

# RESIDENTIAL DESKTOP ASSESSMENT SUPPORTING MEMORANDUM – FOR FIRST MORTGAGE PURPOSES

**Reference** Residential Desktop Assessment Supporting Memorandum – For First Mortgage Purposes  
**Owner** Manager Professional Standards  
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## **1. Residential Desktop Assessments for First Mortgage Purposes**

### **1.1. Preamble**

API Valuer Members (Valuers) provide a range of valuation services to Lenders /in relation to residential mortgage valuations. 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 physical inspection of the property by the Valuer and all relevant enquiries, procedures and investigations undertaken)
- (ii) PropertyPRO Pro-Forma valuation report (full physical inspection of the property by the Valuer, limited enquiries, procedures and investigations undertaken and limited reporting as per the API PropertyPRO Supporting Memorandum)
- (iii) Restricted Assessment Pro-Forma report (kerbside ('drive-by') inspection only of the property by the Valuer, limited enquiries, procedures and investigations undertaken, and limited reporting as per the API Restricted Assessment Supporting Memorandum)
- (iv) Residential Desktop Assessment report (no physical inspection of the property by the Valuer, no formal enquiries, limited procedures and investigations undertaken, and limited reporting as per this Supporting Memorandum. Residential Desktop Assessments are recognised as the most time-frame restricted of all four products)

### **1.2. Purpose**

The purpose of this Supporting Memorandum is to provide the basis upon which Members of the Australian Property Institute (API) who are either a Certified Practising Valuer (CPV) or Residential Property Valuer (RPV) and are members of the Australian Property Institute Valuers Ltd (APIV) Professional Standards Scheme (Scheme) undertake Residential Desktop Assessments for first mortgage purposes for the Lender specified in the report.

This Supporting Memorandum is also the basis on which the Lender accepts and relies on the Residential Desktop Assessment.

### **1.3. Use of the Residential Desktop Assessment**

A Residential Desktop Assessment report is prepared for the Lender to whom it is addressed/prepared for, for first mortgage purposes only.

The reliance, use, distribution and/or publication of the Residential Desktop Assessment is restricted to the Lender to whom it is addressed/prepared for.

The decision as to the suitability of a property as security for a lending transaction is a commercial decision for the Lender. That decision should not be based only on the content of the Residential Desktop Assessment but should also extend to and consider other factors.

Reliance on the Residential Desktop Assessment by the Lender may be evidence by the action of entering into a binding legal commitment with the borrower, such as an unconditional contract, to offer a first mortgage lien over the property, and that this action occurs within 90 days of the date that the Residential Desktop Assessment was undertaken.

Due to the limitations and requirements under this Supporting Memorandum, the API advises that the provision of a copy of the Residential Desktop Assessment report to the property owner or borrower is not appropriate.

It is not appropriate for a Valuer to recommend a property as suitable security for mortgage lending purposes, or to include a loan to value ratio (LVR) or a percentage to advance.

#### **1.4. Scope**

This Supporting Memorandum sets out the limitations and risks inherent in desktop assessments.

A Lender who instructs a Valuer to undertake a Residential Desktop Assessment must do so in accordance with the provisions of this Supporting Memorandum and agrees to accept the commercial risks inherent in relying upon a Residential Desktop Assessment report and the immunities and indemnities in favour of the Valuer and their employer provided within this Supporting Memorandum.

This Supporting Memorandum sets out the requirements that a Lender must comply with in requesting a Residential Desktop Assessment for first mortgage purposes.

This Supporting Memorandum also sets out the requirements that a Valuer must comply with when undertaking a residential Desktop Assessment for first mortgage purposes.

#### **1.5. The Role of the Valuer**

When undertaking a Residential Desktop Assessment report, in accordance with this Supporting Memorandum, the Valuer is providing an Indicative Assessment (with conditions), which is the Valuers opinion as at the assessment date.

#### **1.6. Indicative Assessment**

An Indicative Assessment is indication of the value of the property that is the subject of the Residential Desktop Assessment.

The Indicative Assessment is not and should not be construed to represent the Valuers opinion as to the Market Value of the subject property as defined by the International Valuation Standards Council (IVSC) and adopted by the API.

The Indicative Assessment provided in the Residential Desktop Assessment is based on the information provided with the request/instructions to the Valuer.

