equity loss was a result of living in a depressed market.

To claim 100% reimbursement, the CAF member must, in the words of the directive: *"build a case for depressed market status"* by submitting comprehensive housing market information and statistics including letters from realtors, list of comparable sales and current listings, and other market data deemed relevant. Key excerpts from the current HEA benefit program and the list of required documentation needed to support a custom benefit claim are appended – see Appendix A.

By all accounts, the requirement and documentation needed to support an application for 100% reimbursement are onerous. Moreover, the documentation is required at a time when members are limited in their time and ability to provide it as they are in process of moving, and also changing jobs/careers. By way of example, since 2009 only two CAF members have had 100% of their equity loss reimbursed. During this same period, numerous members have abandoned their claims and been forced to absorb equity losses above the core benefit.

2.2 Financial Implications

Of the approximately 15,000 CAF members and their families who are relocated annually, only about 1% claim losses on the sale of their homes. Overall therefore, the ratio of those reporting losses is low; however for those affected the losses can be substantial.

As shown in Table 1, below:

- Of 368 CAF members who made claims for home equity losses between 2008 and 2013, most suffered equity losses that exceeded the $15,000 maximum Core benefit (55% of the 368 claimants reported losses which exceeded $15,000);

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Table 1 - CAF Home Equity Loss Claims, Canada, 2008 - 2013

Value of Equity Loss	All	Mid-Point Loss	Total Loss ($)	Total Loss Paid ($)	Total Loss Not Compensated ($)
$1 - $4,999	49	$2,500	$122,500	$98,000	$24,500
$5,000 - $9,999	65	$7,500	$487,500	$390,000	$97,500
$10,000 - $14,999	51	$12,500	$637,500	$510,000	$127,500
$15,000 - $19,999	51	$17,500	$892,500	$765,000	$127,500
$20,000 - $24,999	37	$22,500	$832,500	$555,000	$277,500
$25,000 - $29,999	21	$27,500	$577,500	$315,000	$262,500
$30,000 - $34,999	13	$32,500	$422,500	$195,000	$227,500
$35,000 - $39,999	17	$37,500	$637,500	$255,000	$382,500
$40,000 - $44,999	15	$42,500	$637,500	$225,000	$412,500
$45,000 - $49,999	11	$47,500	$522,500	$165,000	$357,500
$50,000 - $99,999	32	$75,000	$2,400,000	$480,000	$1,920,000
$100,000 +	4	$200,000	$800,000	$60,000	$740,000
Totals/All	**368**	**Total Loss ($)**	**$8,970,000**	**$4,013,000**	**$4,957,000**
		Avg. Loss ($)	**$24,375**	**$10,905**	**$13,470**

Source: Director Compensation and Benefits Administration provided to the DND/CF Ombudsman 23 December 2013

- Even those reporting losses below $15,000 are not fully reimbursed, as only 80% of equity losses are covered under the Core benefit; and,
- The total equity loss (of the 368 claimants) represents almost $9M, of which only about $4M would be reimbursed under the current Core benefit. This represents an average loss for each member of almost $25,000, of which only about $10,000 is typically reimbursed.

The following table (Table 2) presents 14 actual cases, and further demonstrates the magnitude of equity losses. As shown, the total loss in these 14 cases exceeds $780,000 or $55,000 per homeowner. Of this amount only $15,000 per member is reimbursed under the current Core benefit.

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Table 2 - CAF Home Equity Losses, Selected Actual Cases, Canada						
Case	tion of home	area (Place of duty)	Purchased	Sold	$ of Loss	% of Loss
1			$405,000	$317,000	**$88,000**	**21.7%**
2			$444,747	$410,000	**$34,747**	**7.8%**
3			$446,000	$421,250	**$24,750**	**5.5%**
4			$455,000	$353,500	**$101,500**	**22.3%**
5			$425,000	$335,000	**$90,000**	**21.2%**
6			$365,000	$321,000	**$44,000**	**12.1%**
7			$485,000	$432,000	**$53,000**	**10.9%**
8			$149,900	$108,000	**$41,900**	**28.0%**
9			$247,000	$210,000	**$37,000**	**15.0%**
10			$351,750	$305,000	**$46,750**	**13.3%**
11			$458,000	$370,000	**$88,000**	**19.2%**
12			$230,000	$203,000	**$27,000**	**11.7%**
13			$442,870	$410,000	**$32,870**	**7.4%**
14			$249,900	$177,500	**$72,400**	**29.0%**

Source: The Office of the Ombudsman DND/CAF

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2.3 Issues and Challenges

The current HEA Benefit program offers a Core tax-free reimbursement of 80% of home equity loss, to a maximum of $15,000 based on remaining available funds from Members Custom and Personalized envelopes. A full 100% equity loss reimbursement is available if certain conditions are met. Despite its many benefits, issues and concerns have been raised with the HEA program, chief among these are the following:

