

# Review Of The Collateral Valuation Procedures By The Internal Appraisal In Loan Disbursement At PT. Pasar Dana Pinjaman (Danamas)

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## ABSTRACT

Collateral is an asset or property provided by the borrower to the lender in order to obtain the loan facility. Collateral is one of the most important things in lending because of its role as the second way out when the default of event occurs in a loan. Therefore, a division and special work procedures are needed to asses the feasibility of an object to be used as collateral. This review was conducted to find out the characteristics of assessable assets that can be financed and used as a collateral by PT. Pasar Dana Pinjaman, as well as to identify the collateral appraisal procedures by internal appraisal, and obstacles faced during the collateral appraisal process. The result of this review show that assets that can be used as collateral are non-movable tangible assets with marketable value, no over-financing, and free from disputes (can be legally bound). Considering the capacity of internal appraisal, collateral that can be appraised by the internal appraisal are those that meets the following criteria, which is total exposure below IDR 10 billion, located within a maximum radius of 30 km from the operational office, classified as a simple property, and there are no negative lists around them. Based on the results of the review of the collateral appraisal procedure by internal appraisal at PT. Pasar Dana Pinjaman, it can be conclude that the internal appraisal division has a systematic procedure in place which is include in the internal appraisal SOP and is in compliance with the standards set by MAPPI, from order acceptance to assessment report. Obstacles faced by the internal appraisal division during the appraisal process are the difficulties of finding comparable data, hard-to-reach Person In Charge, and indications of fraud during appraisal process.

**Keywords :** *Collateral, Appraisal, Risk Management*

## INTRODUCTION

The development of technology has brought significant impacts to almost every aspect of life. The phenomenon of the Covid-19 pandemic, along with all its policies, has further transformed the lifestyle of society from conventional one to a technology-oriented lifestyle. Technological advancements have also changed the way companies in the financial services sector operate. Financial services companies are among those that have undergone significant transformations towards digital technology (Ansori, 2019). The manifestation of technological innovation in the financial sector is realized in the form of Financial Technology (Fintech).

Fintech is a technological innovation used to develop and transform conventional financial products and services into the digital ones. Fintech is intended to assist companies, business owners, and consumers in managing their finances through storage and lending of funds, utilizing specialized software and algorithms used on computers and smartphones.

For companies and business owners, Fintech provides significant benefits as it can improve efficiency, reduce costs, and maximize profits. However, fintech still carries risks such as default risk for Peer-to-Peer Lending fintech, system attacks and client data theft, and so on (Setyaningrum, 2019). Globally, fintech was introduced in the 1860s and entered Indonesia in the 2000s. Fintech experienced rapid development in the 2010s. This is due to changes in human lifestyles, where people desire everything, including financial management, to be done quickly, conveniently, and safely without the need to go to specific locations. In Indonesia, there are several types of fintech used by the public, such as Peer-to-Peer Lending, Crowdfunding,

Micro-Finance, Investment and Risk Management, and E-wallet. Currently, fintech companies in Indonesia are still dominated by payment-based businesses (43%), followed by lending (17%), and the rest are in the form of aggregators, crowdfunding, and others (Hadad, 2017). Examples of popular fintech in Indonesia are Gopay, Ovo, Dana, Bareksa, Kredivo, Danamas, and others.

Danamas is a financial services company under the umbrella of Sinarmas Group. Danamas was established in 2000 under the name PT. Komunindo Arga Digital, which later changed to PT. Pasar Dana Pinjaman. The company operates in the form of Peer-to-Peer Lending, connecting parties with excess funds and channeling those funds in the form of loan to those in need. Peer-to-Peer Lending provides loan mechanisms and risk management. This platform helps lenders and borrowers meet their respective needs and promotes efficient use of money. Danamas offers various loan products with different requirements and facilities. In the disbursement process, caution is the primary principle because the funds disbursed in the form of loan come from fund depositors and lenders that must be repaid and maintained in trust. To prevent risks that may occur intentionally or unintentionally, Danamas also provides high-limit loan products with collateral requirements in the form of assets.

According to Hadisoeperto and Bahsan (2017), collateral is an item provided by prospective customers to the bank to ensure that they will fulfill their obligations, which can be valued in monetary terms or similar. Financial institutions can minimize risks by requiring collateral, which serves to protect loan from the risk of default, both intentional and unintentional. Indirectly, the collateral provided by customers is a burden, encouraging them to genuinely repay the loan given. The collateral proposed must be evaluated beforehand to help make a decision on whether the loan is worthy of being granted or not. If deemed suitable, the maximum value that can be given as loan needs to be determined because the loan limit provided should not exceed the value of the pledged collateral. The assessment of the pledged assets is carried out by appraisers, either from the company's internal team or using the services of external appraisers. Danamas itself has an internal appraisal team with the main task and function of estimating the value of the collateral proposed by the borrower. The value provided by the appraisers in the collateral assessment process serves as a reference for determining the amount of loan to be granted to the borrower.

Based on the problem identification, the purpose and objectives of this research are as follows:

1. To understand the criteria of assets that can be appraised and used as collateral in loan applications at PT. Pasar Dana Pinjaman (Danamas).
2. To understand and comprehend the procedure for collateral valuation by the internal appraisal team at PT. Pasar Dana Pinjaman (Danamas).
3. To identify and understand the Obstacles faced by the internal appraisal team in the collateral valuation process at PT. Pasar Dana Pinjaman (Danamas).