The Indicative Assessment assumes 'unencumbered fee simple in possession' on a vacant possession basis. The Valuer is not required undertake any additional enquiries, procedures or investigations including, but not limited to, Title searches or to enquire about any leases or occupancy rights.

#### **1.7. A Residential Desktop Assessment is ...**

A Residential Desktop Assessment report undertaken in accordance with this Supporting Memorandum is merely an Indicative Assessment made without the benefit of a physical inspection of the property by the Valuer.

A Residential Desktop Assessment is undertaken by the Valuer based on the information provided with the request/instructions from the Lender via the third-party platform. The Valuer is under no obligation to undertake further investigations or seek further information.

A Residential Desktop Assessment report provides limited information and reporting, in relation to the subject property and the market that it is transacted in, as per the instruction/request from the Lender.

A Residential Desktop Assessment report is not suitable and must not be used or relied upon for any other purpose, including, but not limited to, marketing advice, pre-purchase or pre-sale advice, financial reporting, SMSF reporting, family law or other court or tribunal related matters and/or mortgagee in possession valuations.

A Residential Desktop Assessment is also not suitable for property with development potential/englobo property where the highest & best use is for redevelopment/subdivision

A Residential Desktop Assessment report if undertaken in accordance with the Memorandum is done so on the basis of no liability to the Valuer.

#### **1.8. Residential Desktop Assessment vs. a Valuation**

A Residential Desktop Assessment should not be construed to be an assessment of any risk related issue(s) which may impact and affect the value and marketability of the property.

A Residential Desktop Assessment does not involve a physical inspection of the subject property or the market evidence by the Valuer.

The Lender should be aware that Residential Desktop Assessments omit some of the enquires, procedures and investigations that Valuers undertake when completing valuations.

A valuation of a property based on a full physical inspection by the Valuer may vary significantly from a Residential Desktop Assessment report, of the same property, by virtue of the inclusion of risk assessments and any property and market related commentary to arrive at an opinion of value.

#### **1.9. Compliance with the Supporting Memorandum**

A Valuer who provides a Desktop Assessment report must do so in accordance with this Supporting Memorandum.

Compliance with this Supporting Memorandum requires the Valuer to:

- make Lenders aware of this Supporting Memorandum prior to undertaking Residential Desktop Assessments;
- meet minimum qualifications criteria (see section 4.); and
- follow all procedures required by this Memorandum.

A Lender who instructs a Valuer to undertake a Residential Desktop Assessment, must do so and, can only rely on the report in accordance with this Supporting Memorandum, including the immunities and indemnities in favour of the Valuer and their employer.

## 2. Suitable Property to be assessed on a Residential Desktop Assessment report

For the purposes of this Supporting Memorandum an 'in scope' "single residential property" is;

- an existing residential dwelling, including a single house, home unit, apartment, villa or townhouse, and
- any existing residential dwelling, as described above, with a known or disclosed land size of less than 2 hectares, and
- any existing residential dwelling, as described above, with an Indicative Assessment of \$2,000,000 or less, and
- where the highest & best use is a continuation of the existing single residential use.

## 3. Unsuitable Property to be assessed on a Residential Desktop Assessment report

"Single residential property" does not include a property that;

- is approved or used wholly or partially for non-residential purposes, or
- is not described in section 2.

All other properties and/or property types are excluded from the definition of a "single residential property" for the interpretation and application of this Supporting Memorandum, including but not limited to, the following;

- any existing residential dwelling that meets the conditions of a "single residential property" as described in section 2. but where the property attributes outlined as 'essential information' in section 6.4 and 6.5 have not been provided.
- any existing residential property with a value which is equal to or exceeds \$2,000,001
- non-residential property
- any residential property containing two or more dwellings
- residential property where the highest & best use is for subdivision
- a residential property with adverse marketability issues that require an extended selling period of more than 6 months
- a vacant allotment
- an as if complete/to be erected dwelling
- land area is equal to, or greater than, 2 hectares
- mobile or temporary homes
- serviced or managed apartment
- student accommodation property or university accommodation apartment
- the existing improvements on the property are incomplete or under construction as determined by images provided or as noted on the instructions

