

# Mortgage Funds

## Valuation of Security

Every asset that Trilogy Funds proposes to take as primary security must be valued under the guidelines provided in Lending Policy manual.

## Valuer

A register of Trilogy Funds' panel of valuers is maintained. This panel has been prepared by Trilogy Funds following consideration of each valuer with respect to:

- Qualifications
- Period of time in practice
- Experience in particular types of property
- Quality of reports
- Reputable and professional
- Where possible, are registered under one of the state/territory valuer registration regimes
- Have sufficient professional indemnity insurance coverage
- Independent of the manager and the borrower.

Each panel valuer is subject to annual review and may change from time to time and may be varied by either addition or deletion of any valuer. Amendments to this panel are recommended and subject to approval by the Board of Trilogy Funds.

**Any variation and addition to the panel valuers will only be considered and is subject to approval following acceptance of:**

- Acceptance of the credentials and experience of the valuer
- Confirmation of the qualifications and registration of the valuer(s)
- Known past performance of the valuer
- Professional indemnity insurance cover should be cognisant of:
  - Expiry date
  - Amount
  - Does not exclude lenders of a nature such as Trilogy Funds
- The report quality and presentation
- All valuations must be based on current market value in accordance with Australian Property Institute definition on current market value.

## Rules that apply to Valuations

Trilogy Funds requires valuations to be prepared by an independent, qualified and registered valuer prior to advancing loan funds against a property being offered as security. In all cases Trilogy Funds requires the valuation to meet the following criteria (amongst other things):

- The valuer must be registered in the state or territory where the mortgaged property is situated
- Trilogy Funds prefers to instruct the valuer, however if not, the valuation must be addressed or assigned to
- Trilogy Funds for mortgage purposes under Trilogy Funds' standard instructions
- The panel valuer must be independent of the borrower and Trilogy Funds
- No one valuer conducts more than 1/3 of the total valuation work undertaken for the Trust calculated by number of the security properties
- The report must comment as to whether the mortgaged property represents satisfactory security for mortgage purposes as appropriate
- Valuers must include a statement in their valuation reports as to whether the valuation complies with all relevant industry standards and codes
- The valuer must be instructed to prepare the valuation report in a format which clearly sets out the primary methodology used and, if so requested, a secondary check valuation methodology, in accordance with the instructions
- Valuations for construction projects and completed developments should state a replacement value in the valuation for the purpose of Trilogy Funds determining the amount of insurance required
- Where a loan is for development or construction purposes, the valuer must assess the property on both an 'as is' and 'as if complete' basis. All other property loans are valued on an 'as is' basis.

## Frequency of Valuations

**In terms of when valuations must be obtained:**

- All valuations must not be more than four months old as at the date of approval of the loan
- Valuations must also be obtained:
  - At least every four years;
  - Within two months after the directors form a view
  - That there is a likelihood that a decrease in the value of security property may have caused a material breach of loan covenant; and
  - For any other reason determined by the Lending Committee.
- At the discretion of the Lending Committee valuations may also be obtained when the following occurs:
  - A material change in the terms of the loan, including as to the amount, duration, or interest rate on renewal;
  - Delay in any construction or development proposal;
  - Information that leads Trilogy Funds to believe that there

may be a variation in the security value;

- A material change in the nature of the building/property;
- A material change in the tenancy structure of a building;
- A request to vary directorship or ownership of a company; and
- The valuation undertaken for funding is in excess of four months old as at the time of approval of the new loan.

In determining whether there needs to be a revaluation when a loan is being extended, or there is an increase in the amount of the borrowing or a change in the interest rate, the Trilogy Funds Lending Committee will take into account a number of factors including the borrower's loan history, the amount of the loan outstanding, the duration of the extension and other information such as recent sales and settlements, from local agents and valuers.

### Instruction to Valuers

Trilogy Funds should provide instructions to the valuer except where the valuation has been assigned to Trilogy Funds.

### Review of Valuations

Valuation reports must be reviewed by the Business Development Manager – Lending to ensure that the valuer has complied with Trilogy Funds' letter of instruction and that there are no unsatisfactory features.

#### All valuation reports must:

- Be addressed to Trilogy Funds, marked for mortgage security purposes and completed in accordance with instructions given by Trilogy Funds
- Be co-signed by a director or principal of the valuation firm.