

11. What are the respondents' views on the requirements for valuation of immovable and movable property collateral (Section 7)?

September 30, 2019

As representatives of ASSOVI (the Italian “Association of Real Estate Valuation Companies”) we appreciate the opportunity to respond on the Draft Guidelines on loan origination and monitoring Consultation 2019, as we believe that Standards have been a key factor over the past ten years in driving the Italian property market towards greater transparency in the field of valuation, especially for secured lending.

ASSOVIB is the association representing the Italian property valuation Companies that provide independent valuation services. ASSOVI keeps its focus on the property valuation and the independence from other sectors and interests. ASSOVI goal is promoting and spreading professional standards for the independent valuation of properties offering to the main sector players processes which guarantee valuations objectivity and transparency. The Association’s activities are performed either by setting ethical principles or by implementing in-depth initiatives on the scientific and technical valuation level, also in collaboration with institutions, entities and other market players. We would like, as a premise, to detail the following characteristics and commitments that a Valuation Company must have to adhere to ASSOVI.

A Valuation Company must:

- manage the entire valuation process in a precise and organized way, from the engagement to the delivery of the valuation report to the Client;
- rely on a network of Valuers to carry out the inspection of the asset and its valuation and ensure that each Valuer it employs (or contracts) adheres to the company’s Code of Ethics;
- carry out all assignments free from any conflict of interest;
- perform a regular critical review of all valuation reports before they are delivered to the Client, besides managing an ongoing monitoring service of the entire process;
- in the field of valuation for secured lending, select valuers for valuation engagements in a manner which will guarantee total independence and detachment from the credit decision process, the credit monitoring process, and the commercial process of the loan;
- guarantee continuity and the application of homogenous standards wherever the firm operates;
- ensure precise and realistic timeframes to guarantee control of the process and quality of service;
- carry out the selection, initial and ongoing training of its network of Valuers;
- have an adequate insurance policy which will cover its professional risks;
- have processes and procedures properly certified (ISO 9001).

Based on these premises, we would like to bring to your attention the following comments.

7.1 Requirements for valuation at the point of origination

Art 195. Concerning valuation of immovable properties at the point of origination we consider it rather risky to introduce drive by and desktop valuations. Such approaches do not allow to detect carefully the characteristics of the real estate collateral. Knowledge of these characteristics is

fundamental for a reliable valuation. Moreover, these approaches could not guarantee the correct identification of the property.

Otherwise, we suggest to better specify in Art. 195 the cases when institutions may consider using desktop or drive-by valuation approaches. We would appreciate confirming the need of a technical due diligence to assess the requirements of legality and regularity of the collateral are complied with. We also believe that the approach to be used by the valuer should guarantee the careful collection of technical data of the property (among which 200.c, d, e, f). For these reasons, we suggest to limit the use of desktop or drive by approaches only for new built RRE, that is of similar design, specifications and characteristics to the ones already recently valued or re-valued by a valuer with a full visit with internal and external assessment.

We believe it would be useful to separate when using a drive by or a desktop approach, for example introducing a time limit (full visit with internal and external assessment less than 6 months for a desktop approach, more than six months for a drive by approach).

Art. 197. We appreciate the importance given by EBA to valuers' technical skills. We suggest that institutions should set policies and procedures for the valuers' selection process, specifying the criteria to be used. These criteria should take into account valuers's qualification and technical skills as leading criteria.

7.2 Requirements for monitoring and revaluation

Art. 210. We suggest to use statistical models only for monitoring purposes. We believe that for revaluation purposes at least an advanced statistical model approach is required.

Art. 213. When choosing the revaluation approach we suggest taking into account whether there have been major changes in the asset since the last valuation, the date of the last internal and external visit, or the value of the collateral. Not recent visit or high values should lead to a more conservative approach.

Art. 223. We definitely agree with the concept that the fee for the valuer is not linked to the result of the valuation. At the same time we believe that the fee should be fair, equal and proportioned to the approaches to be used by the valuer - as defined by the Institutions' policies and procedures – and to the complexity of the valuation.

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