



Australian Property Institute

**16.1 - PropertyPRO™ Residential Valuation and Security
Assessment Supporting Memorandum
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**Australian Property Institute
6 Campion Street
Deakin ACT 2600**

Telephone: 1800 111 274
Email: national@api.org.au
Website: www.api.org.au

Property PRO™ RESIDENTIAL VALUATION AND SECURITY ASSESSMENT SUPPORTING MEMORANDUM

APPROVED 8 MAY 1998, REVISED 9 AUGUST 2002

1.0 Introduction

1.1 Purpose

This Supporting Memorandum provides the basis upon which Members of the Australian Property Institute (API) who are Certified Practising Valuers will provide valuations on residential properties for mortgage purposes using the PropertyPRO 'Residential Valuation and Security Assessment' Pro-forma Report for Mortgage Purposes. It is also the basis on which their lender clients will accept and use such valuations.

1.2 Scope

This Supporting Memorandum sets out limitations and qualifications inherent in valuations, and in particular the Risk Analysis, provided in the PropertyPRO 'Residential Valuation and Security Assessment' Pro-forma Report for Mortgage Purposes format. A lender-client who instructs a valuer to provide a PropertyPRO Proforma Report agrees to accept and be bound by the process contained within this Supporting Memorandum. In particular, it provides important information to lender-clients and Valuers in relation to:

- initial instructions to the Valuer and what information should be provided,
- the information the Valuer should provide in the report,
- the matters the Valuer may provide restricted comment on,
- what the Valuer should do in the event of a departure from any provision,
- matters the Valuer understands will be checked by the lender and/or its solicitor (and which may subsequently be referred back to the Valuer for comment), and

- the information and documentation the Valuer could be expected to hold on file.

Valuations using the PropertyPRO 'Residential Valuation and Security Assessment' Pro-forma Report for Mortgage purposes are provided for and may be relied on by lender-clients and their mortgage insurers and/or securitisers only. It is the lenders responsibility to ensure that its mortgage insurers and/or securitisers are aware of and agree to accept the basis contained in the Supporting Memorandum on which these valuations are provided, and the lender-client will indemnify the valuer against claims made against the valuer as a result of the lender failing to do so.

1.3 Copyright

The Institute reserves Copyright of the PropertyPRO 'Residential Valuation and Security Assessment' Pro-forma Report. This has been deemed necessary to retain the integrity and consistency of the report format. The Report format is available through the Institute under the PropertyPRO Trademark. It is produced out of a database program that is only available to Institute Members.

1.4 Certification

A Valuer who provides a PropertyPRO Proforma report must do so in accordance with this Memorandum. A lender-client who instructs a valuer to provide a PropertyPRO Proforma report must do so in accordance with this Supporting Memorandum.

1.5 Brief Report For Residential Mortgage Purposes Only

It should be noted that the format is specifically designed for the purpose of providing a brief report on a single residential property for mortgage purposes.

2.0 Initial Instructions to Valuer and Supply of Information

2.1 Standing Instructions

Valuers should ensure that instructions to provide a PropertyPRO proforma report are on the basis of a standing instruction or a specific instruction that the provision of the PropertyPRO proforma report will be subject to the terms of this Supporting Memorandum.

2.2 Instructions in 'writing'

Instructions for individual reports are normally provided in 'writing'. Any instructions transmitted electronically should be produced in a hard copy form for retention in the Valuer's file. Any instructions provided verbally in the first instance should be confirmed in 'writing' by the client, or failing that, the valuer should confirm the instructions in 'writing' and retain a file copy.

2.3 Desirable and Necessary Detail

While a Valuer can in due course produce a report after being provided with very little information by the client, considerable extra time and cost will be involved for the Valuer in ascertaining necessary detail. Where some information is not readily available to the Valuer, the report may be qualified. The lender shall provide to the valuer all information in its possession that may impact on the valuation of the property. As much of the following information and documentation as possible should be provided in or with the instructions for a Residential Valuation and Security Assessment. Some of the information may be obtainable by the intending borrower from the selling agent where the property is for sale. The information shown below in bold is considered the most important information required.

