

July 2, 2013

***Sent via E-mail***

Executive Committee  
City of Toronto  
City Hall  
100 Queen Street West  
Toronto, Ontario  
M5H 2N2

**Re: Executive Committee Agenda Item EX33.22, July 3, 2013**

Dear Executive Committee Members,

We are writing to inform you that the Canadian Bankers Association supports, in principle, the proposed Retrofit Program. That being said, the involvement of the lender at various stages of a retrofit project is key to the success of the Program. The assessment of credit risk is a complex process and involves various interrelated transactions. Any imbalance or disruption in this complex system will be detrimental to the industry, especially at a time when consumer debt is peaking. In that regard, we continue to express concerns with respect to various elements of the Program, particularly those relating to the financing of the retrofit projects.

First, the Report states that on the multi-residential stream “property owners will be advised to ensure they are complying with their obligations to financial institutions”, rather than simply requiring consent of the lender. No reasons are provided for this decision.

From our perspective, we do not see any compelling reason to distinguish between the residential stream and multi-unit stream when it comes to lender consent, given that costs of retrofit projects can be significant when it comes to multi-units. More importantly, under standard mortgage terms, additional encumbrances, such as the LIC charge, and alterations to the property, without consent of the lender, constitutes a breach of the terms of the mortgage. For these reasons, and to ensure a full credit evaluation is completed, the City should obtain express, written consent directly from the financial institution as part of its internal process in all Program streams. Otherwise, banks may be compelled to protect their interests through amendments to their standard mortgage terms, which would likely impact the uptake rate in the Program.

Furthermore, since the City has been notified from the outset that Program participation without lender consent is likely to result in a breach of standard mortgage terms, by its promotion of the Program without a consent requirement for the multi-unit stream, the City may be damaging the

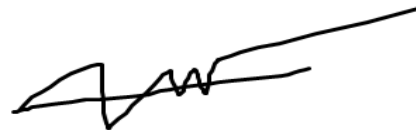
relationship between lenders and participants, which may require otherwise avoidable time and expense on the part of Program participants, lenders and even the City, in order to effectively resolve.

Second, the Report also provides that property owners will select their own contractors and that funds will be remitted directly to property owners to pay those contractors. This process is completely different from the position the City expressed during the initial consultation phase. The City's rationale for the new process appears to be based on results from focus groups suggesting "a preference for owner-selected contractors". We do not find this rationale very compelling. We believe the proposed structure is riddled with opportunities for abuses and diversion of funds. The City, as the leader of the Program, must ensure that the work is carried out by qualified, arm's length contractors, at competitive prices, and that the funds advanced are properly invested.

Finally, we would like to note that banks will require time to adjust their processes to ensure participants in the Program are promptly/properly identified, and to ensure that LIC charges are considered when calculating debt servicing.

In closing, the CBA appreciates the opportunity to participate in this consultation process. We hope that you find our views helpful. If you require any further information, or if you have any questions on our response, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Qumers Wejdan', with a long horizontal line extending to the right.

Qumers Wejdan

Legal Counsel