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ARTIFICIAL INTELLIGENCE, PROFESSIONAL RESPONSIBILITY AND THE QUESTION OF FEES FOR MORTGAGE VALUATION

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Artificial Intelligence, Professional Responsibility and the Question of Fees for Mortgage Valuation

Why a technology that increases the valuer's output and liability cannot justify reducing or freezing the valuer's fee



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In several European markets, credit institutions have begun to put to their valuation panels the proposition that the use of artificial intelligence reduces the time required to produce a valuation report, and that there is therefore no case for any increase in fees. The proposition will become more frequent as the technology becomes standard practice, and it needs to be addressed in a technically grounded manner that starts with two factual questions:

Which stages of the valuation process does artificial intelligence actually change?; and

In which direction is the professional responsibility of the valuer moving?

Where artificial intelligence changes and reduces the work

The position on the use of AI in valuation currently being finalised by TEGOVA's AI task force identifies the tools already available to valuers. Among them are:

- image recognition applied to property inspection;
- natural language processing for document and lease analysis;
- automated report generation and the drafting of neighbourhood descriptions;
- zoning compliance research and the cross-checking of comparables against tax records.

These belong to a single category of work: description, transcription, compilation and the restatement of facts already contained in a document or register. The work is necessary, consumes a disproportionate share of a valuer's time, and is not the stage at which value is determined. Artificial intelligence will facilitate a substantial part of it, and the profession should acknowledge this plainly.

Where it does not fundamentally change the work, but increases scope for added value work as well as valuer responsibility and liability, themselves creators of work

The valuation process, as set out across the European Valuation Standards (EVS), comprises inspection, data collection, verification and cleaning, market analysis, the selection and application of methodologies, the reconciliation of results and the preparation of the report. Artificial intelligence compresses data collection and market analysis and the preparation of the report. It does not carry out verification and cleaning, the selection and application of methodologies and the reconciliation of results – the core stages where valuation conclusions are formed and professional judgement and liability are concentrated, even when AI is used as a supporting tool.

Market analysis

An algorithm identifies which transactions are statistically closest. It does not establish whether they are comparable. Two properties may share physical characteristics and location and still belong to distinct micro-markets with different social and urban dynamics that escape generalised models. There is a further structural limitation: AI operates on historical information, whereas valuation is anchored in the present and incorporates expectations about the future. In conditions of market volatility, energy transition or shifting credit conditions, the extrapolation of historical trends produces systematic error rather than prudence.

Due diligence and data verification

This is where the contribution of artificial intelligence is greatest and where it is least discussed. The constraint on due diligence has never been the valuer's lack of willingness to go further; it has been the delivery deadline. The depth of the analysis has always been limited by the turnaround time the instruction allows, and nowhere more sharply than in valuations for mortgage lending, where those deadlines are measured in a few days or even hours. Artificial intelligence lifts that constraint. The cross-checking of sources, registers and contractual documents becomes considerably more efficient, the analysis can be taken further and in greater depth, and the demanding deadlines typical of a mortgage lending valuation are still met. That is not a saving; it is the overcoming of a de facto limitation on the depth and breadth of analysis that the client has imposed for years. This use of AI also carries a time burden of its own. Where data are biased, incomplete, legally unverified or simply non-existent, AI reproduces the error at scale and with considerable apparent confidence. Establishing that the sources exist, are legitimate, current and representative has itself become a substantive analytical task.

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Selection and application of methodologies

The choice of valuation method depends on the nature of the property, the purpose of the valuation, the regulatory framework and the degree of market maturity. AI can calculate values under several methods and propose weightings from historical patterns. It cannot decide which method to adopt, which adjustments to apply, or how to treat an anomalous rent or an exceptional capitalisation rate.

The consequence is not a reduction in the time required to produce a valuation, but a reallocation and augmentation of that time from generalist tasks towards the three stages in which professional judgement determines the result - verification and cleaning of comparables, the selection and application of methodologies and the reconciliation of results. What changes is the product: the client receives a wider and better-tested comparable set, a more thorough due diligence, and a methodological reconciliation that is documented and defensible.

The measured evidence on productivity gains

The assumption that artificial intelligence converts directly into hours saved should be examined against the available evidence.

A field experiment conducted by Harvard Business School with Boston Consulting Group, involving 758 consultants, found that on tasks inside the model's capability frontier participants completed 12.2% more tasks, approximately 25% faster, with materially higher assessed quality. On a task deliberately placed outside that frontier, those using AI were 19 percentage points less likely to reach the correct answer. The authors describe this as a jagged technological frontier. The system is confidently wrong, and the professional extends unwarranted trust to the output.

