



# Valuation Minimum Standards

January 2011  
Version 2

*The right partner makes all the difference*



**Genworth**<sup>®</sup>  
Financial

## Purpose

The valuation of a proposed mortgage security is an integral part of any Lenders Mortgage Insurance (LMI) proposal to Genworth Financial Mortgage Insurance Pty Limited (Genworth). In the interests of ensuring the valuation of the residential property is accurate and reliable, it is imperative that the lender, any entity which gives instructions for preparation of a valuation, and the valuation supplier have all observed certain standards.

Genworth's Valuation Minimum Standards (Valuation Standards) set out the basis on which Genworth is prepared to accept residential property valuations for LMI purposes and is intended to communicate Genworth's expectations to lenders, entities which give instructions for preparation of valuations and valuation suppliers with respect to the supply of residential property valuations.

## Application

The Valuation Standards apply to:

- any lender arranging a valuation report for Genworth LMI purposes and/or relying on a valuation report in support of an LMI proposal to Genworth;
- any lender's agent, including but not limited to a valuation panel manager, ("Lender's Agent") involved in arranging a valuation report for Genworth LMI purposes and/or relying on a valuation report in support of an LMI proposal to Genworth; and
- any valuation supplier providing a residential property valuation to be submitted to Genworth for LMI purposes.

Version 2 of the Valuation Standards apply from 1st of January 2011 until such date this document is amended or superseded. From time to time Genworth may also publish supplementary valuation guidance notes that are to be read and interpreted in conjunction with the Valuation Standards.



## Content

The Valuation Standards serve to establish consistent national minimum standards for the provision of residential property valuations for Genworth LMI purposes. This document covers the following areas:

- A. Valuer Accreditation
- B. Acceptable Valuer Qualifications
- C. Professional Indemnity Insurance
- D. Ethical Conduct
- E. Valuation Instructions
- F. Valuation Report
- G. Panel Management

## Non-compliance

To the extent that a particular section of the Valuation Standards cannot be complied with, such non-compliance must be raised with Genworth and prior approval sought for an alternative means of complying with the relevant section. Genworth will approve exceptions to non-compliance with particular sections of the Valuation Standards on a case by case basis depending on the relevant circumstances raised with Genworth.

# Section A – Valuer Accreditation

## 1. Lender Obligations

- 1.1. In all cases when appointing a Valuation Supplier<sup>1</sup> to its panel to perform valuations for Genworth LMI purposes, the lender and any Lender's Agent must act prudently and ethically.
- 1.2. Before appointing a valuation supplier to perform residential property valuations for Genworth LMI purposes, the lender and/or the Lender's Agent<sup>2</sup> shall carry out the following minimum due diligence with satisfactory results:
  - 1.2.1. Ensure the Valuation Supplier is a company, individual/natural person (e.g. sole trader) or partnership (i.e. a trust is not acceptable);
  - 1.2.2. Obtain a company profile and a resume of each of the principals/directors of the Valuation Supplier;
  - 1.2.3. Obtain a list of current lender clients as references and check references to ensure the Valuation Supplier's previous history is acceptable;
  - 1.2.4. Ascertain which geographic areas are covered by the Valuation Supplier, and in which geographic areas the Valuation Supplier specialises;
  - 1.2.5. Ascertain the number and experience of residential mortgage security valuers – employees and contractors - on staff and evaluate the capacity of the Valuation Supplier to service the relevant geographic area(s);
  - 1.2.6. Conduct a search of the Department of Fair Trading (or equivalent state/territory body) valuer register;
  - 1.2.7. Ascertain whether the Valuation Supplier has an internal compliance and peer review process; and
  - 1.2.8. Perform Australian Securities and Investment Commission (ASIC) company director searches on each principal/director of the Valuation Supplier and consult with Genworth regarding any adverse finding.
- 1.3. The lender and/or the Lender's Agent shall use reasonable commercial endeavours to monitor and ensure that the Valuation Supplier Obligations in these Valuations Standards are met.

