



RESIDENTIAL DESKTOP ASSESSMENT –

MEMORANDUM FOR FIRST MORTGAGE PURPOSES

Effective date: 1st October 2016

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1.0 Introduction

1.1 Preamble

1. API Members provide a range of property information advice to Lenders / Clients. The hierarchy or level of advice, from highest to lowest, includes, but is not limited to, the following four products:
 - (i) Long Form Report (Full Speaking Valuation, physical inspection and all relevant enquiries undertaken)
 - (ii) PropertyPRO Pro-Forma valuation (shortform template style report, physical inspection and limited enquiries as per the API PropertyPRO Supporting Memorandum and the ABFI Residential Standing Instructions)
 - (iii) Restricted Assessment Pro-Forma Report (shortform template style report, 'drive-by' external inspection, limited enquiries as per the API Restricted Assessment Supporting Memorandum)
 - (iv) Desktop Assessment (shortform template style assessment, no physical inspection, no formal enquiries and limited reporting as contained in this Memorandum. Desktop Assessments are recognised as the most time-frame restricted of all four products)
2. The purpose of this Memorandum is to provide the basis upon which Members of the Australian Property Institute (API) should prepare residential Desktop Assessments.
3. API Members undertaking a Residential Desktop Assessment do so pursuant to the APIs Code of Professional Conduct.
4. A Lender / Client who instructs an API Member to do a Residential Desktop Assessment must do so in accordance with the provisions of this Memorandum and in doing so agrees to accept the commercial risks inherent in relying upon a Residential Desktop Assessment as described in this Memorandum and the immunities and indemnities in favour of the API Member and their employer provided within this Memorandum.
5. This Memorandum sets out the requirements that a Lender/ Client must comply with in requesting, and an API Member must comply with in providing, a Residential Desktop Assessment for residential mortgage purposes.
6. The Memorandum may also be used by Members' Clients to understand the procedures adopted in preparing Desktop Assessments and how they should be used.
7. The API considers that Desktop Assessments are suitable for a variety of purposes; however this Memorandum is intended as the basis for Members or Members' Clients who require a desktop assessment for first mortgage security purposes of residential property. In addition Desktop

Assessments should only be relied on for properties that are In-Scope and only where the requirements of this Memorandum have otherwise been met. For a list of properties that are In-Scope refer to section 1.2 paragraph 3

8. The Valuer is providing an Indicative Assessment (with conditions) of the Subject Property, based on the information provided, following the procedures set out in this Memorandum.
9. The Indicative Assessment is not, and should not be construed to be a representation as to the Market Value of the Subject Property as defined in the Valuation and Property Standards Manual and the Practice Standards and Guidance Notes/Technical Information Papers contained therein. A Desktop Assessment is merely an Indicative Assessment made without the benefit of an inspection of the subject property. If a formal valuation of the subject property is made based on an inspection it could vary significantly from the results of any Desktop Assessment. Clients should be aware that the Desktop Assessment methodology carries with it risks which entail a degree of likely variation greater than might be expected to be produced by a Valuation.
10. The subject property is not physically inspected by the valuer.
11. The Indicative Assessment should not be construed as an assessment of any risk related issue(s) which may impact on the property.

1.2. Status and Scope

1. Members undertaking Desktop Assessments should comply with this Memorandum.
2. Compliance with the Memorandum means Members should:
 - make their Clients aware of this Memorandum;
 - meet minimum qualifications criteria (see section 2.3 paragraph 1)
 - ensure that Essential Information is provided; and
 - follow all procedures required by this Memorandum.

1.3. In-Scope

- Single existing residential dwellings
- Single existing residential home units, villas or townhouses
- Any property type described above with a known or disclosed land size of less than 2 hectares

1.4. Out of Scope

- Essential Information (as contained in Section 4.1) has not been provided
- Property assessment exceeds a threshold of \$1,500,000

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- Non-residential property including commercial, industrial and retail property
- Residential property with development potential for more than one (1) dwelling
- Any dwelling where the property attributes cannot be confirmed
- A single residential property with adverse marketability issues that require an extended selling period of more than 6 months
- A vacant allotment
- As if complete/To Be Erected dwelling
- Land area is equal to, or greater than, 2 hectares
- Mobile or temporary homes
- Sales evidence: insufficient comparable sales available as outlined in section 4.2
- Serviced or managed apartment
- The existing improvements on the property are incomplete or under construction as determined by Third Party photographs or as noted on the instruction from the Lender/Client
- The Property cannot be identified
- The Property is purchased "off the plan"
- Two (2) or more dwellings on one title
- A land locked property
- A property for which a residential use is not permissible.
- A single residential property with a title other than Torrens Title, Strata Title and Community Title (Excluding Perpetual Leasehold in ACT)
- Bed & Breakfast
- Boarding house, hostel, student accommodation or university apartment
- Development sites
- Hotel/Motel style apartments
- Life Tenancy
- Land subject to licence to occupy
- Viable Income producing rural properties
- Mixed use properties, e.g. shop and residence (note: this does not refer to residential properties in a mixed use zoning)
- Premises where permanent occupation is not a permitted use
- A property relying upon non-conforming use rights for residential use
- Retirement villages, hostels and aged care units
- Time share agreement