The outcomes of this field experiment are relevant to a fee negotiation. The gain is real but uneven; it is concentrated in routine work and turns negative on the judgement-intensive work at the centre of our discipline. That should give pause to anyone pricing on the assumption of an efficiency dividend, on either side of the table.

The trajectory of the profession is towards more investment, not less

The fee argument rests on an implicit assumption that the cost of undertaking a valuation is static or falling. Every observable indicator points the other way.

The profession's own research confirms it. TEGOVA's 2025 surveys of national member associations and Recognised European Valuers found that across the 26 countries surveyed, half of valuers already use AI in their work, 76% have never received any formal training in it and 88% want it, that 81% of countries have no national guidance on the use of AI in valuation, and that 73% of associations consider their national framework to be not at all, or only slightly, prepared for liability arising from AI-generated errors. The tools have arrived; the training, the guidance and the liability framework have not. Every one of those gaps has to be closed by someone, and the cost of closing them falls to the valuer.

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European law and banking supervisory guidelines have substantially augmented the amount and sophistication of required valuer outputs

To enhance risk weighting, the Capital Requirements Regulation (CRR)'s Article 229(1) has supplemented estimation of market value with that of 'property value': based on prudently conservative criteria, excluding expectations of price increases, and adjusted for the potential that the current market value sits significantly above the value sustainable over the life of the loan. The ECB Guide on climate-related and environmental risks, Expectation 8.3, expects credit institutions to “consider climate-related and environmental risks in their collateral valuations” and “give particular consideration to the physical locations and the energy efficiency of commercial and residential real estate in this regard. [Credit] Institutions are expected to incorporate these considerations into both the process for establishing the value of collateral and into the review process prescribed by the applicable regulations.” The European Banking Authority (EBA) has issued four separate sets of guidelines pointing in the same direction. The AI Act and the EBA Guidelines on loan origination and monitoring lay down AI literacy obligations that either cover, or are specific to, valuers (see below). Each successive instrument has raised the threshold of demands on valuers.

“The valuer must therefore acquire the AI tools, train for them, govern the data uploaded to them, verify their outputs against market evidence, document the checks performed, disclose material use, and remain personally answerable for the result. Each is a cost. None appeared on a fee schedule five years ago. Artificial intelligence enlarges the scope of the analysis and simultaneously enlarges the scope of the human judgement required to control it.”

Artificial intelligence within that trajectory

Placed against this background, artificial intelligence is one further instrument at the valuer’s disposal. It is a powerful one, now essential, but it belongs in the same category as the spreadsheet, the transactional database and the geographic information system: a tool that increases both what can be analysed and what the professional is expected to have analysed.

Its effect on responsibility is one-way. The draft TEGOVA position on the use of AI in valuation establishes that the valuer, as deployer within the meaning of Article 3(4) of the AI Act, retains responsibility for the report irrespective of whether the system is provided by a third party or developed internally. In consequence, it enhances the EVS Code of Conduct to provide that AI may be used as technical support but that independent judgement, professional knowledge and experience may not be delegated, substituted or subordinated to it, and that the valuer must be able to give a clear and meaningful explanation of the logic and main elements of any AI-assisted findings impacting the estimation of value.

Article 4 of the AI Act requires deployers to support the development of a sufficient level of AI literacy among their staff and among anyone operating those systems on their behalf. The EBA Guidelines on loan origination and monitoring are equally explicit: the value proposal should be assessed, reviewed and approved by the valuer, who should understand all inputs and assumptions considered in the model, and who remains responsible for the valuation.

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The allocation of responsibility

The decisive test is the allocation of risk. Artificial intelligence is not accountable to a court, a regulator or a client; the valuer who signs the report is. Where a valuation is challenged in litigation, where collateral is enforced, or where a supervisor examines the file, no tribunal or authority will accept that the comparables were selected by an AI system. The signature is not an administrative step at the end of the process; it is the substance of what is being purchased.

A valuation fee has never been payment for hours worked. It is payment for a professional opinion, for the qualification and experience that produced it, and for the assumption of liability that accompanies it, an assumption which the European legislator has made explicit and mandatory. Technology alters the manner in which the opinion is formed; it transfers none of the responsibility for it.