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<sup>1</sup> Valuation Supplier is deemed to be a company, individual/natural person (sole trader) or partnership. A valuer is an individual valuer employed or engaged, via contractual arrangements or otherwise, by a valuation Supplier (if not a sole trader).

<sup>2</sup> Lenders agent is deemed to be any individual or company who is authorised by the lender to instruct a Valuation Supplier to supply valuations on the lender's behalf.

## Section B – Acceptable Valuer Qualifications

### 2. Valuation Supplier Obligations

- 2.1. In all cases the prime signatory (inspecting valuer) shown on a valuation report submitted to Genworth for LMI purposes is required to be a current financial member of the Australian Property Institute (API) or other recognised valuation industry body.

they have reviewed the valuation and working papers, and based upon such review and appropriate questioning obtained reasonable satisfaction that the value opinion contained in the valuation has been reached based on reasonable grounds.
- 2.2. Genworth will only accept residential property valuations completed by a valuer registered or licensed in the State or Territory in which the relevant property is located. Further, such registered or licensed valuers must be one of the following classifications of API members (or such equivalent classifications in any other recognised valuation industry body\*) and hold Certified Practising Valuer (CPV) or Residential Property Valuer (RPV) status:
  - 2.2.1. Provisional Member (PMAPI);
  - 2.2.2. Associate (AAPI);
  - 2.2.3. Fellow (FAPI);
  - 2.2.4. Life Fellow (LFAPI).
- 2.3. Where the property is located in a state or territory in which a valuer is not required by law to be licensed, the valuation must be by a valuer who is a member of the API (or other recognised valuation industry body) as identified in 2.2 above.
- 2.4. Valuation reports signed by a Provisional Member (PMAPI) with Residential Property Valuer (RPV) status are only acceptable when co-signed by a supervising Member who is a Certified Practising Valuer (or equivalent). The supervising Member must confirm
- 2.5. Valuations completed by a Provisional Member (PMAPI) of the API who does not have RPV status are not acceptable unless a CPV is the primary signatory. In signing as the primary signatory the CPV does so in accordance the API Rules of Conduct. The role of the Provisional Member is as a trainee valuer.
- 2.6. Valuation reports signed by an Associate (AAPI) who does not have Certified Practising Valuer status are only acceptable when co-signed by a supervising member who is a Certified Practising Valuer (or equivalent). The supervising Member must confirm they have reviewed the valuation and working papers, and based upon such review and appropriate questioning obtained reasonable satisfaction that the value opinion contained in the valuation has been reached based on reasonable grounds.
- 2.7. Genworth will not accept residential property valuations undertaken by a Student Member, Graduate Member (GAPI) or Provisional Associate (PAAPI) of the Australian Property Institute or equivalent members of other recognised valuation industry bodies.

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\*Information relating to acceptable industry bodies and membership classes is available at [genworth.com.au](http://genworth.com.au)

## Section C – Professional Indemnity (PI) Insurance

### 3. Acceptable PI Cover – Valuation Supplier Obligations

3.1. A valuation supplier performing residential property valuations for Genworth LMI purposes must have and maintain professional indemnity (“PI”) insurance which:

3.1.1. covers the valuation supplier for the acts and omissions of all valuers without exclusion, in any way involved in the preparation or provision of valuations for Genworth LMI purposes;

(Note for example: at the time of valuation, it is not acceptable for the PI insurance policy to exclude contractors in circumstances where the valuation is performed by a contractor or exclude particular individuals in circumstances where the valuation is performed by that individual).

3.1.2. does not have a deductible (or excess) for any single occurrence greater than \$50,000;

3.1.3. does not have a limit of liability in respect of any single occurrence less than \$1 million; and

3.1.4. does not have an aggregate limit of liability of less than \$2 million.