- The current Core benefit maximum of $15,000, while tax free, does not reflect the majority of cases as most losses exceed this amount. The current maximum was set more than a decade ago and in most cases no longer reflects current housing markets and property values;
- In most cases, only 80% of equity losses are covered thus even those reporting small losses will be out of pocket for at least part of the loss (i.e., at least 20% of their loss);
- While 100% reimbursement of equity loss is possible, the conditions and burden needed to support full reimbursement are deemed onerous to the point most are not successful and simply give-up, indeed since 2009 only two CAF members have been reimbursed for their total equity loss ;
- Among the conditions that need to be proven to support 100% reimbursement, the CAF member must *"build a case for depressed market status"*, defined as *"a community where the housing market has dropped more than 20%"*. This has created challenges in two ways:
    - The term community is not well defined and this has caused issues in interpreting the policy. Treasury Board for example has defined community using StatsCan census definitions. Others have suggested narrower neighbourhood level definitions are more appropriate. In a number of cases, the definition of community has directly impacted the determination of whether a member lives in a depressed market; and,
    - The requirement to assess broader market conditions not only complicates the current approach, but can result in misleading conclusions, after all it is quite common for individual properties to rise or fall in value regardless of broader community market performance (individual properties can increase in value in a depressed market, and similarly individual properties can decrease in value in a rising market).

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Table 5 - HEA Options and Qualitative Analysis

Option	Benefits	Issues/Challenges
Option 1 - Status Quo	no changes required	The current Core benefit maximum ($15,000), while tax free, does not reflect the majority of cases, as most losses exceed this amount
		Only 80% of equity losses are covered by the Core benefit
		Conditions and burden needed to support full reimbursement are onerous and rarely met
		The CAF member must "build a case for depressed market status"
		The term community is not well defined
		The requirement to assess broader market conditions complicates the approach, and can result in misleading conclusions
Option 2, 90% Reimbursement (with Market Conditions)	increased benefits to members	Conditions and burden (needed to support 90% reimbursement) would continue
		higher costs to DND/the CAF
		The definition of community would remain unclear
		The requirement to assess broader market conditions would still exist, complicating the approach and potentially resulting in misleading conclusions
Option 3, 95% Reimbursement (With a Cap but Without Market Conditions)	increased benefits to members (to 95%), with a $100,000 cap	Will not cover all losses (95%, with a $100,000 loss cap)
	simplified approach, validity of concept	
	aligns with industry best practices	higher costs to DND/the CAF
	greater involvement of independent/external experts (appraisers),	
	removes the burden from individual members	

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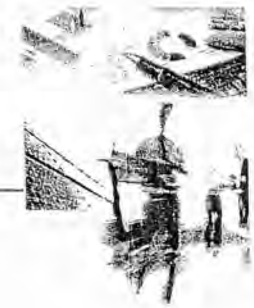

Section 3 – Industry Practices

3.1 Public and Private Sector Industry Practices

As a key part of the analysis, MHPM, along with Colliers International, researched industry practices focusing on whether or to what extent other organizations currently reimburse for home equity losses resulting from employee relocations.

Weichert Relocation Resources (WRRI, a global relocation firm) has conducted research on the topic which concluded that a majority of larger firms offer some form of home equity loss reimbursement as part of relocation benefits. Their research indicated the following:

- Almost 75% of companies surveyed offer some form of home equity loss reimbursement, either as a matter of policy or on a case by case basis;
- Most companies that provide loss-on-sale assistance establish a maximum cap. Policies vary, but a range from $10,000 to $200,000 was identified from the survey; and,
- Most companies do not cover 100% of the amount of equity loss; instead they typically look for ways to share responsibility. One technique is to establish a threshold minimum amount of loss that must be incurred before the company intervenes. Alternatively, a maximum may be applied.

With respect to how individual organizations approach this issue, a cross section of public and private sector organizations were canvassed. The following summarizes the key findings.