- **Valuer**
The name of the firm to which the instructions are addressed
- **Date(s)**
Date of request
Date required (if applicable and not a contract condition)
- **Lender**
The name of the instructing organisation
Appropriate references and organisation contact details
- **Borrower**
Name(s) of borrower(s) and any reference number(s)

- **Loan Amount**
\$
- **Property Address**
Full street address, locality name and postcode
- **Title detail**
Legal description
Copy of search or title document including encumbrances etc. The valuer will not be required to obtain or refer to a Title search unless specifically instructed.
Copy of deposited or registered plan, strata or unit plan or survey report.
- **Property Type**
e.g. Dwelling, unit, hobby farm
- **Contract Price**
If current sale involved (or price and date if recent sale)
- **Extracts from Copy of Contract**
Copy of any special conditions, certificates, etc.
For residential investment properties and community title, access to the contract should be arranged for the valuer. A special fee may be appropriate for perusal of any substantial extra documentation.
- **Borrower's Estimate**
If no current or recent sale is involved.
- **Contact for Access**
Contact's name (if property has been sold or leased, the names of any real estate or leasing agents involved should be provided)
Contact's Phone number(s) – and whether am or pm
- **If Tenanted**
Tenant's name, rent being paid and expiry date of any lease
- **Special Instructions**
Any applicable
- **Tender Details**
If proposed dwelling, renovation or extension:
Arrange for the valuer to receive:
Copy of building contract, latest tender or quote with priced schedule of fittings/PC items.
Copy of plans and specifications preferably approved.
Builder's name and licence details and phone number(s).

- Any Other Relevant
E.g. Zoning certificate, development approval, pest report, affectations, etc.
- Report Dispatch
To where and how the report should be forwarded.

3.0 Format of Reports

3.1 Layout Designed to Facilitate Easy Checking

The PropertyPRO Residential Valuation and Security Assessment Pro-forma report layout intentionally has most of the key information, the risk analysis, valuation and assessments (and their certification) on the first page, while supporting information, data and comments follow. While this is primarily to facilitate easy checking by the lender and/or trustee and mortgage insurer, it is essential that the whole report be read. The risk analysis on the front page with its graphic presentation particularly serves to draw immediate attention to any risks rated 'Medium to High' or 'High', and to appropriate comments later in the report.

3.2 Brief Facts, Points and Concise Statements

As the report is a pro-forma report, it presents its information in brief pertinent facts, points and concise statements. However, features impacting significantly on the property should be adequately noted. The format has been designed to suit a majority of situations. Where required, the 'Comments' section can be expanded to cover less common properties. While the first page is fixed length, some fields on the second page have the capacity to expand, creating an extra page (or more) if needed.

There are formats for strata and proposed dwellings/extensions/renovations, vacant land and for properties subject to long term lease. Some label variations are available to suit particular situations, e.g. 'Built About'/'Year Built', while others only appear if relevant, e.g. 'Actual Rent'. A 'vacant land' variation deletes a number of headings.

3.3 Information which should be provided in the report

The valuer should provide in the report under each sub heading in each main section the information and comment referred to below, but subject to any limitations and qualifications set out below and subject to the information being common knowledge and or readily ascertainable and or provided by the lender within the time frame available to complete the report.

PROPERTY PRO SUPPORTING MEMORANDUM

Item	Requirement
Lender	The lending organisation's name. Where lender's, mortgage insurers and/or securitisers are required to be noted on the report, these will be inserted at the end of the document.
Lender and Borrower References	Provide field labels relevant to those used by the lender.

