

## RICS/ISVA guidance notes on mortgage valuations

### GUIDANCE NOTES FOR VALUERS ON THE VALUATION AND INSPECTION OF RESIDENTIAL PROPERTY FOR MORTGAGE PURPOSES ON BEHALF OF BUILDING SOCIETIES, BANKS AND OTHER LENDERS.

These Notes are for the guidance of valuers and apply to inspections carried out on or after 1 June 1992 and, in respect of such inspections, supersede previous published guidance. The Council of Mortgage Lenders and the Building Societies Association were consulted during the production of these notes.

#### 1. The Valuer's Roles

1.1 The roles of the Valuer, who must have knowledge of and experience in the valuation of the residential property in the particular locality, are:

1.1.1 to advise the lender as to the open market value (not a forced sale valuation) (see section 4.4) at the date of inspection;

1.1.2 to advise the Lender as to the nature of the property (see section 4) and any factors likely materially to affect its value;

1.1.3 if required by the Lender, to provide an assessment of the estimated current reinstatement cost in its present form (unless otherwise stated) for insurance purposes including garage, outbuildings, site clearance and professional fees, excluding VAT (except on fees).

1.2 The Valuer should not make a recommendation as to the amount or percentage of mortgage advance or as to the length of the mortgage term. Nor is it the Valuer's responsibility to give advice as to the suitability of the property 'for second mortgage purposes'.

#### 2. The Valuer's Inspection

**Subject to the Valuer's judgement**, a visual inspection is undertaken of so much of the exterior and interior of the property as is accessible to the Valuer without undue difficulty. Accordingly it is to include all that part of the property which is visible whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, as follows:

#### 2.1 Main Building-External

Roof coverings, chimneys, parapets, gutters, walls, windows, doors, pipes, wood or metalwork, paintwork, damp proof courses, air bricks and ground levels.

#### 2.2 Main Building-Internal

2.2.1 Parts not readily accessible or visible are not inspected, and furniture and effects are not moved, nor floor coverings lifted.

2.2.2 Subject to reasonable accessibility, the roof space is inspected only to the extent visible from the access hatch, without entering it.

2.2.3 Ceilings, walls, load bearers and floor surfaces are inspected except where covered or obscured. Readings should be taken with a moisture meter for rising dampness.

2.2.4 Cellars are inspected to the extent that they are reasonably accessible, but under floor voids are *not* inspected.

#### 2.3 Services

The Valuer is to identify whether or not there are gas, electricity, central heating, plumbing and drainage services. Testing of services is *not* undertaken.

#### 2.4 Outbuildings

Garages and other buildings of substantial permanent construction, and any structure(s) attached to the dwelling are inspected.

#### 2.5 Site

The inspection should include the general state of boundaries, structures, drives, paths, retaining wall and the proximity of trees only to the extent that they are likely materially to affect the property's value.

#### 2.6 Neighbouring properties

The nature, use and apparent state of repair of neighbouring properties in the immediate vicinity considered only to the extent that they may materially affect the value of the subject property.

2.7 **Flats, maisonettes or similar units forming part of larger building or group of related buildings**

The above provisions apply, but here 'Main Building' means the building containing the proposed security but not including other building physically attached to it.

2.7.1 **Main Building-External:** The exterior of the proposed security and sufficient of the remainder of the Main Building to ascertain its general state of repair.

2.7.2 **Main Building-Internal:** The interior of the proposed security, the communal entrance areas within the Main Building from which the proposed security takes access and the communal area on the floor(s) of the proposed security. The roof space will only be inspected (as defined in paragraph 2.2.2) where access is directly available from within the subject flat.

2.7.3 **Outbuildings:** Garaging, car parking, other buildings (excluding sports complexes) of permanent construction and any other structures attached to the Main Building or which serve the proposed security.

3. **The Valuer's Report**

3.1 Subject to covering the matters referred to in section 1 above, reporting should be confined strictly to answering questions raised by the Lender.

3.2 If it is suspected that hidden defects exist which could have a material affect on the value of the property, the Valuer should so advise and recommend more extensive investigation by the intending Borrower prior to entering into a legal commitment to purchase or, in the case of a re-mortgage, as a pre-condition of the mortgage advance. It may be appropriate in exceptional circumstances to defer making a valuation until the results of the further investigations are known.

3.3 If it is not reasonably possible to carry out any substantial part of the inspection (see section 2 above) this should be stated.

3.4 Any obvious evidence of serious disrepair to the property or obvious potential hazard to it should be reported, as should any other matters likely materially to affect the value.

3.5 Where the Valuer relies on information provided, this should be indicated in the Report as also should the source of that information.

3.6 The Lender should be informed of the existence of any apparently recent significant alterations and extensions so as to alert the lender's legal adviser to any enquiries to be made.

3.7 Where the proposed security is part of a building comprising flats or maisonettes, the Valuer's Report should identify any apparent deficiencies in the management and/or maintenance arrangements observed during the inspection which materially affect the value.

3.8 Where the apparent sharing of drives, paths, or other areas might affect the value of the subject property, the Valuer should inform the Lender.

3.9 The form of construction should be reported, and where non-traditional the Valuer should advise accordingly, stating the type of construction and the source of this information if it is not apparent from the inspection.

