

# LENDER'S VALUATIONS EXPLAINED

*What is a lender's valuation and why do you need one?*

When you buy a property and need a mortgage, the lender will commission a mortgage valuation. The valuation advises the lender of the value of a property and of any characteristics of the property, including significant defects, that might affect its value as security for your proposed loan.

It's important to remember that the lender's valuation is not a survey, which provides more detailed information about the property. The lender's valuation involves a brief inspection, takes typically no more than 30 minutes to carry out and should not be confused with a survey. The findings of the valuation are for the benefit of your lender, rather than you.

## WHAT IS A LENDER'S VALUATION?

A lender's valuation is a property inspection undertaken as part of your mortgage application. It's to help your mortgage provider establish the property's value, relative to the sales price. The mortgage provider will want to know if the property is valuable enough to secure your loan against. This is a deciding factor in whether your mortgage application is approved.

Though you may pay for the report, you may not get a copy or even see what the surveyor has written. The valuation is based on the surveyor's knowledge of comparable prices in the locality. It may also give a minimum reinstatement value, which is the amount of money it would take to completely rebuild the property, should it ever be necessary.

## HOW DO YOU GET A LENDER'S VALUATION?

Your mortgage provider will appoint a surveyor to conduct the valuation. After inspecting the property, the surveyor will provide a short report to the mortgage provider, identifying any major issues that would reduce the property's value. This step in the mortgage application process usually takes about two weeks.

## HOW MUCH DOES IT COST TO GET A LENDER'S VALUATION?

Some mortgage providers will arrange your lender's valuation for free. Others may charge up to £1,500. You can check your Key Facts Illustration to see how much you'll be charged for yours.

## WHAT WILL THE SURVEYOR LOOK AT?

**This depends on the surveyor and the type of valuation they provide, but they might look at:**

- The type of property (e.g. cottage or high-rise flat)
- The condition of the property (by visiting or driving by)
- Sales data of similar properties in the area

## WHAT WON'T THE SURVEYOR LOOK AT?

**A lender's valuation isn't a full survey. It doesn't include:**

- A deep inspection
- A full inventory of issues uncovered
- Advice on repairs
- Service checks on gas, electricity and water
- Any problems that affect the buyer but not the mortgage provider

## WHAT WILL YOU FIND OUT FROM A LENDER'S VALUATION?

The lender's valuation is only intended for use by your mortgage provider, so you may not receive a copy of the report, and you won't necessarily know which issues have

been identified. If your mortgage application is refused based on the lender's valuation, your mortgage provider will usually tell you why.

You'll also find out if the surveyor believes your property is overpriced. Bear in mind that lender's valuations are often lower than the sales price you've agreed with the seller, as surveyors can be more cautious than buyers about potential issues.

### WHAT COULD AFFECT YOUR MORTGAGE APPLICATION?

Your mortgage application could be refused if the lender's valuation finds that the property is worth much less than the sales price.

#### Reasons for this include if the property is:

- Poorly or unusually constructed
- In poor condition relative to its age
- In a high-risk flood zone or area prone to coastal erosion
- In locations considered risky, such as above a restaurant
- A leasehold property with a lease nearing expiry

### WHAT CAN YOU DO IF YOUR MORTGAGE APPLICATION IS REFUSED BECAUSE OF THE LENDER'S VALUATION?

Firstly, you'll need to find out why the lender's valuation was lower than the sales price, so ask your mortgage provider if they can explain.

You might decide that their reasons are valid, and you don't want to buy the property.

If you still want to buy the property, you could try to renegotiate the sale with the owner at a lower price, and then approach the mortgage provider again. Or, you could ask if the owner is willing to fix the problem identified.

In the long run, you might be glad your mortgage application was refused, as lender's valuations can uncover problems you didn't see yourself. It may just be another step in the journey to your dream home. ■

### READY TO MAKE YOUR NEXT MOVE? WE'RE HERE TO HELP.

We understand that everyone's situation is different. Whether you're buying your first home, looking to switch the rate or moving your mortgage, for more information please contact us.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