1. PROPERTY SUMMARY

PROPERTY ADDRESS:	Street Address, including State and Postcode
TITLE DETAILS:	Description of land and title details where available. Note: The valuer is not required to obtain or comment on a title search unless specifically requested.
Encumbrances/Restrictions:	Type, extent and location of encumbrances or restrictions (where provided by the client)
Site Dimensions:	Where available or able to be described use the convention of frontage/rear then one side/other; (where no '/' is shown, this indicates same dimension for each), or otherwise provide site area.
ZONING/INSTRUMENT:	Status of zoning and name of most relevant planning instrument
LGA:	Local Government Area name
MAIN BUILDING:	Broad type classification e.g. Dwelling, Residential Unit, Duplex, Vacant Land, Other
No. of Bedrooms	
No. of Bathrooms	Include ensuites
Current Use:	Advise where main building not used for its designed purpose.
Built About/Year Built:	'About' is used more often as the exact year built is often not readily ascertainable. An alternative label 'year built' is available for selection in instances where the exact year is known.
Addition(s):	Approximate age of major extensions.
Actual Rental/until:	Note actual rent and expiry date subject to lenders requirements and availability.
AREAS:	Area measured or ascertained. Practical use of most measuring systems will produce an approximate result. Outdoor areas include areas of open verandahs, patios, pergolas, porches, etc. Their individual areas are aggregated for the purpose of these reports.
MARKETABILITY:	A brief comment as an overall rating of the ease of sale of the property i.e. how saleable is the property? This should be based on any inherent or external features favourably or adversely affecting the marketability of the property. Low or below average ratings need to be explained in 'Additional Comments'. (Marketability in this instance is not intended to be a comment on the condition of the market). Expand as necessary in 'Additional Comments'
Heritage Issues:	A comment as to whether any heritage issues, either adverse or beneficial affect the property within the knowledge of the valuer: (comment on the form "Known" or "Not Known") . If 'known, further comment required over page.

Item	Requirement
ENVIRONMENTAL ISSUES	<p>This should record any significant/observable/visual and/or known defects or hazards or observable or known site contamination. Where a defect or hazard is recorded, further comment is required.</p> <p>Any identified matters may warrant a report by appropriately qualified experts or a certificate from an appropriate authority.</p> <p>The Valuer is not normally an expert in these matters. The Valuer's role is to assist in identifying issues in the first instance and to recommend any further reports or certificates for confirmation or clarification. (Any issues or uncertainties should be explained more fully in 'Additional Comments'). Should any issues be subsequently confirmed, the Valuer should be asked for further comment in view of any certificates or other experts' reports (and their estimated costs of remediation or recommended work).</p> <p>Where no defect or hazard is identified the Valuer may comment 'none readily apparent' or 'unlikely in this area' or similar.</p>
ESSENTIAL REPAIRS	<p>The valuer should identify only those items observed by the valuer, and which, in the valuers opinion, if not attended to, could cause significant deterioration and loss in value or could have a significant adverse effect on marketability. The report is not intended as a structural or building survey report though the Valuer may report on observed defects or other matters of concern.</p> <p>The 'Existing Property' value reflects the current condition.</p>
TBE (To Be Erected)/ Extension/Renovation	<p>TBE will show and applies only where a building project is involved, i.e. a new building. A separate heading is available for an extension or substantial renovation. The valuation provided in each instance will be on the basis of 'As if Complete'. In each case builder's name and building contract or tender details should be shown.</p>
Check Cost	<p>A Check Cost will only be provided by the valuer where the valuer has adequate cost indicators for that style of construction. The purpose is primarily to identify if the tender is broadly in line with market costs. It is not expected that a detailed costing will be conducted. If the Check Cost is significantly different to the tender then this matter will be drawn to the lenders attention.</p>
Information Supplied	<p>The Valuer should indicate what information has been supplied including an indication as to whether the plans and specifications sighted have been 'Council approved'.</p>

2. RISK ANALYSIS

The risk analysis in the PropertyPRO format is the valuers assessment of the impact on the property of a number of specified factors presented in a numerical/ graphical format.

This is a simplified analysis based on the current experience of the valuer and is not a technical analysis. The lender client cannot expect that the valuer brings to the task any greater level of common knowledge or ability to foresee events than can be expected of persons experienced in the market for that class of property in its market place (which may be local or broader). The risk analysis is the product of the current experience of the valuer based on information that is common knowledge and /or readily ascertainable in the market for that class of property in its market place. The risk analysis does not reflect information that is privileged or to which the market for that class of property in its market place does not have ready access and it does not reflect decisions, announcements, releases, articles and the like that the valuer has not had reasonable time and opportunity to assess and consider. Subject to these limitations, the Risk Analysis indicates the level of adverse impact each stated aspect has, or in the near future, might have on the property's value and marketability. In the case of higher level ratings, it can also provide an indicator of the presence of relevant comments in the 'Additional Comments' section on the following page.