1.5. Terminology

- A Desktop Assessment is a report prepared by Valuers relying on documents and information provided to them with their instructions; and

- that does not involve a physical inspection of the Subject Property; and
 - that produces an Indicative Assessment (with conditions) of value of the Subject Property.
3. Other definitions which apply to the terminology used throughout the Memorandum are contained in Annexure A.

2.0 Preliminary Issues

2.1. Contractual arrangements

1. Clients requesting Desktop Assessments must make themselves aware of the process being undertaken by the Valuer in preparing a Desktop Assessment (as distinct from any other Valuation Services provided by Members).
2. If the Valuer is not able to comply with this Memorandum in preparing the Desktop Assessment, the Valuer should:
 - confirm and explain the reasons why a Desktop Assessment cannot be completed ;
 - not issue the Desktop Assessment (complete or incomplete) to the Client.

2.2. Understanding

1. Valuers preparing Desktop Assessments should be familiar with this Memorandum.
2. Valuers using Third Party Platforms to prepare Desktop Assessments should ensure that they have completed adequate training and remain proficient in the use of the relevant platform.

2.3. Valuer qualifications

1. Desktop Assessments should only be prepared by Valuers who:
 - are practicing members of the API who are either a CPV or RPV; and
 - are registered Valuers (in accordance with the relevant State/Territory requirements); and
 - are currently engaged in the provision of property valuations in the same geographical area as the subject property; and
 - have sufficient knowledge of the area within which the subject property is located.
2. Where a Valuer is not able to satisfy the requirements, as set out in section 2.3 paragraph1 above, the instruction to prepare a Desktop Assessment should be declined. The Valuer may, however make recommendations and accept alternative instructions from the Client to provide other Valuation Services and/or a Restricted Assessment.

3.0 Desktop Procurement and Risk

3.1. General

1. Desktop Assessments require the Valuer to be specifically instructed to not undertake certain aspects of the processes involved in preparing usual Valuations including, but not limited to the physical inspection of the Subject Property. The aspects of the usual Valuation that are **not** completed in preparing a Desktop Assessment include, inter alia, the following:
 - An internal and external inspection;
 - Physical measurement of structures;
 - Confirmation of internal configuration or design
 - Compliance with ABFI Residential Valuation Standing Instructions and the API PropertyPRO Supporting Memorandum
 - Land topography and aspect;
 - Roads and access;
 - Site defects;
 - Impact of adjoining development;
 - Environmental risks e.g. flood affected, proximity to high voltage power lines, subject to mines subsidence, bush fire risk, etc;
 - Encumbrances;
 - Permissible land uses and land use conformity;
 - Improvements;
 - Leases and tenancies;
 - Title searches;
 - Sales evidence utilised is not inspected or verified but is provided by the Third Party Platform
It is expected that the Valuer will highlight any adverse feature or risk that is readily observable from the data/imagery which is provided to identify and assess the subject property.
2. Due to the above aspects of the usual valuation process not being completed, there are risks that the outcome of a Desktop Assessment may be inaccurate. These include:
 - the risk of inaccuracy of information contained in the Desktop Assessment as compared to Valuations is increased;
 - the fact that the Valuer cannot verify the accuracy of information contained in a Desktop Assessment as would be provided in a Valuation; and
 - the fact that Desktop Assessments may, in some instances, have significant limitations when compared to Valuations, including a greater degree of variation in the resulting Indicative Assessment.

3.2. Allocation of risk

Lender Acceptance of Commercial Risks of a Desktop Assessment.

1. The API considers that there are inherent risks to a Lender / Client who relies on a Desktop Assessment but acknowledges that the Lender / Client has expressed a commercial need for such an assessment to be carried out by a Valuer / Valuation Firm.

The API considers that a Desktop Assessment is not suitable for high percentage lending or mortgage insurance purposes.

Any instructing party that uses the Desktop Assessment for either high percentage lending or for mortgage insurance purposes, indemnifies the Valuer / Valuation Firm against any action by any party who has relied upon the Desktop Assessment.

