

RESIDENTIAL DESKTOP ASSESSMENT SUPPORTING MEMORANDUM – FOR FIRST MORTGAGE LENDING PURPOSES ONLY

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1.0 Residential Desktop Assessments for First Mortgage Lending Purposes Only

1.1 Definitions

The definitions contained below and used elsewhere in this *Supporting Memorandum* have been included to assist with the interpretation and understanding of certain stated terms used in this *Supporting Memorandum*.

Whilst a defined term used in this *Supporting Memorandum* may also have a common meaning or interpretation its use in this *Supporting Memorandum* is so limited.

Where a defined term is included, it is shown in italics.

Lender(s)	The party/organisation that will hold the registered first mortgage on the Title of the property which is the subject of the <i>RDA Report</i> at settlement of the loan to the borrower as the registered first mortgagor under the mortgage.
Lender's Mortgage Insurer (<i>LMI</i>)	Any entity/organisation which provides insurance to a <i>Lender</i> for losses to the Lender caused by a default of a mortgage loan by the borrower to which the <i>Lender</i> can have access to the insurance for recovery of such loss from such <i>LMI</i> .
Valuer(s)	A member of the Australian Property Institute (<i>API</i>) who holds a current certification of Certified Practising Valuer (<i>CPV</i>) or Residential Property Valuer (<i>RPV</i>) and is a member of Australian Property Institute Valuers Ltd (<i>APIV</i>) Professional Standards Scheme, and for the purpose of this <i>Supporting Memorandum</i> includes such corporation, entity or organisation who employs the <i>Valuer</i> .

1.2 Preamble

Valuers provide a range of valuation services to *Lenders* in relation to valuations of residential property for first mortgage purposes. The hierarchy or level of risk attaching to *Valuers* providing advice for residential first mortgages, includes, but is not limited to, the following four products referred to in sub paragraphs (i) –(iv) below (*the Valuation 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 the API Residential Desktop Assessment Supporting Memorandum – For First Mortgage Lending Purposes Only (this *Supporting Memorandum*)). Residential Desktop Assessment Reports (*RDA Report*) are accepted by Valuers and Lenders as being the most time frame restricted of the *Valuation Products*. Of the *Valuation Products* the *RDA Report* has the most risk attaching to *Valuers* providing an opinion of value and which is not a market valuation.

1.3 Purpose

The purpose of this *Supporting Memorandum* is to provide the basis upon which *Valuers* undertake *RDA Reports* for first mortgage purposes only for the *Lender* specified in the *RDA Report*.

This *Supporting Memorandum* applies only to *RDA Reports*.

This *Supporting Memorandum* is also the basis on which the *Lender* accepts and reasonably relies on the *RDA Report*.

1.4 Use of and Reliance Upon a Residential Desktop Assessment Report

A *RDA Report* is prepared for the *Lender* to whom it is addressed/prepared for, for first mortgage purposes only and no other party/parties.

Reliance on a *RDA Report*, which must at all times be reasonable reliance 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 first mortgage only lending transaction is a commercial decision for the *Lender*. That decision must not be based solely on the content of the *RDA Report* but must also extend to and consider other factors including but not limited to the *Lenders* credit and lending policies.

For the purpose of this *Supporting Memorandum* neither the *Valuer* or the *Lender* or anyone acting on behalf of the *Lender*, including the third party platform, must not provide a copy or part thereof of a *RDA Report* to the property owner, borrower or any other party advising the property owner and or borrower.

Should the *Lender* decide to enter into an insurance policy with an *LMI* to insure a first mortgage loan, the *Lender* agrees that in doing so it will inform the *LMI* in writing that the provision of a copy of a *RDA Report* to the *LMI*, is made by the *Lender* on the clear and unambiguous basis that the *Valuer* and the Valuation Firm accepts no responsibility to the *LMI*, and further the *Valuer* expressly has informed the *Lender* that no other party other than the *Lender* can reasonably rely on the *RDA Report* for any purpose.

The *Lender* further agrees that should it decide to enter into an insurance policy with an *LMI*, that prior to entering into such insurance policy, it will provide the *LMI* with a copy of this *Supporting Memorandum*, and expressly in writing draw the *LMI* to Section 5.2 of this *Supporting Memorandum* and require the *LMI* to agree in writing that Section 5.2 will be a term of the insurance policy to be issued.

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.

1.5 Scope

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

A *Lender* who instructs a *Valuer* to undertake a *RDA Report* in accordance with the provisions of this *Supporting Memorandum* agrees to accept the commercial risks inherent in relying upon a *RDA Report* and the immunities and indemnities in favour of the *Valuer* and their employer, the Valuation Firm, provided within this *Supporting Memorandum*.