PROPERTY PRO SUPPORTING MEMORANDUM

Item	Requirement
...Risk Ratings	Risk Ratings focus on four property-specific aspects and four market-related aspects. Each of these aspects can involve consideration of a range of elements relative to it.
... level of adverse impact or risk	It is accepted that each aspect is likely to have some possibility of adverse impact or risk, however low or nominal. The assessment of the level of adverse impact or risk includes assessment of both the probability and consequence of the risk. A Risk Rating of 1 equals normal or no influencing factors and risk factors elevate from that point.
...the risk ratings	<p>The ratings which are outlined below the bar graphs are:</p> <p>'1' - Low</p> <p>'2' - Low to Medium</p> <p>'3' - Medium</p> <p>'4' - Medium to High</p> <p>'5' - High</p> <p>Any Risk Ratings of 4 or 5 or the existence of three or more '3' Risk Ratings MUST BE COMMENTED UPON in the 'Additional Comments' section.</p> <p>For the purpose of these reports, the risk rating reflects the valuers assessment of:</p> <ul style="list-style-type: none"> the level of adverse impact the stated aspect has upon the current value and/or marketability of the security property, and/or the currently perceived level of adverse impact the stated aspect could have on the value or marketability of the security property within the initial 2-3 year period of the security.
... adverse and favourable impacts offset	The rating adopted for each of the listed aspects requires a balanced overview for that aspect. Properties often have many beneficial features. Adverse impacts need to be weighed against strengths or favourable impacts under the same aspect.
... cumulative impacts	While there can be offsets in the overall rating for an aspect heading such as the above, there may also be cumulative effects from several adverse impacts.
... common knowledge and reasonably foreseeable events	The basis of any 'forward-looking' element of a rating is restricted to information that is currently common knowledge and/or readily ascertainable in the market and to events that are reasonably foreseeable. Information which is 'privileged' in the valuer's hands or to which the market itself does not have ready access cannot be reflected in the rating.
... elements	The elements of the Risk Analysis are:
Property Risk Ratings.	
Location & Neighbourhood	This Risk Rating reflects an overall rating for these two aspects.
Land (incl. planning, title)	Land in this instance refers not only to the land physically, but also to access, services, planning and title.
Environmental Issues	This aspect of the Risk Analysis covers a range of environmental issues including contamination (refer Environmental Issues heading above).
Improvements	This aspect refers to all improvements, whether the main building or ancillary improvements (and for a TBE - Proposed Dwelling, Extensions or Renovations, would include concerns about aspects of the project or tender).

Item	Requirement
Market Risk Ratings.	
Reduced Value next 2 - 3 yrs	This Risk Rating is an indication of the level of risk of this property reducing in value over the next 2-3 years. It is a forward-looking summary rating taking into account aspects affecting, or likely to affect, the value of the property. The assessment is made on the basis of information that is common knowledge and/or readily ascertainable in the market and having regard to reasonably foreseeable events as at the date of the assessment. The rating cannot be expected to reflect information that was not common knowledge, or conditions, events or circumstances that occur subsequently or unexpectedly.
Market Volatility	This aspect reflects the risk of significant adverse impact on the value of the property of the market changing direction rapidly. While this will reflect historical performance, reasonably foreseeable events should also be taken into account.
Local Economy Impact	This aspect reflects the extent to which a significant change in the local economy is impacting adversely and/or the risk that it may impact adversely on the value of the property in the 2-3 year time frame.
Market Segment Conditions	This aspect reflects the extent to which the condition of the market in this particular market segment is impacting or may impact adversely on the property.