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Table 3 – Comparative Home Equity Loss Programs, Selected Public and private Sector Organizations

Organization	Policy	Details	% of Loss Covered
National Defence	Home Equity Assistance (HEA)	Current DND program provides 80% home equity loss coverage upon reposting/relocation, and 100% of equity losses can be covered if certain conditions are met, notably a depressed market can be demonstrated.	Up to +/- $15,000, and 100% under "depressed" market conditions.
Royal Canadian Mounted Police	Home Equity Assistance Program (HEAP)	Similar to DND policy. Also requires definition of a depressed market to receive a benefit in excess of the $15,000, with a residence value capped at $300,000.	80% of loss up to $15,000, unless depressed market defined.
US Military	Homeowner Assistance Program	Allows for reimbursement if the home sale was forced by base closure or transfer as a result of injury. Service is only available to wounded, injured or ill and surviving spouses at this time.	90 – 95%
Private Companies	Loss on Sale Benefit	Most large scale private companies cover off loss on sale benefits to staff if relocated. The benefit is typically larger for more senior staff. The benefit is also available to low level staff although there is generally a cap on the total loss covered (typically +/- $50,000). The benefit is calculated as the difference between the original purchase price and the sale price or appraised value as of the relocation. No requirement for definition of depressed market etc. This is a typical program for the major Canadian Banks.	100%
Government of Canada	Relocation Directive	Home Sale Assistance has no % limitation but the largest amount available is $15,000. This is not considered as a % of the total property value.	Up to $15,000
British & Australian Military	N/A	Neither the British nor Australian military have a loss on sale benefit of any type. Rather, there is ample available housing provided to members of the military for rental. The rental home programs are advanced and well managed based on our investigations.	N/A

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3.2 Assessment and Implications

- The current CAF HEA program and approach is, overall, in alignment with broader approaches and strategies utilized by many other organizations in that it compensates for equity loss, but has limits and shared responsibility;
- The current CAF HEA benefits is superior to some programs and organizations – indeed those which offer less or no equity loss reimbursement, and inferior to some others particularly in the private sector, which offer greater benefits; and,
- The current CAF HEA program is similar to what exists in other Canadian federal government organizations, notably the RCMP. On the other hand, no similar programs were found within the militaries in the United States, UK, or Australia (note: the availability of government or military housing rentals was not part of the scope of this assessment).

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Section 4 – HEA Benefit Model Options

4.1 Approach and Desired Outcome

The desired HEA Benefit Model/Formula is one that would yield a simplified and defensible basis for determining residential home equity losses, associated with CAF member relocations, across Canada. The preferred HEA model and formula is therefore one which would be defined by its simplicity and validity of approach, and also by ease of implementation.

Any and all possible changes to the existing model and formula have therefore been evaluated against these criteria, as well as financial impacts.

4.2 Data Availability and Implications

As a first step in considering options and possible changes to the existing model and formula, an analysis of data, and data sources, has been undertaken. This review was conducted to ensure all possible data sources have been considered, and moreover to ensure that a model is not developed that requires inputs that are either unavailable and/or too costly to obtain.

Key residential market data sources are identified and described in the accompanying table:

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For all of these reasons, there is a need to re-consider the HEA approach and alternate/new approaches.

The accompanying sections highlight possible options, leading to a recommended solution and modified HEA model/formula.

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Table 4 – Potential Residential Market Data Source, Canada

Data Source	Operator	Type of Data	Limitations	Advantages	Who Has Access
MLX change (MLS)	Local Real Estate Boards (OREB, CREB etc.)	MLS includes details on sales, active listings and expired sales for single family homes across Canada. This is the primary and key source for single family home sales data across Canada and is used extensively for conducting property appraisals.	MLS lists the date of sale, sale price and property details but is not linked to title data (in rare instances properties are listed as sold when they have in fact not transferred to a new owner).	MLS allows for a professional to pull comparable sale details and stats for any market in Canada	Real estate agents, residential appraisers, and other real estate board members, not accessible by the general public
Municipal Property Data Service (Geo Ottawa, My Property – Calgary)	Individual Municipalities	Individual municipalities maintain varying levels of public information on properties. Typically only zoning, site size and limited details on current use can be derived from this.	No sale data Every municipality also stores and shares the data differently.	Is a secondary source for confirming certain property data from MLS	Free public access.
Assessment Roll	Municipality or Province	Every municipality or province completes assessments on the properties located within it for the purpose of taxation. The assessment roll lists the assessed value for each and every property in a given municipality or province.	The methods for establishing assessed value are not consistent nationally and are in many cases are not usable for determining current market values. Assessments also only reflect specific dates.	An assessed value exists for every real estate property in the country as well as in most cases basic details of each property (i.e. size, site size, type etc.)	Access depends on the market area. Appraisers have access, real estate agents would not typical have access. The general public can obtain limited/partial

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Table 4 – Potential Residential Market Data Source, Canada