- the Property is currently subject to an "off the plan" contract
- land locked property
- residential property with a title other than Torrens Title, Strata Title and Community Title (excluding Perpetual Leasehold in ACT)
- a residential property subject to Moiety Title (SA), Purple Title (WA), Stratum Title, Company Title, life tenancy or similar scenario and/or a single occupancy/units in a 'tenants in common' development
- a single residential property subject to licence to occupy
- a single residential property subject to the ACT Land Rent Scheme
- Bed & Breakfast property
- boarding house or hostel
- hotel/motel style apartments
- income producing non-residential properties
- Mixed use properties, e.g. shop and residence (note: this does not refer to residential properties in a mixed use zoning)
- property for which a residential use is non-compliant with current zoning.
- a single residential property where permanent occupation is not a permitted use
- a property relying upon non-conforming use rights for continuation of the existing single residential property use
- retirement villages, hostels and aged care units
- a residential property subject to a time share agreement

#### **4. Competence of the Valuer**

A Valuer must not undertake a residential Desktop Assessment report unless they:

- 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 full inspection residential mortgage valuations in the same geographical area as the subject property; and
- have sufficient knowledge of the geographical area which the subject property is located and the market that it is transacted in.

Where a Valuer is not able to satisfy the requirements, as set out in section 2.3 paragraph 1 above, the instruction to prepare a Desktop Assessment should be returned to the instructing party.

Valuers using third party platforms to prepare Residential Desktop Assessment reports should ensure that they have completed adequate training and remain proficient in the use of the relevant platform.



## 5. Inherent Risk with Residential Desktop Assessments

### 5.1. Residential Desktop Assessments Are Not ....

A Residential Desktop Assessment report prepared subject to this Supporting Memorandum requires the Lender to specifically instruct the Valuer to not undertake enquiries, procedures and investigations necessary to complete a valuation including, but not limited to, the physical inspection of the subject property and market evidence by the Valuer.

All property information and market evidence utilised and relied upon by the Valuer, when undertaking a Residential Desktop Assessment report, is provided with the instructions/request, and included in the third-party platform.

The procedures and investigations of a valuation that are not completed by the Valuer when undertaking a Residential Desktop Assessment report include, but are not limited to, the following:

- any physical inspection of the property;
- physical measurement of the improvements on the property;
- confirmation of property features and attributes;
- land topography and aspect;
- roads and access;
- building and site issues/defects;
- impact of adjoining and surrounding development;
- environmental risks e.g. flood affected, proximity to high voltage power lines, subject to mines subsidence, bush fire risk etc;
- Title details including any searches in relation to encumbrances, restrictions, endorsements and any notations on Title;
- zoning details;
- leases and tenancies:
- Owners Corporation (or similar) minutes
- sales evidence utilised and relied upon is not inspected or verified by the Valuer the time of instruction.

### 5.2. Allocation and Acceptance of Risk of a Residential Desktop Assessment

#### Lender Acceptance of commercial risks of a Residential Desktop Assessment

As the Valuer does not complete the normal procedures and investigations as is necessary for a Valuer when undertaking a valuation, there is increased risk that the outcome of a Residential Assessment report may be inaccurate. These include;

- the risk of inaccuracy of information used, relied on and/or 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 Residential Desktop Assessment as would be possible in a valuation.

The API advises that there are inherent risks to a Lender who relies on a Residential Desktop Assessment but understands that the Lender has expressed a commercial desire for such an assessment to be carried out by a Valuer.

The API advise that a Residential Desktop Assessment report is only suitable for use and reliance by the Lender for first mortgage purposes.

In providing a Residential Desktop Assessment report, the Valuer does not accept any responsibility or liability to any other party/parties or situations where the Residential Desktop Assessment report is used or relied on for any other purpose.

The Lender expressly acknowledges and confirms that:

- in providing the Residential Desktop Assessment report, the Valuer has not carried out the necessary and expected enquiries, procedures and investigations that a Valuer is required to make as per the API Rules of Professional Conduct when undertaken a valuation of real property and that this is at the specific request of the Lender;
- the Indicative Assessment provided in the Residential Desktop Assessment is not the Valuer's opinion of the market value as defined in the International Valuation Standards and adopted by the API;
- the Lender fully understands and accepts the risks inherent in such circumstances; and
- the Lender acknowledges that it accepts that a Residential 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 and principles in professional standards documents published or adopted by the API, which is based on a physical inspection of the subject property by the Valuer plus all the necessary and expected enquires, procedures and investigations that are required to be made by a Valuer when undertaking and providing a valuation.

Subject to compliance by the Valuer with the requirements of this Supporting Memorandum the Lender agrees that it will have no cause of action against the Valuer or Valuation Firm whether in contract tort or otherwise by reason that the Lender suffered loss or damage by relying upon a Residential Desktop Assessment report.