3.2. The directors, employees, contractors and other representatives of a valuation supplier performing residential property valuations for Genworth LMI purposes must not act in a manner that will void or reduce the indemnity extended to them under their PI insurance policy (e.g. failure of the valuer to report circumstances that may give rise to a claim).

3.3. A valuation supplier performing residential property valuations for Genworth LMI purposes must agree to have and maintain PI insurance in accordance with

clause 3.1 for at least 7 years after the last date on which the valuation supplier provided a residential property valuation for Genworth LMI purposes.

3.4. A valuation supplier must notify the lender immediately of any changes to their company structure, including change of director/s or changes to the trading entity such as, company or trading name, ABN etc.

### 4. Acceptable PI Cover – Lender Obligations

4.1. Before appointing a valuation supplier to perform residential property valuations for Genworth LMI purposes, the lender and/or the Lender’s Agent shall:

4.1.1. ensure that each valuation supplier appointed to its panel to perform residential property valuations for Genworth LMI purposes has Acceptable PI Cover as described at section 3 above at the time of seeking appointment;

4.1.2. provide written certification to Genworth, on an annual basis, that all appointed valuation suppliers have Acceptable PI cover;

4.1.3. collect on an annual basis from each appointed supplier (or their broker or insurer) evidence of Acceptable PI Cover by way of a full copy of the policy and provide such copy to Genworth within 14 days of any request. A Certificate of Currency alone is insufficient; and

4.1.4. disclose to Genworth any exclusions or unusual or onerous conditions imposed on any appointed valuation supplier by a PI insurer promptly after the lender becomes aware of any such exclusions or conditions.



## Section D – Ethical Conduct

### 5. Lender Obligations

- 5.1. When appointing and instructing a valuation supplier to perform valuations for Genworth LMI purposes the lender and all of the Lender's Agents involved must act ethically and in accordance with the Valuation Standards at all times.

### 6. Valuation Supplier Obligations

- 6.1. A valuation supplier providing a residential property valuation report for Genworth LMI purposes shall ensure that its directors, employees, contractors and other representatives at all times act in accordance with the API Code of Ethics & Rules of Conduct (or other equivalent professional standards and codes of conduct) and the Valuation Standards.

## Section E – Instructions

### 7. Lender Obligations

- 7.1. When instructing a valuation supplier to perform a valuation for Genworth LMI purposes, under no circumstances is anyone other than the lender or the Lender's Agent entitled to give instructions to the valuation supplier.
- 7.2. The lender's instructions to a valuer are to be in accordance with the API Residential Valuation & Security Assessment Supporting Memorandum (or other equivalent professional standards and guidelines) and these Valuation Standards.
- 7.3. Genworth may, at its absolute discretion, approve the use of valuation management/ ordering systems by Lender's Agents. Such systems must randomly allocate the instructions to an appropriate valuation supplier from the lender's panel of valuers that has been approved by Genworth. The Lender's Agent must not be able to select or influence the selection of the valuation supplier at any point.
- 7.4. The lender must retain a copy of the valuation instructions with the lending file. Where an agent (or another lender) instructs the valuer on behalf of the lender, the lender must obtain a copy of the valuation instructions and retain this with the lending file.
- 7.5. The lender must ensure that the valuation provider specifically states the name of the instructing party on the valuation report and the report is extended for use by Genworth.

### 8. Valuation Supplier Obligations

- 8.1. A valuation supplier performing a residential property valuation for Genworth LMI purposes should not accept valuation instructions from the lender or the Lender's Agent where those instructions are not

in accordance with the API Residential Valuation & Security Assessment Supporting Memorandum (or other equivalent professional standards and guidelines) and these Valuation Standards.

- 8.2. The names of both the instructing party and the lender must be separately and clearly stated on all valuation reports performed for Genworth LMI purposes.
- 8.3. Instructions to perform a residential property valuation received from the lender or the Lender's Agent should not be accepted by a valuation supplier who does not have local knowledge and competence in the geographical area of the property being valued.

