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## Uncertain Property Market, Threats of Litigation Hound Valuers

Today's uncertain market is making it more and more difficult to predict how much a property is worth amid ongoing speculation about a housing bubble and uncertain interest rates. As a result, valuers are becoming increasingly cautious and as such, are producing more conservative property valuation figures, according to direct lender MyRate Home Loans.

If valuers "get it wrong" they will often find themselves being sued by Lenders Mortgage Insurance companies who may be out of pocket after selling a property to recover funds lent on a loan that went bad.

Philip Western, national president of the Australian Property Institute, said, "We have a market where there is a very limited number of underwriters prepared to write cover to protect the valuation profession, and those that are prepared to insure valuers continue to look to placing severely limiting clauses in such policies"

As a consequence, many valuers may feel pressured to bring in lower valuations because they cannot risk being taken to court.

"Unfortunately borrowers are the 'victims' of this situation," said MyRate.

On the other hand, unrealistic prices can mean risky business.

"Some lenders may accept the property purchase price as the acceptable value to calculate your LVR. That may seem great to a potential borrower but could result in borrowers owing more than a property is realistically worth – this is called "negative equity" and is a terrible situation to be in if you can no longer meet your home loan repayments," MyRate explained.

The company advised that borrowers should consider this scenario when taking on a home loan and not simply borrow from a lender who offers the highest valuation.