

**T**he new government has already introduced some swift changes to legislation within the property market, with the suspension of Home Information Packs (HIPs) being one of them. The packs, which were originally introduced to improve transparency to the home-buying public and therefore increase the speed of transactions, were hotly debated across the industry. Views on their impact were certainly split with many estate agents and industry groups reporting their benefits, whilst others damned their existence.

The suspension of HIPs is unlikely to be the only legislative change we will see from the new government over its five year term. In particular, a large emphasis is likely to focus on green issues and making better use of the knowledge we are starting to catalogue on our home's green credentials via the Energy Performance Certificate (EPC). In fact, housing minister Grant Shapps has just recently reiterated his support for all newly built homes to be zero carbon from 2016.

### EPCs

The EPC was originally a mandatory element of the HIP, but has survived the suspension due to EPBD regulation requirements and is likely to play an important role with both property construction and financing, moving forward.

Some commentators believe the information contained in the EPC could be utilised by lenders to provide a 'Green Mortgage Loan', which would offer the applicant an additional sum on the mortgage to make environmentally friendly improvements on the property. They claim that the sum would vary depending on the A-G rating of the property in question and would only be provided to the homeowner on the completion of an updated EPC, which provides evidence regarding the energy enhancements that have been incorporated into the home.

The EPC could then be made available to the purchaser's surveyor so the energy rating and associated recommendations are taken into consideration as part of the valuation, and the information fed back to lenders with the completed report.

This would remove the focus of implementing recommendations from the EPC away from sellers, who are not inclined to spend money on a property they are leaving, but places it on purchasers who will have a vested interest on reducing the property's carbon footprint and utility bills, making a positive impact on the environment.

This then also opens up the question of what other information could be pro-

# Adding value to the valuation process

The mortgage valuation process could be adapted to deliver greater transparency to both lenders and homebuyers alike by using the energy rating from the EPC and creating an environmental report. **Andy Coles** of Quest explains

vided to purchasers and lenders, as part of the valuation process, to enable them to have a greater intelligence of the property, its location and any potential 'risk factors', therefore providing a greater platform on which to make an informed decision or offer.

### Added benefits

Some industry commentators have suggested that providing knowledgeable data on flooding or land contamination are other examples of how the valuation process could potentially be updated to deliver 'value added' benefits to purchasers and lenders.

With recent high-profile unseasonal flooding and the increasing number of brownfield site developments, it creates an argument that environment risks, such as flooding, contamination or ground stability should be taken into consideration at the point of valuation.

The facts regarding flooding speak for themselves: according to the Environment Agency, at least five million people live in flood risk areas in England and Wales. On average, reports of flooding are now twice as frequent as they were 100 years ago, and property, land and assets which are 'at risk' equate to the value of £214 billion.

Would it therefore make sense for mortgage lenders to also receive detailed environmental reports upfront? We believe there is scope, and considerable benefits, of feeding electronic environmental



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information directly into existing mortgage processing systems.

This could include anything from flood reports and contaminated land studies, through to other 'local' factors, such as the proximity of electricity pylons or mobile phone masts to the home – all of which could affect the value, saleability and enjoyment of a property.

These reports could be easily 'attached' to each electronic valuation instruction and will deliver a detailed, dependable and informed valuation on which lenders can base their mortgage offer. It also means they should not be caught out by a property's unknown history or non-visible environmental risks, as the information contained in the valuation report would aim to protect both the purchaser and lender.

For example, if a property has been identified as being on contaminated land, it is the owner that is responsible for all associated clean-up costs. Therefore, if reports outlining such risks are provided as part of the valuation, a lender can review the effect this may have on the value and adjust the loan-to-value accordingly.

Whatever changes happen to legislation over the coming months, it will be interesting to see how the current mortgage valuation process could be adapted to deliver greater transparency to both lenders and homebuyers alike. ■

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