This *Supporting Memorandum* sets out the requirements that a *Valuer* must comply with when undertaking a *RDA Report* for first mortgage purposes.

This *Supporting Memorandum* outlines the requirements for a *Lender* when requesting a *RDA Report* for first mortgage purposes.

A *RDA 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.

1.6 The Role of the Valuer

When undertaking a *RDA Report*, the *Valuer* is providing an Indicative Assessment.

The *Valuer* is required to comply with the requirements of this *Supporting Memorandum* when undertaking a *RDA Report*. This includes, but is not limited to, reviewing, and considering the information provided to enable the *Valuer* to complete the *RDA Report*.

It is expected that the *Valuer* will highlight any adverse features or potential risk issues that are readily observable from the information provided, including any imagery, with the request/instructions or the third party platform.

1.7 Indicative Assessment

The indication of the value of the property that is the subject of the *RDA Report* by the *Valuer* is known as an “Indicative Assessment”.

An 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 a *RDA Report* is based on the information provided with the request/instructions to the *Valuer* or included in the third party ordering platform.

The Indicative Assessment assumes ‘unencumbered fee simple in possession’ on a vacant possession basis. The *Valuer* is not required undertake any additional enquiries or investigations including Title searches or to enquire about any leases or occupancy rights to confirm the interest assessed.

1.8 A Residential Desktop Assessment Report is ...

A *RDA 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*.
- is undertaken by the *Valuer* subject to a specific request/instructions from the *Lender* via a third-party platform and is based on information contained within the instruction, the third-party platform and the *Valuer's* knowledge and experience.
- provides limited information and reporting, in relation to the subject property and the market that it is transacted in.
- is done so on the basis of no liability to the *Valuer*.

1.9 Residential Desktop Assessment vs. a Valuation

The completion of a *RDA Report* does not involve a physical inspection of the subject property or the market evidence by the *Valuer* at the time of completing the *RDA Report*.

A *RDA Report* should not be construed to be an assessment of observable risk related issue(s) that may be identified by a physical inspection by the *Valuer*, which may impact and affect the value and marketability of the property.

The *Lender* should be aware that the process of preparing a *RDA Report* omits/disregards some of the enquires, procedures and investigations that *Valuers* carry-out when undertaking valuations.

A valuation of a property based on a full physical inspection by the *Valuer* may vary significantly from a *RDA Report* of the same property.

1.10 Compliance with this Supporting Memorandum

A *Valuer* who provides a *RDA 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 *Supporting Memorandum*.

Instructions to a *Valuer* to undertake a *RDA Report*, must comply with the provisions of this *Supporting Memorandum*.

2.0 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 property, as described above, with a known or disclosed land size of less than 2 hectares, and
- any existing residential property, 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.

3.0 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 property that meets the conditions of a "single residential property" as described in Section 2 but where the property attributes outlined as 'essential information' in Sections 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

4.0 Competence of the Valuer

A *Valuer* must not undertake a *RDA Report* unless they:

- are practicing members of the *API* who are either a *CPV* or *RPV*; and
- are registered or licensed *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 above, the instruction to prepare a *RDA Report* should be returned to the instructing party.

Valuers using third party platforms to prepare *RDA Reports* should ensure that they have completed adequate training and remain proficient in the use of the relevant platform.

5.0 Inherent Risk with Residential Desktop Assessments

5.1 Residential Desktop Assessments Are Not

A *RDA Report* prepared subject to this *Supporting Memorandum* requires the *Valuer* to be specifically instructed to not undertake certain aspects of the processes that are necessary to complete a valuation including, but not limited to, a physical inspection by the *Valuer* of the subject property and market evidence.

The procedures and investigations of a valuation that are not completed by the *Valuer* when undertaking a *RDA Report* include, inter alia, 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;
- permissible land uses and land use conformity;
- leases and tenancies;
- Owners Corporation (or similar) minutes
- sales evidence utilised and relied upon is not inspected or verified by the *Valuer* as part of the process of completing the *RDA Report*.

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 all the normal enquires, procedures and investigations as is necessary for a *Valuer* when undertaking a valuation, there is increased risk that the outcome of a *RDA Report* may be inaccurate. These include;

- the risk of inaccuracy of information used, relied on and/or contained in the *RDA Report* as compared to valuations is increased;
- the fact that the *Valuer* cannot verify the accuracy of information contained in a *RDA Report* as would be possible in a valuation.

The *API* advises that there are inherent risks to a *Lender* who relies on a *RDA Report* 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 *RDA Report* is only suitable for use and reliance by the *Lender* for first mortgage purposes only.

In providing a *RDA Report*, the *Valuer* does not accept any responsibility or liability to any other party/parties or situations where the *RDA Report* is used or relied on for any other purpose.