2. The Lender / Client expressly acknowledges and confirms that:
 - in producing the assessment contained in the Desktop Assessment, the Valuer has not carried out the usual range of enquiries that a Valuer is required to make by professional practice standards (as determined by the API and at law) in carrying out a Valuation of property and that this is at the specific request of the Lender / Client; and
 - the Lender / Client fully understands and accepts the risks inherent in such circumstances.
3. Accordingly, but subject to compliance by the Valuer with the requirements of the Desktop Assessment, this Memorandum and the stated instructions of the Lender / Client, the Lender / Client agrees that it will have no cause of action against the Valuer / Valuer Firm whether in contract tort or otherwise by reason only that the Lender / Client suffered loss or damage by relying upon a Desktop Assessment.
4. Furthermore the Lender / Client acknowledges that it accepts that a Desktop Assessment is not and will not be construed to be a Valuation in the same meaning as a Valuation conducted in accordance with the General Concepts, Principles and Definitions as detailed in the standards promulgated by the API, which is based on a physical inspection of the subject property.
5. The Lender / Client further agrees that it will indemnify the Valuer/Valuer Firm against any claim for loss or damage by a third party invited or permitted by the Lender / Client to rely upon a Desktop Assessment, whether arising in contract tort or otherwise and arising out of or in conjunction with reliance by that third party on a Desktop Assessment.
6. The Indemnity to be provided by the Lender / Client will not apply where the valuer has been fraudulent or dishonest.

7. Valuers shall not assign, readdress or re issue Desktop Assessments.

3.3. Risk management

In an effort to reduce the risks associated with the use of Desktop Assessments, the Valuer should adopt a procedure whereby:

- the instruction from the Lender / Client is checked to ensure that the subject property is not of a type considered to be Out of Scope, acknowledging that the Valuer relies largely on imagery and sales information, and is not required to perform a title search and is relying on the Lender / Client to have performed many of these upfront checks; and
- Essential Information is provided before a Desktop Assessment is completed or issued; and
- the Valuer is familiar with the policy and procedures of the Third Party Platform and in the event of any inconsistency between this Memorandum and the Third Party Platform, this Memorandum shall prevail; and
- the risk management processes inherent in the Third Party platform, including the use of property data analytics are carefully followed.

3.4. Risk categories

1. The API considers that the following transaction type is unacceptable for a Desktop Assessment:
 - all lending on security other than a first registered mortgage;
2. The API considers certain categories of property to be unacceptable for Desktop Assessment. Refer to section 1.2 paragraph 4 of this Memorandum for a list of Out-of-Scope properties.

4.0 Desktop Process

4.1. Information- Essential and Desirable Components

1. Instructions to a Valuer to prepare a Desktop Assessment requires Essential Information to be made available to the Valuer either directly by the instructing party or via an industry recognised Third Party Platform. The Essential Information should be provided or available at the time of first issuing the instruction or before the commencement of the assessment. Desirable Information may be provided in addition to the Essential Information requirements.
2. If the Valuer is aware that Essential Information provided is known or suspected to be incorrect, the Valuer should refer the Desktop Assessment back to the instructing party with a recommendation that a PropertyPRO™ Pro Forma Valuation be undertaken.

Essential Information to be provided by the Lender / Client, or made available via a recognised Third Party Platform, to enable a Valuer to complete a Desktop Assessment is:

- The Subject Property Data, namely:
 - full property address;
 - legal description;
 - purchase price (if applicable);
 - number of bedrooms and bathrooms;
 - for houses provide either the land area or a plan with measurements; or the ability for the Valuer to make the measurement via the Third Party Platform;
 - location map;
 - property type (such as residential dwelling, townhouse, unit, etc.);
 - image (either frontage or oblique) which clearly shows the improvements in adequate detail

Desirable (Non-Essential) Information to be provided to a Valuer to complete a Desktop

Assessment is:

- the living area
- external improvements (e.g. swimming pool, tennis court,);
 - main building type;
 - a) approximate build date;
 - b) details of significant renovations including date;
 - main walls and roof;
 - car accommodation (e.g. garage, car port);
 - services;
 - a full copy of the contract
 - orthogonal aerial/cadastral photograph,
 - cadastral photograph

Where visual identifiers provided by the Third Party Platform allow the Valuer to identify features or attributes, these may be included in the Desktop Assessment.

3. The Valuer should be provided with all the Essential Information namely, the Subject Property Data, by the Lender / Client and/or the Customer (or Third Party Platforms) collectively. In the event that sufficient Essential Subject Property Data is not available from the above sources, the instruction to undertake a Desktop Assessment should be referred back to the instructing party.

4.2. Sales Evidence

1. Sales Evidence to be included in the report is for a minimum of three (3) comparable, settled sales, each of which have transacted within the last six (6) months. While three settled sales is the minimum requirement, additional 'agent advised' or 'unsettled sales' may also be provided. Sales evidence should also be identified.

