

RESPONSE TO 'DISCUSSION DOCUMENT'

7 JULY 2014

Otago Branch

Major Issue

The biggest issue for registered valuers and their allied professions worldwide is that they are/should be the only independent property transactional party member. The others rely on the proposed transaction occurring to obtain commission or to lend for profit.

This professional independence is/has been eroded by the lenders fast tracking loan applications at the expense of 'Clearing House' valuers and reliance on the valuers professional insurance as a backstop.

No other transaction member (agent, broker, bank) acts for the borrower/purchaser.

Page 8 of the review refers to "Clearing Houses"

Two of the stated purposes of the review as stated at page 5 are:

- Protects consumers and the wider public from the risks of unethical and incompetent valuers
- Does not unduly impede competition in the supply of valuation services

The current Clearing House scheme does not protect consumers.

It is merely a convenient way of controlling valuations for mortgage purposes by the banks. It is promoted by the banks for the banks.

The banks are the clients – not the purchaser or borrower. So who acts for these people?

Real Estate Agent - No - commission based

Mortgage brokers - No - commission based

Bank Valuer - No - acts on a regulated fee basis for Clearing Houses and Banks

At page 8, the review notes that:

"Intervention is more likely if the risk of harm is involuntary for the individuals or groups because they are unaware of it, even though the probability of it occurring is low"

It is recognised that "Clearing Houses" in NZ here operating now and based on overseas experience - In Australia and USA - this has resulted in:

- Lowering levels of valuer remuneration

- Timing requirements resulting in rushed valuations
- Banks and Clearing Houses monitoring valuers most probably on the basis of contract price valuation confirmation.
- Banks are using valuers to underwrite their lending transactions.

Solution

As none of the above protect or minimises harm to individual property owners and potential owners, I propose:

1. Clearing House valuers who have signed up to such schemes are to be licensed as such - Identifying them as acting for Clearing Houses and their client banks - i.e. non independent. **Registered Mortgage Valuers.**

Members of the public would go to these valuers knowing they are part of a bank scheme, that the valuer acts for the bank and that they are not acting for the borrower who is satisfied with the price agreed. **It is more of a technician type service** commensurate with lower fee level than the service of a professional valuer.

2. Valuers choosing to remain completely independent of schemes operated by clearing houses and other bank supported schemes are to be licensed - **Registered Independent Valuers.**

Members of the public would go to these valuers knowing that they will be **acting as Independent professionals** and only on their behalf in providing valuation advice.

3. Registered Independent Valuers and Registered Mortgage Valuers should be the only protected titles and at registration annually a choice is required to be made which will remain in force until a Registration Board recorded change in status occurs.

VRB

Proposal and change composition is supported.

Membership of NZIV should NOT be mandatory.

With voluntary membership CPD requirements would still need to be attached and recorded. Institute sponsored CPD events could be more expensive for non members.

Check Valuations

Review of check valuations are seen as being very cost effective in clarifying valuation complaints/litigation, particularly where retrospective valuations can be reviewed alongside the valuation complained of.

'Specialist' Review valuers could be identified and qualified to undertake review valuations using the international valuation guidance note "Reviewing Valuations" effective 1 January 2005.

These valuers could form a "panel" with areas of expertise identified and could be used by the proposed "investigator" after he/she has sought and obtained at least two retrospective valuations.

Further, there should be a direct reporting link between reviewed valuations and disciplinary committee outcomes and the NZIV Standards Committee.

Support annual regulation with statutory declaration regarding specified CPD requirements.

Residential Only Valuers

They could apply to 'Clearing House' Valuer – they could be restricted to house valuations only and only require one year practical experience given the reliance on automated valuation models.

Specialisation

Is supported. Including insurance sum insured valuations which require practice standards.

PI Insurance

No to changes in PI Cover requirement – provided valuers disclosures if NO PI cover held.