

ASAVAL CONGRESS 2019

Mortgage Lending Value

Alexander Weber REV

Head of certification DIAZert / DIA Consulting AG



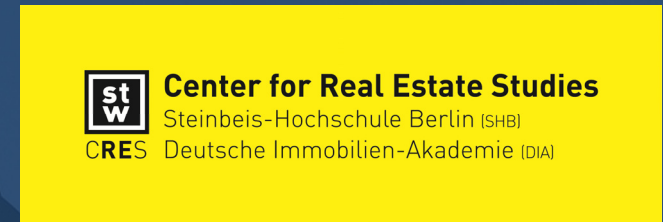
IVD – Immobilienverband Deutschland



7.000 members



4.500 graduates in
real estate valuation



720 certifications
130 REV

The mortgage lending value (MLV)

Consideration of the long-term nature of property loan

The mortgage lending value

- applies throughout the duration of the loan
- main focus is on sustainability
- economic fluctuations must be disregarded

≠ The market value relates to a certain point in time

The mortgage lending value (MLV)

The idea of the mortgage lending value

- German Mortgage Banking Act (1900)
- Pfandbrief Act (July 19, 2005)
- Beleihungswertermittlungsverordnung, BelWertV (August 1, 2006)

Beleihungswertermittlungsverordnung (BelWertV) - German Mortgage Lending Value Ordinance

BelWertV consists mainly of three parts

- 1. General principles**
- 2. Requirements: valuation report and valuers**
- 3. Approaches and special circumstances to be considered – deductions from the market value**

The mortgage lending value (MLV) - Requirements a valuer has to meet

Independence and Competence

Under section 7 of the BelWertV, valuers must be independent:

- They must not be involved either in the loan transaction or in the sale, letting or brokering of property.
- They must not be related to or have any other legal or business relationship with the borrower.
- They must have no interests of their own in the outcome of their valuation report.
- Professionally independent

The mortgage lending value (MLV) - Requirements a valuer has to meet

Independence and Competence

Under section 6 of the BelWertV, valuers must be

- **experienced in property valuation**
- **furnish proof that they have expert knowledge of determining mortgage lending values**

The procedure for determining a mortgage lending value

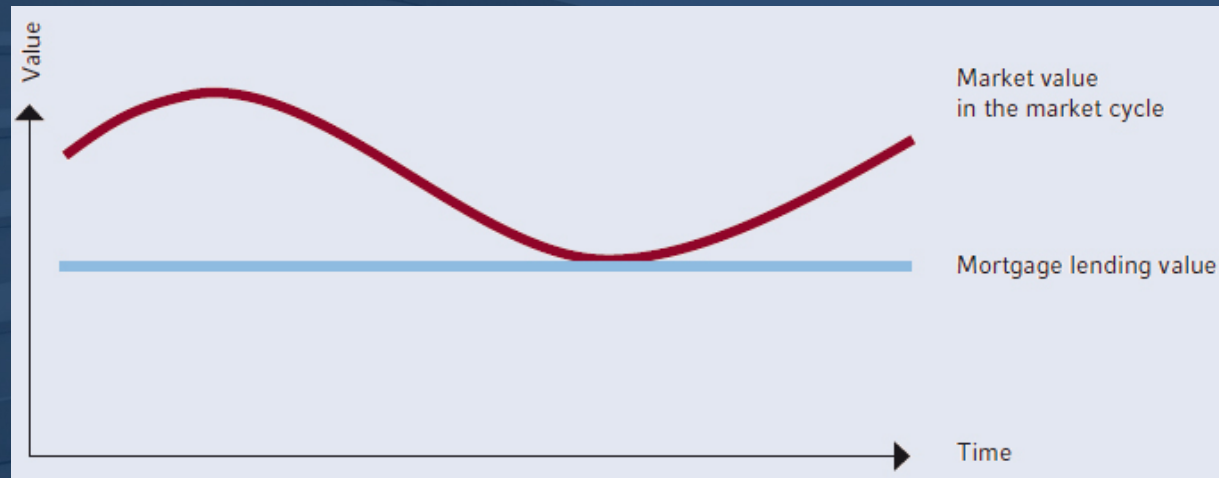
Three stages

- Obtaining information
- Inspection
- Valuation; including the valuer's report

 market value

The icon consists of two horizontal white lines of equal length, positioned to the left of the text 'market value'.

The mortgage lending value in relation to the market value



The mortgage lending value must not, under section 16 of the Pfandbrief Act, exceed the respective market value!

The mortgage lending value (MLV) in the lending process

Three stages

- Main task is to determine the market value in a properly way by an independent valuer
- Market Value as basis - respectively as the upper limit - for the MLV
- Calculating a proposal for the mortgage lending value by the valuer
- The MLV proposal is countersigned by the bank
- The MLV is fixed by the bank

The mortgage lending value (MLV) - Requirements a valuer has to meet

Independence and Competence

- | | |
|---|--------------------------|
| <ul style="list-style-type: none"> • valuation of “standard cases”: • apartments/flats • houses/owner occupied | <p>600 € - 750 €</p> |
| <ul style="list-style-type: none"> • Valuation of “complex cases”: • income properties, multiple tenants • commercial, industrial properties | <p>1.300 € - 1.550 €</p> |
| <ul style="list-style-type: none"> • Update / Revaluation (hourly basis / 80 €) | <p>300 € - 750 €</p> |

The mortgage lending value (MLV) - Requirements a valuer has to meet

Independence and Competence

- Primary payment is for the whole valuation process and for the documentation (valuation report)
- Includes the market value
- Includes the payment for the schematically calculation of the mortgage lending value

The mortgage lending value (MLV) - „The magical triangle“ <-> „The vicious triangle“



German Federal Financial Supervisory Authority



Bank: To withstand the reviewing process of the German Federal Financial Supervisory Authority

scope

BelWertV (Mortgage Lending Value Requirements)

independence and competence

MLV

cost

time

ASAVAL CONGRESS 2019

Alexander Weber
weber@diazert.de

DIA Consulting AG
Eisenbahnstr. 56
79098 Freiburg
Phone +49-761-211069-41
Phone +49-173-6871397