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Milan, 28 November 2005

Dear Mr Ducoulombier,

**response to the Green Paper – Mortgage Credit in EU**

as full member for Italy of TEGoVA – The European Group of Valuers' Associations, please find below a brief note by Istituto Italiano di Valutazione Immobiliare ("IsIVI") in response to the two following questions contained in the Green Paper on Mortgage Credit in EU (paragraphs 36 and 37):

1. What are the merits of a single EU standard, for both valuation processes and valuers?
2. What are the merits of Commission action to ensure mutual recognition of national valuation standards?

## **Question number 1:**

### **a- What are the merits of a single EU standard for valuation processes.**

As to the question number one, in particular to the "valuation processes", a single European standard, common to the EC member States, is essential (i) in order to create the possibility to grow for a new political entity and (ii) to develop in this entity a common integrated market, as the valuation processes becomes more similar and more transparent for everybody. The merit of a single EU standard for valuation process is connected with Real Estate participation at GDP and Real Estate participates to the formation of GDP in EU now in one digit per cent range and it is growing to 15-20 per cent range, how it is already now in some European countries and in US.

The valuation processes will become more objective, more verifiable, quicker, less cost effective with a single European standard, especially in an EU with harmonized and limited property right restrictions<sup>1</sup> and with an harmonized mass valuation system<sup>2</sup>.

A valuation process with a single European Standard can reduce the risk in an integrate EU credit system. It is the starting point for a fiscal common framework and the basis of an integrated and common credit and capital market, with the free circulation of RE professionals. TEGoVA is the sole pure pan European association of valuers who gathers more then forty valuers' associations from more then 27 countries.

The European Valuation Standards (EVS2003), which are at the fifth edition at the present time, represents the single EU evaluation standard that is coming out from the all Europe different professional experiences, through public consultations and proceedings typical of EU and having attention to the EU Directives and rules. None of the others existing valuation standards (also those listed in footnote 28 of the Forum Group Report) shall be considered European, as they are not expression of all EU countries valuation professional experiences and do not have appropriate consideration for EU Directives and rules consistent for valuation and valuers.

A single EU valuation standard is necessary also in EU; In US, Asia and Pacific, in the Commonwealth, etc, there are valuation standards with some difference, as it is possible to verify in the comparative study made by Professor David Scribner of New York University among some of the different standards in use around the world<sup>3</sup>.

The European Valuation Standards (EVS), focuses on the Directives, decision and interests of the European Community and of its legal common framework and of his member States; therefore, the international principles are tailored and adapted in accordance with the Community laws and regulations including credit and financial provisions.

TEGoVA General Assembly in Vienna on November 12, 2005 decided to open the proceedings

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<sup>1</sup> UNECE 2002 Property rights analysis restrictions

<sup>2</sup> UNECE Mass evaluation system in Europe for taxation purpose, please see:  
<http://www.isivi.it/vienna2005/mass.valuation.pdf>

<sup>3</sup> Comparative study made by Professor David Scribner of New York University, please see:  
<http://www.isivi.it/comparazionestandards.pdf>

to prepare a new edition of European standard, with the participation of all European actors in the field.

The free circulation of capitals, the transparency of the market and the stability of financial and credit system are depending in some way from the use of a single valuation standard.

The use of an single EU valuation standard, harmonized as possible with the other standards used around the world, is a necessity for EU.

**b: What are the merits of a single EU standard, for valuers?**

The free circulation of the person and professionals in EU is strictly related to a single EU valuation standard.

The European Directive 36/2005/EC for the mutual recognition of the profession in the member States sets forth common platforms to be proposed, inter alia, by professional associations, which are representative at national and European level, in order to promote the freedom of movement of professionals while ensuring an adequate level of qualification.

The duration and the contents of the formation of professionals have to be, according the directive, the basis of the common platform. The existing duration and contents of the formation of the profession in at least 2/3 of the member states where the profession is regulated has to be harmonized in the common platform to be proposed to be adopted by European Commission.

As to the valuation profession, TEGoVA is the sole existing association which is representative in EU member States, TEGoVA's General Assembly in Vienna on November 12, 2005 decided to open the proceedings to prepare, according the Directive, a common platform for valuers to propose to European Commission, after a open public consultation on TEGoVA's website and collection of all the comments and final decision in May 2006 at General Assembly in Athene.

The recognition of the figure of European valuer, independent, with common deontological rules, with the different levels of qualification, according art.11 of the Directive, is a key element of the European Community's free circulation of persons, professionals and capitals, for a transparent market that can insure a stable EU financial and credit system.

**Question number 2.**

**What are the merits of Commission action to ensure mutual recognition of national valuation standards?**

Vis-a-vis a common market and the European Community as an unified entity, the synthesis of the best practice of valuation standards of each member country is a material goal of the European legislator.

Merits of Commission action to ensure mutual recognition of national valuation standards are related with the fact that Commission ensures national valuation standards that are less

different, as possible, with common European Valuation Standards.

In such respect, the European Valuation Standards (EVS2003) represent an enormous advantage to be used by the European Community; they already are the results of a long process of combination and harmonization of all the European community member countries' valuation standards.

TEGoVA will present the common platform for the valuers, as defined by the article 15 of the above mentioned European Directive 36/2005/EC, considering at least 2/3 of the EU member State where valuer profession is regulated, proposing to harmonize the duration and the contents of the formation of valuers. The contents are connected, at least in part, with the standards. The independence of valuer, the verifiability of the data on which the valuation report is built and its minimal content, together with his minimal market, technical, legal knowledges, etc

The TEGoVA 's common platform adoption by European Commission before to ensure mutual recognition of national valuation standards will be helpful in order to obtain, with the flexibility and the respect of national different uses, the maximum harmonization of the sector.

These are our comments to these two questions.

Best regards.

Enrico Campagnoli

President of Is.I.V.I.