3. EXPLANATORY MATERIAL

The valuation will be carried out in accordance with the General Concepts, Principles and Definitions section of Professional Practice 2002 of the Australian Property Institute (and subsequent editions) and the Practice Standards and Guidance Notes contained within the guide. The comments below relate specifically to the PropertyPro Residential Valuation & Security Assessment.

Market Value	<p>A single figure amount is recorded for the Market Value in line with traditional valuation practice. The figure will normally be arrived at after consideration of several valuation approaches such as Sales Comparison and Summation. The Capitalisation approach may be used for investment property that is subject to a long-term lease. Immediately above the Market Value is an apportionment of that value into its main components - the value of the land and the added value of the improvements. For Strata Title property a single value only is recorded, as an apportionment is inappropriate.</p> <p>As an additional security measure, the 'Market Value' is also provided in words.</p> <p>The Market Value assessed by the Valuer relates to the market conditions existing at the date of valuation (which will normally be the date of inspection).</p>
(Chattels)	<p>PropertyPro valuations include the following chattels:</p> <ul style="list-style-type: none"> • fixed floor coverings, • window coverings, and • light fittings.
Rental Assessments	<p>Rental Value Unfurnished. This reflects the most probable market rental for the property assessed in the same condition as the property is valued. The rental is not to include rent for furniture unless:</p> <ul style="list-style-type: none"> • a charge is held over the items, • the charge is sighted by the valuer, • a copy is annexed to the report, and • the valuer makes specific note of the inclusion of furniture in 'Additional Comments'.

PROPERTY PRO SUPPORTING MEMORANDUM

Item	Requirement
Insurance Assessment	<p>Replacement Insurance. This is an assessment of an insurable sum under replacement and reinstatement conditions. This would normally include:</p> <ul style="list-style-type: none">• estimated current construction cost,• provision for cost escalation during period of insurance and rebuilding process,• allowances for demolition and clean up, and• professional fees. <p>Cost of alternative rental accommodation is not included.</p> <p>Where a TBE, Extension or Renovation is involved, the assessment for Replacement Insurance should include the proposed work.</p> <p>No assessment is provided for a strata unit as insurance will normally be the responsibility of the Body Corporate for the whole development.</p>
Recommendation	<p>It might be noticed that no provision for a security recommendation is included in the report. The decision as to the suitability of the security is a commercial decision for the lender. That decision may not only be based on the content of the report but may also extend to factors beyond the property itself.</p> <p>It is not normally appropriate for the Valuer to recommend a loan to valuation ratio (LVR) or percentage to advance.</p>
Lenders Reference to Valuer	<p>The lender client may obtain documents (whether on the recommendation of the valuer or not), which may reveal matters not disclosed in the valuer's report. If they might impact on the value, marketability or risk analysis, they should be referred back to the valuer for further consideration, comment and confirmation or otherwise of the valuation.</p> <p>While the report may identify or comment on various aspects to alert the reader to various issues, it does not substitute for recommended reports by appropriate experts, specialists or authorities.</p>
Authorised for Issue By	<p>This is included to address instances where a director of the valuation firm is required by the client to also sign the report. A person signing in this capacity is merely authenticating the report as from that firm. It should not be construed as endorsing or co-signing the valuation. This would be inappropriate unless the co-signatory had, at the date of valuation, also inspected the property and been actively involved in the research and assessments. As a safeguard, the person authorising may choose not to include professional qualifications so as to avoid giving the false impression of being a co-signatory to the valuation.</p>
<h3>4. THE LAND</h3>	
Property Identification	<p>This is to provide an indication of the means, other than street address, by which the property has been identified where this is the case. Where no such means other than street address has been used, the valuer should indicate 'identification not confirmed'.</p> <p>Valuers are not normally experts in survey matters and therefore no part of the report should be construed as a survey report. If the valuer's inspection indicates there is a reasonable possibility of any encroachment over easements or boundaries, it would be appropriate for the valuer to recommend a survey report to clarify the issue.</p>
Has title search been sighted?	<p>This requires either a 'yes' or 'no' answer to inform the lender if the Valuer has had the benefit of a search, however obtained. It in itself is not indicating any requirement for the Valuer to carry out a search. If the answer is 'no', the lender could consider obtaining a current title search to confirm appropriate content in the valuer's report.</p>