The *Lender* expressly acknowledges and confirms that:

- in providing a *RDA 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 *RDA Report* is not the *Valuer's* opinion of 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* accepts that a *RDA Report* 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 *RDA 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 *RDA Report*, whether arising in contract tort or otherwise and arising out of or in conjunction with the use or reliance on a *RDA Report* by that third party.

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 3.0; and
- essential information as per Section 6.4 and 6.5 is provided before a *RDA Report* is completed and issued;
- 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, and
- all notes, instructions, information and any changes made to information provided and collated as part of the process of completing a *RDA Report* are to be available to be stored and maintained on the *Valuer's* file (hard copy or electronic) and the third party platform.

6.0 Desktop Process

6.1 Third Party Platforms

The instruction/request for a *RDA Report* is ordered via a third party platform on behalf of a *Lender*.

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 *RDA Report*.

The *Valuer* is entitled to use and rely on the information contained within or provided by the third party platform when undertaking a *RDA Report*.

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

The third party platforms should provide an audit trail of all activity and any changes made to the specific record and the platform. 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 *RDA Report* are on the basis of a standing instruction, retainer agreement (or similar professional services agreement) or a specific instruction that the provision of the *RDA Report* is subject to this *Supporting Memorandum*.

Where the *Valuer* requires clarity or there is confusion or inconsistency in the instructions or essential information is not provided (see Sections 6.4 and 6.5) the *RDA Report* must be declined, and the request/instruction must be referred back to the instructing party.

6.3 Instructions in “writing”

An instruction/request for a *RDA 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

The *Valuer* must be provided with all essential information from the request/instructions, the borrower or the third party platform collectively.

The essential information must be provided at the time of the instruction or prior to the completion of the *RDA Report*.

Essential information includes legally permissible information held by the *Lender* or third party platform and includes property attributes and features (Section 6.4), and sales evidence (as described in Section 6.5).

Essential information provided with the instruction/request may include information contained in a previous report or advice undertaken by the Valuation Firm for the same *Lender*.

Where the essential information detailed below has not been provided, including the provision of information relating to the subject property and sales evidence, a *RDA Report* must not be completed, and the request/instruction must be referred back to the instructing party.

Where essential information provided is known, by the *Valuer*, to be incorrect a *RDA Report* must not be completed, 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 *RDA Report* 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.

Location Map

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.

Dwelling Type

House, unit, apartment, townhouse.

Land Area for houses

Number of Bedrooms and Bathrooms

Sales Evidence

As per the requirements detailed below in Section 6.5.

Imagery

Photo or photos that clearly show the dwelling improvements in adequate detail.

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

Any information that the *Lender*, the *Lender’s* representative or the third party platform 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 outcome of a *RDA Report*.

6.5 Sales Evidence (essential information)

Pertinent information relating to sales evidence is provided via the third party platform with the instructing/request.

The *Valuer* is not required to source additional details or information relating to any of the sales provided by the third party platform and is permitted to rely on the information provided.

The third party platform must provide the *Valuer* with a minimum of three (3) settled comparable sales where the settlement date is in the six (6) months prior to the assessment date). Additional ‘unsettled sales’ may also be provided.

The sales provided should exhibit similar property attributes as the subject property in respect of;

- number of bedrooms,
- number of bathrooms,
- location/suburb, and
- land area (if applicable).

6.6 Format of Residential Desktop Assessment Reports

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

The layout of the *RDA Report* is determined by the third party platform as per the requirements of the *Lender*.

The *API* does not consider it appropriate for a *RDA Report* completed under this *Supporting Memorandum* to include details of the individual *Valuer* who completed the *RDA Report*.

6.7 Information Which Must be Included in the Residential Desktop Assessment Report

The *RDA Report* must contain a statement that it has been undertaken in accordance with the 'API Residential Desktop Assessment Supporting Memorandum – For First Mortgage Lending Purposes Only' 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 *RDA 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 *RDA 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 included.

7.0 Re-issuing/Assigning Residential Desktop Assessment Reports

Valuers must not assign, readdress or re-issue *RDA Reports*.

8.0 Amendments to a Residential Desktop Assessment Report

Valuers must not amend a *RDA Report* unless it is to correct errors and omissions by the *Valuer*.

If after delivery of a *RDA Report*, and before any 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 *RDA 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 *RDA Report*, the *Valuer* must ensure the words “Amended Report” is clearly marked on the report.

A request by a *Lender* for an “Amended Report” should not be made after the expiration of 90 days from the Assessment Date of the previously delivered *RDA Report*.

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

9.0 Date of Effect

The effective date of this *Supporting Memorandum* is 5 March 2023.