

Single Rulebook Q&A

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Status	Final Q&A
Legal act	Directive 2013/36/EU (CRD)
Topic	Credit risk
Article	79
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	EBA/GL/2020/06 - Guidelines on loan origination and monitoring
Article/Paragraph	7.1.1, paragraph 209
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Real estate inspection for real estate valuation
Question	<p>What does the term 'valuer' mean? In particular, does it mean only a certified person? Will it be in line with the EBA guidelines if the inspection is done by non-certified assistants, sub-assistants, real estate agents, or even the real estate owner (owner takes pictures and sends to valuator)?</p>
Background on the question	<p>Paragraph 209 of the EBA Guidelines on loan origination and monitoring states that “at the point of origination, institutions should ensure that the value of all immovable property collateral for loans to consumers and micro, small, medium-sized and large enterprises is assessed by an internal or external valuer using full visit with internal and external assessment of the property”. It is unclear what is meant with the term "valuer". In particular, whether it means only a certified person. For example, in one Member State there are certified valuers and certified valuer’s assistants, who both have passed certification examination organised by local real estate valuers association, so they could be both called valuers. However, local practice is that some Real Estate Agencies are using sub-assistants (non-certified assistant’s) for inspecting the object to be valued. It is unclear</p>

	whether it would be compliant to the Guidelines to make internal real estate valuation without inspection and basing it on pictures provided by real estate owner.
Final answer	<p>The EBA Guidelines on loan origination and monitoring refer to the requirements for the valuer as set out in the Article 208(3), point b, of Regulation (EU) 575/2013 and clarified in Q&A 1056. In addition, the Guidelines on loan origination and monitoring set out specific guidance for the valuation of the collateral at the point of loan origination (Section 7.1) and guidance for internal and external valuers (Section 7.3 of the Guidelines). In particular, paragraph 209 of the Guidelines establishes that institutions should ensure that at the point of loan origination the value of the immovable property collateral is assessed by an internal or external valuer (that meets the requirements set out in Section 7.3) using a full visit with internal and external assessment of the property. Performing a valuation only based on the photographs, cannot be considered as meeting the requirements of having the full visit with internal and external assessment of the property. A derogation allowing for a desktop valuation of the immovable property collateral supported by advanced statistical models (i.e., without full visit with internal and external assessment of the property) is explained in paragraph 210 of the Guidelines. With respect to the organisation of the valuation process, the Guidelines do not prescribe any specific process, which allows institutions and valuers to organise themselves as long as the requirements of Article 208(3)(b) of Regulation (EU) 575/2013 and of the Guidelines are met. The valuer must remain responsible for the valuation, and the institution should critically review the valuation they receive from the valuer in accordance with paragraph 214 of the Guidelines.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6325

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