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The discussion that should be taking place

There is a legitimate conversation to be had about valuation fees, but it is not the one currently being tabled. The appropriate approach is to establish what the client and regulator are actually procuring, and where the same fee now buys a materially greater volume of analysis, carried out under a heavier legal responsibility, to ask which parts of that analysis the institution wishes to have withdrawn in those cases where withdrawal is a legal option.

The real agenda is the one this profession has been pursuing for two decades, and it has two components. The first is the continued enhancement and credibilisation of the activity: qualification, accreditation, continuing professional development, adherence to European Valuation Standards, and the REV designation that allows a client to distinguish between practitioners. The second is the progressive alignment of fees with the level of expertise offered by each valuer. Both are part of the same project. A market in which every valuation is priced identically,

irrespective of the degree of analysis and valuer qualification behind it, is a market that has no economic reason to invest in quality.

Artificial intelligence does not alter that agenda; it makes it more urgent. Two outcomes are available:

1. The technology can be used to deepen the three stages - verification and cleaning of comparables, the selection and application of methodologies and the reconciliation of results - that determine the result, producing collateral valuations that are more robust and more defensible under EU law, EVS-compliant and priced accordingly.
2. Alternatively, it can produce the same document faster and more cheaply, with the analytical core reduced and the output of the model passed through under a professional signature.

The second is precisely the failure mode that the CRR and the EBA Guidelines were designed to prevent, and the credit institution carries the consequences on its own balance sheet.

The obligations of the profession

None of the above is an argument for standing still. If we ask clients to accept that fees reflect qualification and judgement rather than hours, we must be able to demonstrate both. That requires:

- ▶ investment in AI tools rather than resistance to them;
- ▶ compliance with the AI literacy requirement in substance and not merely in form;
- ▶ discipline and diligence in data governance and client confidentiality, with attention to the terms of service of the platforms used and to the sanitisation of sensitive information;

- ▶ disclosure of AI use wherever it has materially influenced the conclusion or a material part of the service delivered;
- ▶ the capacity to explain, in plain language, what the system did, what was verified, what was rejected and on what grounds.

Valuers who meet these conditions will be worth more, not less. Those who use artificial intelligence to produce a cheaper version of the same document will have spent a generation arguing for the professional status of this activity and then conceded the argument themselves.

Artificial intelligence is the most significant change to our working method since the spreadsheet. It makes valuation faster at the stages that never determined the result and

slower at the stages that always did, while the legal responsibility attaching to the signature continues to increase. That is a case for a different conversation about fees. It is not a case for holding them where they are.

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Conclusions / Key takeaways

The argument of this article can be encapsulated in six propositions.

- 1. AI reduces the work that never determined value:** Description, transcription, compilation and the restatement of facts already held in a document or a register. Necessary work, but not the stage at which a valuation is right or wrong.
- 2. It covers the three stages of work that do determine value only as a non-deciding supporting tool, creating its own valuer workload.** Market analysis, due diligence and the selection and application of methodologies remain acts of professional judgement. A model computes and helps with analysis, freeing time for more sophisticated analysis, but it does not decide.
- 3. The binding constraint on analysis was never lack of valuer willingness – it was the deadline.** In mortgage

lending, turnaround times of days or hours have always capped the depth of the analysis. AI lifts that cap. The same instruction, within the same deadline, can now be answered with wider comparable evidence and a due diligence that actually extends to the registers and the contracts.

- 4. Responsibility does not shift, it grows.** The valuer is a deployer under the AI Act, answerable for the report whatever the origin of the system, bound by an AI literacy obligation, and remaining responsible under the EBA Guidelines even where models support the valuation.
- 5. The evidence does not support a workload dividend.** Where it has been measured on experienced professionals in their own domain, the gain is uneven, concentrated in routine work, negative on judgement-intensive work.

- 6. What changes is the product, and the price must follow.** The client does not receive the same valuation more cheaply. The client receives a better one – better tested, more thoroughly verified, and more defensible before a supervisor, a court or an auditor.

Artificial intelligence offers, not the opportunity to work less, but rather to spend professional time where it actually counts – and that is an opportunity for the client, for the supervisory authorities and for society at large even more than for the valuer, because it is they who bear the consequences of a suboptimal valuation. A profession that seizes the opportunity of AI is worth more than it was before. Pricing it as though it were worth less or the same would be an odd conclusion to draw from a technology whose principal effect has been to raise the bar for what a valuer is expected to have analysed, and to leave the responsibility for the result exactly where it has always been.

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