## Section F – Valuation Report

### 9. Valuation Supplier Obligations

- 9.1. The API 'PropertyPRO' pro-forma template developed for residential mortgage valuation work is Genworth's preferred residential mortgage valuation report format.
- 9.2. Unless otherwise agreed with Genworth, valuation reports not submitted in the PropertyPRO or similar format will not be accepted by Genworth.
- 9.3. Where a valuation report supports an application for Genworth LMI, the valuation supplier providing the valuation report is in all cases required to:
  - 9.3.1. Complete the report in accordance with:
    - a. the API Code of Ethics & Rules of Conduct and the API PropertyPRO Residential Valuation and Security Assessment Pro-forma Supporting Memorandum; or
    - b. other equivalent professional standards, codes of conduct and guidelines; and
    - c. the Valuation Standards.
  - 9.3.2. State that the property is suitable security for mortgage lending purposes<sup>1</sup> or the property is in satisfactory internal/external condition; habitable; readily saleable; and not adversely affected by any easements, restrictions, environmental, planning or heritage issues that affect marketability.
  - 9.3.3. Stipulate that Genworth is entitled to rely on the valuation report for LMI purposes;
  - 9.3.4. Supply a signed copy of the completed valuation report in electronic PDF format noting the qualifications and membership of the prime (inspecting) valuer and any supervising or co-signing valuer;
  - 9.3.5. Provide a detailed list of any defects or recommended repairs, including an approximate cost to complete the required work;
  - 9.3.6. Prominently highlight any limitations or exclusions; and
  - 9.3.7. Ensure that an internal inspection of the property has been undertaken for preparation of the Valuation report, unless otherwise agreed by Genworth.

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<sup>1</sup> Suitable security is a property that is in satisfactory internal and external condition (must be habitable), readily saleable and not adversely affected by any easements, restrictions, environmental, planning or heritage issues that affect marketability.

## Section G – Panel Management

### 10. Lender Obligations

- 10.1. A lender and/or Lender's Agent must:
  - 10.1.1. Have a documented procedure for determining whether a valuation supplier should be appointed to the lender's panel for performance of valuations for Genworth LMI purposes;
  - 10.1.2. Have a documented Service Level Agreement (SLA) with each valuation supplier appointed;
  - 10.1.3. Annually verify that each valuation supplier appointed to the lender's panel for performance of valuations for Genworth LMI purposes has Acceptable PI Cover;
  - 10.1.4. Have a performance review process in place;
  - 10.1.5. Have a hindsight review process in place;
  - 10.1.6. Have a dispute resolution process in place;
  - 10.1.7. Notify Genworth immediately the lender and/or the Lender's agent becomes aware of a potential claim against a valuation supplier in respect of a valuation performed for Genworth LMI purposes and/or relied upon in support of an LMI proposal to Genworth;
  - 10.1.8. Notify Genworth immediately when the lender is notified about any change of director/s or company details.
- 10.2. The lender shall permit Genworth to conduct a review and provide comment on an ongoing basis as to the continued suitability of accredited valuation suppliers performing residential property valuations for Genworth LMI purposes.
- 10.3. The lender shall ensure that any valuation report relied upon in support of an LMI proposal to Genworth is not more than 3 months old at the date the proposal for LMI is made.
- 10.4. The lender will provide to Genworth with any proposal for LMI, copies of all valuations in respect of the property received by the lender in the period of 12 months prior to the date the proposal for LMI is made.
- 10.5. When the lender is advised of any change of director/s or company details, the lender must ensure that these changes comply with all aspects of the Valuation Standards.

## Guidance Notes

Genworth may from time to time issue supplementary valuation guidance notes that shall be read in conjunction with the Valuation Standards. These will be published at [genworth.com.au](http://genworth.com.au).

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