4.3. Indicative Assessment

1. The Valuer is providing an indicative assessment of the Subject Property, based on the information provided, following the procedures set out in this Memorandum.
2. The Indicative Assessment (with or without conditions) is not a representation as to the Market Value of the Subject Property, as defined in the Valuation and Property Standards Manual and the Practice Standards and Guidance Notes or Technical Information Papers contained therein.
3. Unencumbered fee simple with vacant possession is to be assumed. The Valuer is not expected to search the title or to enquire about any leases or occupancy rights.

4.4. Reporting requirements

1. All notes, revised instructions and changes made to documents provided and collated as part of the Desktop Assessment process are to be maintained on the Valuer's file (hard copy or electronic) or the Third Party platform.
2. Third party Platforms used to prepare Desktop Assessments should provide an audit trail of any changes made to the platform during the Desktop Assessment process. All changes should be logged by reference to the user, time and date of change. The Valuer should, on request, have access to this log trail at all times.

4.5. Security

1. Valuers using a System to prepare Desktop Assessments should ensure that:
 - details necessary to access the Third Party Platform are kept secure and not misused; and
 - any electronic signature generated as part of the platform is used only by the Valuer.

5.0 Annexure A: Definitions

Term	Meaning
Certified Practising Valuer (CPV)	A Valuer meeting the requirements for Certified Practising Valuer as defined by the API.
Client	The party instructing the Valuer to prepare the Desktop Assessment. The Client may be the Supplier, Lender or a financial intermediary.
Customer	A person who seeks to grant a first mortgage over the Subject Property to the Lender in support of a proposed Loan.
Desirable Information	This is data or information that may be of assistance to the Valuer in preparing the Desktop Assessment that is in addition to the requirement for Essential information.
Desktop Assessment	A report prepared: <ol style="list-style-type: none">1) by Valuers relying on specified documents and information; and2) that involves no physical inspection of the Subject Property; and3) that produces an Indicative Assessment of value of the Subject Property.
Essential Information	Essential Information specified in the Memorandum that the Valuer requires in order to complete and send a Desktop Assessment to the instructing party.
Indicative Assessment	An indication of the value with any limiting conditions of the Subject Property, based on the information provided, following the procedures set out in this Memorandum.
Lender	The financial institution issuing instructions (or on whose behalf instructions are issued) to the Valuer. The Lender may have the same meaning as the Client.
Memorandum	This Desktop Assessment Memorandum produced by the API (including any API revisions, updates or additions from time to time).
Property PRO™	Valuations prepared in accordance with the API Property PRO™ Residential Valuation and Security Assessment Supporting Memorandum.
Residential Property Valuer (RPV)	A Valuer meeting the requirements for Residential Property Valuer as defined by the API.
Restricted Assessment	An assessment prepared in accordance with the API Restricted Assessment Supporting Memorandum.

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Sales Evidence	Sales data that relates to properties that have characteristics comparable to the Subject Property and are utilised for comparison purposes.
Settled Sales	A settled sale is a sale whereby title has transferred to the new owner and that transfer of title has been duly registered by the relevant State or Territory authority. It is sufficient for the Valuer to rely upon information provided via industry recognised third party sales databases such as Red Square, The List, RP Data etc. to confirm the details of the transaction.
Subject Property	The property for which the Lender / Client instructs the Valuer to prepare a Desktop Assessment report.
Supplier	<p>A party that acts as an intermediary between Lenders / Clients and Valuers in connection with the procurement by the Lender of Valuation / Desktop Assessment services.</p> <p>The Supplier typically:</p> <ul style="list-style-type: none">• issues instructions to Valuers to prepare Valuations and/or Desktop Assessments for Lenders / Clients.• owns the Third Party Platform.
Third Party Platform	<p>The computer system, portal, database, application service, program or any other technology which is authorised by the Lender / Client to be utilised by the Valuer:</p> <ul style="list-style-type: none">• to undertake Desktop Assessments; <p>Note: this does not refer to the Valuer/Valuation Firms database, computer system, portal, application service, program or any other technology, or any other Third Party Systems</p>
Valuation	A Valuation carried out in accordance with the General Concepts, Principles and Definitions of the Valuation and Property Standards Manual, excluding Desktop Assessments and Restricted Assessments.
Valuation Workflow System	<p>Any computer system, portal database, application service, program or any other technology utilised;</p> <ul style="list-style-type: none">• To instruct, track, deliver, submit and coordinate the workflow of desktop assessments.
Valuation Services	Preparing market valuations based on inspecting the subject property (including sales analysis and property inspections and other ancillary work) required for the preparation of Valuations.