Item	Requirement
Zoning Effect	This should provide an indication as to whether the development is considered (subject to confirmation by appropriate certificate) to be a permitted development and use. Note should also be made as to whether the zoning has any significant adverse effects on the property. Any known proposed rezoning directly or indirectly affecting the property should be noted.
Location	This requires a statement as to the position of the property relative to the nearest town centre (CBD) and, if not a significant town, distance to the nearest main town or regional centre. It should indicate distances from other features such as schools, public transport and beaches. It does not require a description of the locality (this is provided under 'Neighbourhood').
Neighbourhood	This requires a description of the immediate locality and neighbouring development, drawing particular attention to any positive or negative features or aspects that impact on the value or marketability of the property including significant demographic changes.
Site Description & Access	This requires a brief description of the shape and topography of the site, its relationship to road level, its suitability for building, its aspect and any significant views, adverse outlooks or 'features' as relevant. Access should be described if difficult legally, physically or due to traffic.
Services	Requires notation of the utilities connected to the site or those provided on-site such as septic, bottled gas or tank water. It also requires detail on street surfacing, kerbing and guttering and footpaths.

5. MAIN BUILDING

Style	This comprises a two-part description defining the building in terms of its number of levels and/or elevation and degree of attachment, e.g. split level detached; two storey terrace; high rise part floor; high-set multi-level detached, etc. (Other style aspects such as architecture or period, can be noted in 'Additional Comments' if the valuer considers this relevant).
Street Appeal	This relates to the kerb-side appeal or attractiveness of the building. For consistency, it has a five level rating ranging from 'high appeal' to 'low appeal'. It is not meant to describe its presentation, which is reflected more in 'external condition'.
Main Interior Linings	If there are numerous interior linings used, only the dominant ones are noted. Any feature linings such as timber panelling can be noted in 'Fixtures & Features'.
Internal Condition	For consistency, this has a five level rating ranging from 'excellent' to 'poor' and reflects both repair and apparent physical condition including cracking and movement.
External Condition	For consistency, this has a five level rating ranging from 'excellent' to 'poor' and reflects both repair and apparent physical condition including cracking and movement.
Accommodation	Number of bedrooms is stated first, followed by number of bathrooms (includes ensuites), other main rooms, then service or utility rooms and outdoor areas.
PC Items	A list of the Prime Cost Items preferably starting with those in the kitchen, then laundry, bathroom(s), toilet and others servicing the whole building such as hot water service, air conditioning and ducted vacuum cleaner. It is not meant to cover all items that might be included in a specification as 'Provisional Cost' items e.g. wall and floor tiles, door furniture, etc.. These can, if unusual or particularly expensive, be included in Fixtures and Features.
Fixtures and Features	A list of built in items (such as cupboards and robes) and main feature finishes (such as non-wet area tiled floors and wood panelling).

Item	Requirement
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6. ANCILLARY IMPROVEMENTS

A list of ancillary improvements other than the 'main building', starting with significant items such as in-ground pool, tennis court, shed, etc., followed by secondary ancillary items such as fencing, paving, driveway, landscaping.

7. SALES EVIDENCE & THE MARKET

Sales Evidence	The three most recent comparable sales available should be provided. More sales may be considered. Details of these should be retained on file but should not be included in the report.
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Where in the Valuer's opinion there are insufficient or no recent comparable sales, older sales should be included and adjusted. Where sales quoted are older than 6 months (three months in a rapidly changing market), this should be noted in 'Additional Comments'. An explanation should be provided as to the method of valuation, the market dynamics and likely movement of the market since any older sales that have been relied on.

Sales relied upon should, as far as possible, be realistic comparisons in price range, type of property and location. Where the sale price evidence differs significantly (say +/- 15%) from the value adopted on the subject property, the valuer should provide suitable comment on the dynamics of the market to explain why it has been necessary to rely on such evidence. Similarly if a different class of property is used as evidence, or if a sale in a substantially different location is relied on, reasons should be stated in 'Additional Comments'.