The Lender further agrees that it will indemnify the Valuer and the Valuation Firm against any claim for loss or damage by a third party invited or permitted by the Lender to use or rely upon a Residential Desktop Assessment report, whether arising in contract tort or otherwise and arising out of or in conjunction with the use or reliance on a Residential Desktop Assessment by that third party.

The indemnity provided by the Lender will not apply where the Valuer has been fraudulent or dishonest in the actions or procedures when undertaking the Residential Desktop Assessment report.

### 5.3. Risk management

The Valuer should adopt procedures whereby:

- the instruction from the Lender is checked to ensure that the subject property is not of a type considered to be unsuitable property as outlined in Section 2.0; and
- essential information as per section 6.4 and 6.5 is provided before a Residential Desktop Assessment is completed and 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 Supporting Memorandum and the third party platform, or the instruction/request from the Lender, then this Supporting Memorandum shall prevail. All notes, instructions, information and any changes made to information provided and collated as part of the Residential Desktop Assessment process are to be available to be stored and maintained on the Valuer's file (hard copy or electronic) and the third party platform.

## 6. Desktop Process

### 6.1. Third Party Platforms

The instruction/request from a Lender for a Residential Desktop Assessment is ordered via a third party platform.

The third party platform may be in the form of a computer system, application, operating system, website, software as a service, platform as a service, cloud service or similar service which is authorised by the Lender to be utilised by the Valuer to undertake the Residential Desktop Assessment.

The Valuer is entitled to use and rely on the information contained within or provided by the third party platform when undertaking a Residential Desktop Assessment.

The Valuer is not required to conduct additional or further investigations into the accuracy and veracity of the information provided.

The third party platforms should provide an audit trail of all activity and any changes made to the specific record and the platform during the Residential Desktop Assessment process. All changes should be logged by reference to the user, time, and date of change. The Valuer should, on request, always have access to this log trail.

### 6.2. Instructions

Valuers should ensure that instructions to provide a Residential Desktop Assessment report are on the basis of a standing instruction, retainer agreement (or similar) or a specific instruction that the provision of the Residential Desktop Assessment report is subject to this Supporting Memorandum.

Where the Valuer requires clarity or there is confusion or inconsistency in the instructions or essential information provided (see section 6.4 and 6.5 below) the Residential Desktop Assessment report must not be undertaken, and the request/instruction must be referred back to the instructing party.

### 6.3. Instructions in “writing”

An instruction/request for a Residential Desktop Assessment report of a specific property must be in “writing”.

Instructions/request transmitted via a third party platform must be able to be retained in the Valuer’s file, system, platform, application or similar system.

### 6.4. Essential Information

Instructions to a Valuer to prepare a Residential Desktop Assessment requires essential information to be provided to the Valuer directly by the Lender via a Lender authorised third party platform.

The essential information must be provided at the time of the instruction or before the commencement of the assessment.

Essential information is legally permissible information held by the Lender and includes property attributes and features, in addition to sales evidence (as described in section 6.5) for comparison purposes.

Essential information may include information contained in a previous report or advice undertaken by the Valuation Firm for the Lender who requested/instructed the Residential Desktop Assessment.

Where the essential information detailed below have not been provided the Residential Desktop Assessment report must not be undertaken by a Valuer and the request/instruction must be referred back to the instructing party.

Where the Valuer is aware that ‘essential information’ provided is known, by the Valuer, to be incorrect the Residential Desktop Assessment report must not be undertaken by a Valuer and the request/instruction must be referred back to the instructing party.

**Essential Information** to be provided by the Lender via a recognised third party platform, to enable a Valuer to complete a Desktop Assessment must include:

**Valuation Firm**

The name of the firm to which the instructions are addressed.

**Date**

The date of the instruction.

**Instructed By**

The name of the instructing party/organisation.

**Lender**

The name of the party/organisation that will hold the registered first mortgage on the Title at settlement. That is, the intending mortgagee.

**Borrower**

The name(s) of the borrower/mortgagor.

**Property Address**

Full street address (as it is known at the date of instruction), including suburb name, state/territory, and postcode.

**Title Details/Real Property Description**

Allotment/Lot/Unit and Plan Number and/or Certificate of Title reference number.

