

New South Wales Division

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9th December 2015

Ms Toni Matulick, Secretary
Inquiry into Impairment of Customer Loans
Parliamentary Joint Committee on Corporations and Financial Services

By email c/- corporations.joint@aph.gov.au

Dear Ms Matulick,

Impairment of Customer Loans – Questions on Notice

I refer to your letter of 2 December to Mr Stephen Child NSW Member Services Manager of the Australian Property Institute (API) which has been referred to me for a response. I note the Committee has asked if an answer could be provided to the following Questions on Notice arising from my attendance on behalf of the API at the Committee's Public Hearing held on Wednesday 19 November. A response to each question is provided beneath the four questions contained in the body of your letter, as follows:

1. Would you be able [to] ...give the Committee some understanding of how accurate property valuations are? For example do you have any information where property valuations have been compared to the sale prices achieved?

Response

Property valuations are subject to the instructions provided to the valuer by the instructing party, and to be adopted the instructions necessarily have to fall within the professional practice guidelines of the API. Because any property valuation is based on comparable sales evidence and/or rental evidence, the accuracy reflects the quality of the data input which is provided from external sources such as Land and Property Information (LPI) and private property sales providers.

2. In your submission, you stated that '...valuations are of necessity independent of the policies of the banks and other financial institutions who may be the instructing party.'

a) Have any examples been brought to your attentions where valuations, have not been independent, because banks have influenced the valuation?

b) Have you examined the submissions made to this inquiry in which concerns have been raised regarding the independence of valuations and do you wish to comment on any of those submissions, for example submissions 101, 103, 124, 12, 95 and 21?

Response

a. The API is unaware of any valuations that have not been independent, and indeed any valuation provided by a Certified Practising Valuer (CPV) member of the API must necessarily be independent of any influence from either a lender or borrower.

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Response

b. The API does not accept the premise of the question that valuations conducted are not independent. CPV members of the API have to maintain their independence in the provision of any valuation advice, as a matter of professional practice. The API does not wish to comment on any of those submissions referred to in your letter of 2 December.

3. Where a bank requires a property used as security to be revalued and the borrower is required to pay for the valuation:

a) Could a copy of the valuation and the bank's instructions to the valuer be provided to the borrower?

b) What review processes are available to the borrower if they disagree with the valuation?

Response

a. The provision to the borrower of the valuation report and the bank's instructions is a matter of policy for the bank in question, and the API expresses no view in this regard.

Response

b. Where the borrower may be disappointed with the quantum of the valuation or the content of the valuation report, the contractual arrangements between the bank and the borrower will provide for whatever review processes are agreed between the parties. The review processes in question would be contained within the private contractual arrangement between the bank and the borrower which the API would not be aware of.

4. Could you explain whether there is any relationship between the Australian Property Institute and the Australian Valuers' Institute?

Response

The API has no relationship with the Australian Valuers' Institute.

I trust that the above responses adequately address the Questions on Notice referred to in your letter of 2 December.

Yours sincerely,

Professor John Sheehan LFAP
Chair Government Liaison
Past President NSW Division