Brief Comments	Each comparable sale should be briefly described.
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In Comparison to Subject	For consistency and clarity, the comparison should be the sale property compared to the subject property (not the other way around). For example, if the comparison states 'generally inferior' it should mean that the sale property is generally inferior to the subject property. Where warranted, it should also contain a brief note of any major differences not apparent from the description, eg. 'steeper block' or 'badly needs paint'.
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Latest sale of subj. property	<p>Where a sale of the subject property has occurred in the past 3 years, it should be noted. Specific comment should be made if a current sale is not considered to be in line with the market or is known to be affected by special circumstances or incentives.</p> <p>The valuer is not required to sight a copy of the contract. If the lender is aware of special circumstances or incentives, the valuer could be supplied with details and asked to comment.</p> <p>Where the valuation varies significantly from a current or recent sale of the subject property, the reasons should be outlined in 'Additional Comments'.</p> <p>It is not uncommon for the subject property to be valued 'at purchase price'. If there is a known current sale of the property, the valuer is expected to consider it against other evidence, as it has been a test of the market. As most properties sell within the normal Market Value range or tolerance, it will be reasonable for the purchase price to be adopted if it is considered to be within that range. Where the price has been at the top end of the range, additional comments would be warranted and the risk rating considered for any resultant increase in the risk of 'reduced value next 2 -3 years'.</p>
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Item	Requirement
Level of Market Activity	A brief note to describe the level of market activity as an indicator of the condition of the market. Adverse market conditions will reflect in the Risk Analysis and should be further commented on within the requirements of that section.
Recent Market Direction	A brief note of the recent direction (and strength) of movement in prices.
Two or multi- tiered market?	Is the property within a tiered market that includes two-tier and multi-tier markets. A 'Yes' or 'No' answer is required. If 'Yes', the Valuer should confirm that the valuation of the subject property is based on evidence that is reflective of informed purchasers and realistic marketing conditions or strategies such as would be readily available to an individual owner on resale.

8. ADDITIONAL COMMENTS

Any Risk Ratings of '4', or '5' or the existence of three or more '3' Risk Ratings from Section 2 'RISK ANALYSIS' should be commented on here. Additional comments can be made about the content of other sections of the report but it should be comment that enhances or elaborates on what has already been provided and not merely repeats what has already been stated. This section can be expanded on to another page if necessary. It can also be used to explain any unusual aspects that the format does not specifically address.

Comments can be in either narrative or dot point form.

9. SECURITISATION REQUIREMENTS

This section appears only if selected. It provides brief comment on issues specifically required by some mortgage securitisers and conveniently groups them under one heading even though some will have been addressed elsewhere in the report. Where any of the statements are adverse, they should be further commented on in section 8 'Additional Comments'.

NOMINATED ADDITIONAL PARTIES

This section appears only if it contains information. If the instructing Organisation/ Lender requires the report to nominate mortgage insurers and/or securitisers as additional parties who may rely on the report, they can be stated in this section.

Report Clarification - Amended Report

If parties entitled to rely on a report are unclear on any aspect of its content, or consider that inadequate information has been provided, the valuer should be contacted before acting on the report. If additional information is supplied to clarify or enhance the report, an amended report should be issued with a note that the original report is withdrawn and should be returned to the valuer. There should be no additional fee unless the valuer was incorrectly instructed in the first instance.

ANNEXURES

Photo(s) The report should be accompanied by a coloured photograph of the front (or other appropriate) elevation of the property unless the Client directs that one is not required (in which case a photo should be taken and retained on file or electronically stored). Where significant adverse features are apparent it may be appropriate to provide additional photos showing relevant detail. These may include features nearby which impact on the property.