**Contract Price (if applicable)**

If the subject property is under contract/offer and the sale transaction has not yet settled, the sale price must be provided. For the purpose of this provision, “under contract/offer” refers to the borrower(s) entering into a contract of sale, for the subject property, which may not have been completed/fully executed however ‘offer and acceptance’ has taken place and documentary evidence of this is provided with the instruction.

**Dwelling Type**

House, unit, apartment, townhouse.

**For houses the land area** must be provided.

**For units/apartments/flats/townhouses in (low, medium, or high rise) developments** details of the subject property’s location in the development including level and aspect/outlook.

**Number of Bedrooms and Bathrooms****Sales Evidence**

As per the requirements detailed below in section 4.5.

**Imagery**

Photo(s) that clearly show the dwelling and other improvements/attributes that are considered to assist in identifying any positive or negative feature(s) impacting the subject property, such as ancillary improvements (eg. designated/allocated car space(s), swimming pools), views, street outlook etc.

**Any Other Information Known to the Lender or the Lender’s representative**

Any information that the Lender or the Lender’s representative may have on file or to which the Lender or their representative is or should be expected to be aware of, which may impact/affect the Residential Desktop Assessment should be provided to the Valuer.

**6.5. Sales Evidence**

Pertinent information relating to sales evidence is provided via the third party platform. The Valuer is not required to source additional details or information about any sale and is permitted to rely on the information provided via the third party platform.

The third party platform must provide the Valuer with comparable sales which meet the requirements below.

Sales evidence is settled sales of properties exhibiting the same property attributes as the subject property in respect of;

- number of bedrooms,
- number of bathrooms,
- land area (if applicable),
- location/suburb, and
- settlement date (that is, the sale settled in the six (6) months prior to the assessment date).

Where the Valuer is not provided with a minimum of three (3) settled sales which meet the above requirements, the Valuer must not complete the Residential Desktop Assessment report and the request/instruction must be referred back to the instructing party.

#### **6.6. Format of Residential Desktop Assessment Reports**

The API does not provide a standardised template for a Residential Desktop Assessment report, however, does consider that the report must be in 'writing' and contain the minimum information outlined below.

The report layout is determined by the third party platform as per the requirements of the Lender.

The API does not consider it appropriate for a report completed under this Supporting Memorandum to include details of the individual Valuer who completed the Residential Desktop Assessment report.

#### **6.7. Information which must be included in the Residential Desktop Assessment Report**

The report must contain a statement that it has been undertaken in accordance with the API *Residential Desktop Assessment Supporting Memorandum – For First Mortgage Purposes* and must be interpreted with that Supporting Memorandum, and that the Lender and the Valuer are bound by the provisions of the Supporting Memorandum.

The Residential Desktop Assessment report must contain the following minimum information;

- Lender
- Address
- Property Type
- Indicative Assessment
- Assessment Date
- Sales Evidence (see further details below)
- Qualifications and an appropriately worded third party disclaimer

##### Sales Evidence in Residential Desktop Assessment reports

The Residential Desktop Assessment report must include a minimum of three (3) comparable, settled sales, each of which have transacted within the last six (6) months.

While three (3) settled sales is the minimum requirement, additional 'agent advised' or 'unsettled sales' may also be provided.

## **7. Re-issuing/Assigning Residential Desktop Assessment Reports**

Valuers must not assign, readdress or re-issue Residential Desktop Assessments reports.

## **8. Amendments to a Residential Desktop Assessment report**

Valuers must not amend a Residential Desktop Assessment report unless it is to correct errors and omissions by the Valuer in the report.

If after delivery of the Residential Desktop Assessment report to the Lender, and before any use or reliance on the report by the Lender occurs, the Lender requires errors or omissions by the Valuer to be corrected, the Lender must contact the Valuer in writing via the third party platform.

If the Valuer agrees to amend the report, to correct errors or omissions an amended report may be prepared by the Valuer and delivered to the lender via the third party platform.

When amending a Residential Desktop Assessment report, the Valuer must ensure the words "Amended Report" is clearly marked on the report.

A request by a Lender for an "Amended Report" must not be made after the expiration of 90 days from the Assessment Date of the previously delivered report.

When an amended report is issued by the Valuer, it supersedes the previously delivered report.

For the purposes of this section an error or omission in a Residential Desktop Assessment report is not related to the Indicative Assessment provided in the report.

## **9. Date of Effect**

The effective date of this Supporting Memorandum is 1 January 2023.