Data Source	Operator	Type of Data	Limitations	Advantages	Who Has Access
					access.
Title Registry	Provinces	Provides details on property transfers and ownership for properties. Systems are provincial (Spin - Alberta, Geowarehouse - Ontario)	Access is expensive, and the user needs expertise to discover and understand title and transfer documents that can be accessed.	Allows one to confirm that a property has in fact transferred from one owner to another.	Paid Access, typically appraisers, lawyers and real estate agents.
Housing Market Statistics	Canada Mortgage and Housing Corporation (CMHC)	CMHC publishes market information on housing activity in all major Canadian markets, including primary data (housing starts), and secondary data (MLS Summaries, etc.) and is a key source / reference for assessing market activity levels and performance	No data at the property level.	Accepted source of market information.	Easy access, modest cost

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- **Option 2, 90% Reimbursement (with Market Conditions)** – this would represent a return to the program that existed in the early 1990s, whereby members could be reimbursed for 90% of home equity loss upon reposting, although to qualify for this benefit housing prices at the member's place of duty would have to decrease by at least 10%, with the member required to demonstrate this occurrence; and,
- **Option 3, 95% Reimbursement (With a Cap but Without Market Conditions)** – this would represent an alternate approach, whereby members could be reimbursed for 95% of home equity loss upon reposting, up to a limit, with a requirement to document the loss through appraisals, and significantly without any requirement to demonstrate broader market losses (i.e., no requirement to demonstrate a depressed market).

The tables (below) provide a qualitative review of the benefits and challenges associated with each option (Table 5), along with a financial review (Table 6) in terms of the financial impacts of each option – both to members and to DND/the CAF.

Overall, Option 3 carries numerous qualitative advantages over the existing model, and also over Option 2. Keys among these are higher loss reimbursements and greater engagement of external third party experts (appraisers). For the cases examined in Table 6, Option 3 would increase the average compensation per member to $24,000 (from $15,000 under the current program). Higher loss reimbursement would accordingly result in higher program costs to DND/the CAF.

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Table 6 - Financial Analysis of HEA Losses and Model Options, Selected Actual Cases

Case #	Location of Residence	Geo area (Place of duty)	Appraised Value at Purchase Date (Retrospective Value $) *	Purchase Price ($)	Sale Price ($)	Appraised Value at Sale Date ($)	HEA Loss (Sale Price - Purchase Price $)	Option 1 - Status Quo		Option 2 - 90% Reimbursement, with Market Conditions		Option 3 - 95% Reimbursement, with a Cap, but No Market Conditions	
								HEA Loss Compensated to the Member (Core)	HEA Loss borne by the Member	HEA Loss Compensated to the Member **	HEA Loss borne by the Member **	HEA Loss Compensated to the Member **	HEA Loss borne by the Member **
1			$410,000	$405,000	$317,000	$325,000	$88 ,000	$15,000	$73,000	$79,200	$8,800	$76,000	$12,000
2			Not Determined	$444,747	$410,000	$395,000	$34 ,747	$15,000	$19,747	$31,272	$3,475	$33,010	$1,737
3			Not Determined	$446,000	$421,250	$445,000	$24 ,750	$15,000	$9,750	$22,275	$2,475	$950	$23,800
4			Not Determined	$455,000	$353,500	$355,000	$101 ,500	$15,000	$86,500	$91,350	$10,150	$95,000	$6,500
5			Not Determined	$425,000	$335,000	Not Determined	$90 000	$15,000	$75,000	$81,000	$9,000	$85,500	$4,500
6			Not Determined	$365,000	$321,000	Not Determined	$44 000	$15,000	$29,000	$39,600	$4,400	$41,800	$2,200
7			Not Determined	$485,000	$432,000	Not Determined	$53 000	$15,000	$38,000	$47,700	$5,300	$50,350	$2,650
8			Not Determined	$149,900	$108,000	Not Determined	$41 900	$15,000	$26,900	$37,710	$4,190	$39,805	$2,095
9			Not Determined	$247,000	$210,000	Not Determined	$37 000	$15,000	$22,000	$33,300	$3,700	$35,150	$1,850
10			Not Determined	$351,750	$305,000	Not Determined	$46 750	$15,000	$31,750	$42,075	$4,675	$44,413	$2,338
11			$450,000	$458,000	$370,000	$370,000	$88 000	$15,000	$73,000	$79,200	$8,800	$76,000	$12,000
12			Not Determined	$230,000	$203,000	Not Determined	$27 000	$15,000	$12,000	$24,300	$2,700	$25,650	$1,350
13			Not Determined	$442,870	$410,000	$410,000	$32 870	$15,000	$17,870	$29,583	$3,287	$31,227	$1,644
14			$250,000	$249,900	$177,500	$232,750	$72 400	$15,000	$57,400	$65,160	$7,240	$16,293	$56,108
							Total (14 cases combined):	$210,000	$571,917	$703,725	$78,192	$651,146	$130,771
							Average (of the 14 cases):	$15,000	$40,851	$50,266	$5,585	$46,510	$9,341

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