3.10 Where the Valuer decides to report a necessity for works to be carried out to a property as a condition of any advance and the Valuer identifies the property as being:

3.10.1 of architectural or historic interest, or listed as such; or

3.10.2 in a conservation area; or

3.10.3 of unusual construction

the Valuer should advise that a person with appropriate specialist knowledge be asked to give advice as to the appropriate works unless, exceptionally, the Valuer believes he/she is competent to give advice which if adopted would not be detrimental to the property's architectural or historic integrity, its future structural condition or conservation of the building fabric.

3.11 In the case of new properties or conversions where the Valuer is obliged to base the valuation upon drawings and a specification, this fact should be stated in the Report.

4. **The Valuation**

4.1 Unless it is made apparent by an express statement in the Report the Valuer will have made the following assumptions and will have been under no duty to have verified these assumptions;

4.1.1 that vacant possession is provided;

4.1.2 that planning permission and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained;

- 4.1.3 that no deleterious or hazardous materials or techniques have been used;
  - 4.1.4 that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown;
  - 4.1.5 that the property and its value are unaffected by any matters which would be revealed by inspection of the Contaminated Uses Land Register or by a Local Search (or their equivalent in Scotland and Northern Ireland) and replies to the usual enquiries, or by a Statutory Notice and that neither the property, nor its condition, nor its use, nor its intended use, is or will be unlawful;
  - 4.1.6 that an inspection of those parts which have not been inspected or a survey inspection would not reveal material defects or cause the Valuer to alter the valuation materially;
  - 4.1.7 that the property is connected to main services which are available on normal terms;
  - 4.1.8 that sewers, main services and the roads giving access to the property have been adopted;
  - 4.1.9 that in the case of a new property the construction of which has not been completed, the construction will be satisfactorily completed;
  - 4.1.10 that in the case of a newly constructed property, the builder is a registered member of the NHBC or equivalent and has registered the subject property in accordance with the scheme concerned; and
  - 4.1.11 that where the proposed security is part of a building comprising flats or maisonettes, unless instructed or otherwise aware to the contrary, the cost of repairs and maintenance to the building and grounds are shared proportionately between all the flats and maisonettes forming part of the block, and that there are no onerous liabilities outstanding.
- 4.2 Among the relevant factors to be taken into account in the valuation are:
- 4.2.1 the tenure of the interest to be offered as security, and if known the terms of any tenancies to which that interest is subject;
  - 4.2.2 the age, type, accommodation, siting, amenities, fixtures and features of the property and other significant environmental factors within the locality; and
  - 4.2.3 the apparent general state of and liability for repair, the construction and apparent major defects; liability to subsidence, flooding, and/or other risks. (Particular care is needed with non-traditional construction).
- 4.3 Unless otherwise instructed any development value is to be excluded from the open market valuation and the Valuer will not include any element of value attributable to furnishings, removable fittings and sales incentives of any description when arriving at an opinion of the value. Portable and temporary structures are to be excluded also.
- 4.4 The definition of 'open market value' is the best price at which the sale of an interest in the property might reasonably be expected to have been completed unconditionally for cash consideration at the date of the valuation assuming:
- 4.4.1 a willing seller;
  - 4.4.2 that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
  - 4.4.3 that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation; and
  - 4.4.4 that no account is taken of any additional bid by a purchaser with a special interest.
5. **Valuation for Insurance Purposes**
- In assessing the current reinstatement cost (see paragraph 1.1.3) the Valuer should have regard to the ABI/BCIS House Rebuilding Cost Index.
6. **The Valuer's Record of Inspection and Valuation**
- 6.1 The Valuer is advised to make and retain legible notes and to his/her findings and, particularly, the limits of the inspection and the circumstances under which it was carried out.

6.2 The Valuer is advised to keep a record of the comparable transactions and/or valuations to which he/she has had regard in arriving at his/her valuation. ■■■

7. **The Variation of Instructions**

All mortgage valuations should be in accordance with these Guidance Notes unless variations are notified to the Valuer in writing.

**MODEL CONDITIONS OF ENGAGEMENT BETWEEN THE LENDER AND THE VALUER**

1. The Valuer will carry out for the Lender's current fee an inspection of the proposed security, and report, in accordance with the current RICS/ISVA Guidance Notes for Valuers on the valuation and inspection of residential property for mortgage purposes on behalf of building societies, banks and other lenders, subject to any variations specified by the Lender in the issue of instructions.

2. The purpose of the report and valuation for mortgage is to enable the Lending Institution to assess the security offered by the property for the proposed loan and, where applicable, to enable the Directors to fulfil the requirements of Section 13 of the Building Societies Act 1986.

3. The report and valuation will be presented on the lender's prescribed form or other type of form as may be agreed.

4. Before the Valuer proceeds, the Lender will take all reasonable steps to inform the Borrower as to the limitations of the inspection report and valuation, and will suggest that the Borrower commissions a more detailed inspection and Report before entering into a legal commitment.

5. All disputes arising out of this agreement shall be finally settled under English Law and the parties irrevocably submit to the jurisdiction of the English Courts. ■■■