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The changing face of mortgage valuations

Surveyors' on-the-ground knowledge coupled with immediate access to supporting third-party data and new valuation technologies, are able to help lenders manage valuation risk. David Callcott, managing director of Quest, explains how

As we approach our 30th anniversary here at Quest, it seems an appropriate time to reflect on how the mortgage valuations process has advanced during that time frame and, importantly, to look forward and offer our views on what advances we believe we can expect to see in both the long and short-term future.

The detail required by a lender for a property valuation has remained relatively unchanged over the years; they continue to rely on the expertise of chartered surveyors who apply their detailed property knowledge and local market experience to calculate the appropriate value of the home, which the lender relies upon in calculating the subsequent mortgage offer.

What has changed (and will continue to do so) is the way in which a valuation is instructed, captured and reported, particularly in light of the rapid advance of digital technology, the internet and other innovations that continue to create efficiencies across all business sectors, not just in the surveying world.

Over the years, we have seen the introduction of the Secure Panel Network, a connectivity tool that manages the electronic allocation of instructions between surveyors, panel managers and lenders.

This replaced the use of faxes to allocate instructions and also the need to return the completed reports via the post. We have also seen various dictation tools come and go as surveyors look at alternative ways to efficiently capture and deliver the contents of the valuation report.

Case management tools are also in place to track effectively the status of individual instructions, plus work schedule optimisation tools and the electronic signing of reports all contributing to performance and profitability for surveyors today.

Other enhancements include more efficient access to comparable property prices: historically, the only option for surveyors was to access this data by telephoning local estate agents and to discuss the details over the phone. In recent years however the use of online services has grown as more and more property data is available to access via the World Wide Web.

In fact, with the influx of new technology innovations, we expect that by 2013 we are likely to have witnessed a significant shift in the way that valuation instructions are handled, as the industry further embraces the range of technologies available to support the daily role of a surveyor.

Mobile devices, collaborative web-based services and online access to relevant property and area data are just some of the innovations that we believe are likely to play a considerable role in shaping the way the valuation process is handled moving forward.

In our view, the increasing availability (and the lower costs of procurement) of rugged tablet PCs and handheld devices will make the clipboard, paper and pen redundant.

There are a number of advantages of integrating such technology into the current valuation process for all parties in the loop, including the individual surveyor that conducts the physical instruction, the surveying firm as a whole and of course the lender client. Some of the benefits include:

For the surveyor

Supporting data

For surveyors conducting their valuation report via a tablet device or similar, they are in the advantageous position of being able to access an array of additional information that could help determine the most appropriate value for the property in question.

By accessing the internet whilst onsite, the surveyor can review live comparable pricing data, Land Registry information, Google StreetView images or even decide whether any external factors could impact the value or should at least be included as observations in the electronic site notes.

Examples could include planning applications within the property's vicinity or even noteworthy environmental or flood risk data.

Time savings

By implementing the valuation report details directly into an electronic form, it strips out the need to have to transcribe or dictate the information back to a secretary who would then complete the report at a later stage.

The benefits of this are numerous, as not only does it reduce the margin of error, but it saves a great deal of time from having to relay the information, meaning greater efficiency in the surveyor's workflow.

Driving efficiency into the survey process in this manner will eventually enable individual surveyors to complete more work each month, and will ensure that the IT investment pays for itself many times over.

Benefits to surveying and panel management firms

Enhanced valuation auditing

A significant advantage to surveying and panel management firms of new valuation technologies is the ability to deliver greater assurance to third parties, such as lender clients and professional indemnity insurers.

By transferring from manual site notes over to an electronic version, software is now available that can provide a clear audit trail of the data that has fed into an individual valuation, what comparable prices were used and a range of other relevant factors.

Reduced administrative costs

By transferring from paper-based reports to electronic, there are cost savings to benefit from, including a reduction in postage costs and even storage fees, as all valuations reports must be archived and available for investigation for a significant period after they were originally completed.

Not only can back-ups be made for added security purposes, but the cost of storing such reports is significantly reduced in the digital age.

Mortgage lenders

Risk management

From a lender's perspective, the key benefit will be the improved turnaround times that are possible, generating competitive advantage for those using the latest systems.

Also, the ability to quickly and efficiently review a fully electronic audit trail to determine how a value was calculated, should the need arise from a risk management perspective, will reduce costly disputes in cases with the potential for dispute.

Finally, an added advantage is there is no longer an opportunity for a valuation report to be physically 'tampered' with and any details modified before it reaches the lender, which raises the bar yet further in terms of fraud prevention.

AVMs

With our 2013 prediction focusing on an increased use of mobile tools to capture valuation report data, we also believe there will be a rise in the number of desktop valuations that take place, plus we believe that the role of AVMs will adapt to become a ubiquitous element of the valuation process.

To date, AVMs are sparingly used dependent on the perceived risk of the loan or the scale of the loan-to-value. However, we believe that the use of risk based cascade valuation models which rely on AVM data in the first instance will be increasingly used from more of a risk management perspective; with desktop valuations and physical inspections adding an additional level of assurance for higher risk cases.