4.0 Matters the Valuer may provide Restricted Comment On

4.1 Aspects Requiring Specialists Reports

The Valuer's report may provide restricted or limited comment on a range of matters primarily to draw attention to aspects that may require action by others before confirmation of the report by the valuer. These tend to be in specialist areas where the Valuer often will have some knowledge but in which the Valuer is either not an expert or is not permitted under some act or regulation, to express a definitive opinion. The comments could note some observed condition or indication of a possible problem area and could lead to recommendations for reports from such experts as:

- pest controllers;
- land surveyors;
- geo-technical engineers;
- structural engineers;
- building inspectors;
- solicitors;
- environmental surveyors;
- solicitors;
- town planners;
- regulatory bodies and authorities.

4.2 Valuers Initial Comments Indicative Only

The Valuer's comments should be taken as indicative only and not definitive on the particular matter. For example, the Valuer's inspection may note that the building appears to be too close to what appears to be the boundary. The Valuer's report may then note this and recommend that a surveyor's report be obtained. In this way the Valuer serves to highlight need for a particular action. Any valuation or risk assessment provided will normally be subject to such reports being satisfactory.

4.3 Refer Back to Valuer

When the specialist's report has been obtained, it should be referred back to the Valuer for comment as to how it impacts on the valuation, the risk analysis or the marketability of the property.

5.0 Departure Provisions

When circumstances arise which the valuer considers warrant departure from the provisions of this Supporting Memorandum, the reason for the departure should be clearly stated in 'Additional Comments'. The lender should be adequately advised of the possible impact of such action on the assessments and the report contents.

6.0 Matters to be Checked by Lender and/or its Solicitor

6.1 Refer Back to Valuer

Some of the information provided in the report may be obtained by expedient means or from sources with no evidentiary value, rather than applying, paying and awaiting receipt of, appropriate official documentation such as a solicitor would request in carrying out a conveyance or creating a mortgage. This is not only to expedite the Valuer's process, but also to reduce duplication and save extra expense. Sometimes a report will provide information, which documentation or certificates subsequently obtained by the lender or its solicitor reveal to be either incorrect or incomplete or not commented upon at all in the report. When any of these occurrences is discovered by subsequent checking, it would be appropriate to refer the matter back to the Valuer for further comment and advice as to how it affects the valuation and security assessment.

6.2 Lender or Solicitor to Check

Matters reported in the Valuation and Security Assessment Report, which the Valuer assumes the lender and/or its solicitor will confirm or ascertain by checking appropriate documentation or certificates include:

- title details including restrictions and encumbrances;
- zoning or town planning;
- building contract;
- matters arising from the numerous searches a solicitor may conduct including, where relevant, searches of Body Corporate records and amounts held in sinking funds;
- matters arising from any certificates or documents that the report specifically recommends are obtained.

7.0 Information the Valuer Could Be Expected to Hold on File

7.1 Valuer's File Should Contain

A Valuer's file for any valuation report using the PropertyPRO 'Residential Valuation and Security Assessment' Pro-forma could be expected as a good practice to contain:

- copy of instructions,
- copy of the report,
- copy of any documents provided by the client, its solicitor or the borrower,
- copy of any block, subdivision or strata plans relied upon,
- copy of valuer's inspection notes for the subject property including:
 - a plan of the main buildings, (recording external wall dimensions). Building areas required in the report are to be based on measurement and calculation.
 - adequate notes to record any necessary detail beyond that required in the report covering construction of the main building, its quality, finishes, condition and any essential repairs,
 - adequate notes of ancillary improvements.
- copy of Valuer's inquiry sheet if appropriate adequately recording any additional research information obtained and preferably from whom and/or where;
- print of photo (or photocopy of original);
- copy of Valuer's work sheet. Where a TBE/Extension/Renovation is involved, calculations for the Check Costing should also be on file;
- copy of any special document relied on that the Valuer considers relates to the property specifically rather than properties in general.

NOTE:

Where any of these notes are recorded on tape or by other electronic means, either the tape should be retained with the file or a hard copy of the recording or electronic record should be produced and retained with the file.

While valuers may use a variety of methods to record their field notes, as a guide, information recorded and retained on file should be adequate:

- to demonstrate that a proper inspection has been carried out; and
- to allow the valuer to discuss the property and the report with the client or its service providers at some point in the future (which may be some years hence).