Full physical inspections are expected to continue to be the most common form of valuation, although we do see the 'drive-by' method as a candidate for replacement by advanced desktop systems as more and more data becomes accessible online and so much of what would be captured via the 'drive by' could in fact be undertaken by an experienced surveyor from a computer desktop, saving time and resources.

In today's modern working environment, one thing that is extremely clear is that a surveyor no longer has to rely on paper note books or clipboards when carrying out a valuation.

Technology is evolving at such a pace that it will make the valuation process quicker and more secure whilst providing surveyors with immediate access to supporting third-party data that, combined with their personal expertise and on-the-ground knowledge, will enable lenders to manage risk at an appropriate level whilst delivering a world class customer experience for mortgage applicants.

The face of the valuation process is changing as technology continues to march on. Let's watch this space to see how these predictions transpire.

TECHNOLOGY

Valuation auditing technology

With professional indemnity premiums continuing to increase following a reported growth in negligence claims, surveyors and panel managers are turning to new software innovations that provide a full electronic audit trail of completed valuation instructions, when requested.

The new audit tools not only provide evidence of how the inspection was undertaken but provide a detailed trail on how an individual value was calculated (including links to supporting data or comparable information).

Residential surveyors and panel management firms across the UK are already shifting away from random valuation auditing and are instead adopting automated technologies in a bid to target their auditing activity on the highest risk transactions and provide improved risk management and greater transparency to lender clients and professional indemnity insurance firms.

To date, firms such as e.surv, Connells, Gateway Surveyors, SPM Ltd and Valuation have adopted such a system, which enables them to automatically check newly completed valuations against a wide range of criteria and can utilise data from HM Land Registry, Ordnance Survey, AVM providers and previous valuation reports.

Warren Wright, director of Connells Survey & Valuation Ltd, said: “Connells remains at the forefront of mitigating risk for our customers. Embedding AuditSure within our own audit and risk management procedures is an integral part of our strategy to harness new technologies to support this position and deliver added value.”

CASE STUDY

A case study from e.surv

Nigel Adams, IT manager, and Shane Ross, audit risk manager at e.surv Chartered Surveyors, reflect on the innovations that have been introduced to the industry over recent years and the benefits these provide

The requirements for surveyors haven't dramatically changed over the years – survey and mortgage valuation instructions are received from clients, the surveyor undertakes the particular instruction using a combination of local experience, industry knowledge and third-party property data to complete the case, the information is captured, reported and subsequently returned to the client for use.

Over the years however, new technologies have been introduced that have created efficiencies to this process, converting many manual tasks to those that are now handled electronically or online. Some of the more significant advancements, as we see it, include the following:

'Automated allocation systems' have been introduced that enable us to now receive inbound valuation instructions from lenders. Through a 'rapid routing' tool, it is then sent to the most appropriate (and available) staff or panel surveyor with built in alerting and controls for specific case instructions or issues.

Previously, this task was managed manually and was not only time consuming, but was open to errors. For mortgage lenders, the pressure is always on to get their valuation report back as quickly as possible after issuing the instruction, therefore the automated systems remove delays in terms of finding an appropriate and available surveyor.

Another innovation is the use of sophisticated surveyor diary booking systems that carefully consider reporting deadlines, job types, inspection times, travelling times and routing. Based on this information, the system is able to recalculate each surveyor's route immediately after each booking and suggests the next job to book to minimise the time a surveyor spends travelling, thus reducing CO2 emissions and saving a great deal of time.

Remote working has been a major benefit for our industry. Today, with the advancements of 'the cloud', surveyors are able to work securely from any location, mobile, home or office. In our case for example, our team utilises a cloud environment that simultaneously replicates the data across our central systems.

This provides an extremely robust solution, allowing surveyors to continue working, even in the unlikely event that there was a complete outage of the e.surv central system.

Linked to remote working is of course the ability to today use portable devices to capture site notes and sketch plans when at the property. Although many surveyors continue to use the clipboard and pen to write up a report and draw manual sketches that are required for the lender, the use of tablet PCs is on the increase.

Plus, for the benefit of both lenders and consumers, once a valuation report has been signed, it can now be delivered electronically into a lender system or made available online within a few seconds to be securely downloaded by the consumer wherever they are, making real savings on delays in the home buying process.

With a major emphasis on risk management across the lending space, technologies have also been developed that support this vital function. Evidence is crucial to each valuer in their decision process and e.surv's systems now provide an automated search of Land Registry data and e.surv's own databases to the valuer for every case, in order to reduce the time spent searching for historic or comparable valuation information.

Finally, a set of fraud alerting tools can now be utilised, including Quest's AuditSure, which checks inbound instructions and all reports as they are issued against certain criteria. From our perspective, this enables us and our mortgage lender clients to be informed if certain alarms are raised. Again, before the introduction of such auditing tools, this would have been an entirely manual process.