## **RESEARCH METHOD**

The research was conducted at PT. Pasar Dana Pinjaman (Danamas), specifically at Danamas' operational office located at Roxy Square, 5th Floor, Blok B No.1, Jl. Kyai Tapa No.1, RT.10/RW.10, Tomang, Grogol Petamburan Sub-district, West Jakarta City, Jakarta, with postal code 11450. The research took place over a period of 3 (three) months, from March 23th to June 23th, 2023. The research constitute a descriptive-qualitative research. Research data are acquired through observation and interview with pertinent parties, in addition to a comprehensive literature review.

## **RESULT AND DISCUSSION**

### **Criteria for Assets that Can be Appraised and Used as Collateral in Loan Applications at PT. Pasar Dana Pinjaman**

In a loan agreement, there are no specific provisions regarding the requirements or guarantees that must be provided. However, to prevent the risk of default, both intentional and unintentional, each borrower is allowed to establish certain systems, procedures, and requirements. In its lending activities, Danamas offers collateral-based loan products that require assets as collateral. The criteria for collateral financed by Danamas include non-movable tangible assets with marketable value, no over-financing, and free from disputes (can be legally bound). Therefore, before issuing an offering letter, verification of the collateral's value against the financing limit is conducted by internal appraisers as part of risk mitigation.

Considering the competence and capacity of the internal appraisal team, the types of assets that can be appraised and accepted as collateral are assets proposed by borrowers with a maximum total exposure of 10 billion rupiahs and within a maximum distance of 30 km from the operational office (in a straight line). The scope is limited to assets categorized as simple properties based on the Minister of Finance Regulation No. 228/PMK.01/2019, which includes the following:

1. Empty land that is zoned for residential purposes, with a maximum area of 5,000 square meters, intended for 1 residential unit.
2. 1 (one) unit of apartment, residential house, shop-house, office building, or kiosk.
3. Building equipment and fixtures that are attached to apartments, residential houses, shop-houses, office buildings, or kiosks.
4. 1 (one) individual machine used in residential houses, shop-houses, office buildings, or kiosks, including power generators and water pumps.
5. 1 (one) transportation vehicle classified as passenger car, cargo vehicle, or motorcycle, which is not for public transportation.
6. 1 (one) single warehouse with a maximum land and building area of 500 square

meters each.

In addition to the aforementioned simple property objects, assets that require specialized expertise not possessed by the internal appraisal team must use the services of an external appraisal firm, specifically the Public Appraisal Service Office (KJPP). The types of assets that must use external appraisal services based on ownership documents are buildings standing on partial rights, such as SHGB (Right-to-Build) above HPL (Right-of-Use), SHGB above ownership rights, SHGB above Leasehold, and so on.

The collateral that can be financed is a marketable collateral, meaning that the asset can be marketed or accepted by the market as an object with a market value and consumer demand. Referring to the policy issued by Danamas, assets that can be appraised and accepted are those that meet the three criteria mentioned above and do not have one or more negative characteristics that could affect the value and marketability of the collateral. As for collaterals with negative characteristics, they are divided into two categories:

a. Unacceptable Collaterals

These include assets that, despite being physically in good condition, would have zero value because they would not sell in the market. Examples of unacceptable collaterals include:

- 1) Assets built as public facilities owned by the government, located in green areas, protected forests, government offices based on information from urban planning agencies or related institutions.
- 2) Assets consisting of land and/or buildings containing private or public graves.
- 3) Assets located on disputed land and assets located in protected forest areas, cultural heritage sites, or historical buildings.

b. Non-Marketable / Not Recommended Collaterals

Non-marketable or not recommended collaterals are assets that still have value, but considering the risk appetite for collateral, these assets are also classified as non-marketable. The collaterals not recommended include assets that meet one or more of the following criteria (negative list);

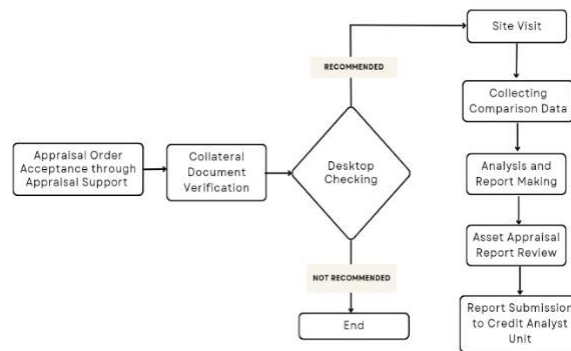
- 1) Assets currently used formally, either partially or entirely, as public and/or social facilities.
- 2) Assets with an effective area of <25 square meters, depleted, or unproductive due to urban planning.
- 3) Helicopter land (land without road access), which refers to assets that do not have public road access when legally surrounded by other people's land (access to the asset has not been designated as a public road).
- 4) Assets or land with limited use, restricted properties, or illegal use.
- 5) Vacant land or semi-permanent buildings.
- 6) Assets located in areas prone to natural disasters such as floods, landslides, and/or earthquakes.
- 7) Assets assessed as swamps/ponds/fish ponds/peat/saline land.
- 8) Assets located near or currently leased for Base Transceiver Station (BTS) installations, with a radius of <50 meters.
- 9) Assets located near cemeteries (Public Cemetery or Family Cemetery) within a 50-meter radius from the outer wall (measured in a straight line).
- 10) Assets located within a  $\leq 50$ -meter radius from places of worship (Mosques, Churches, Temples, Shrines, and Pagodas) causing traffic congestion

- 11) Assets located near gas stations/fuel stations/LPG storage facilities or other hazardous chemicals/fire hazards within a  $\leq 50$ -meter radius.
- 12) Assets located near factories using hazardous chemicals/other fire hazards within a  $< 50$ -meter radius.
- 13) Assets consisting of land and/or buildings standing within a 50-meter radius from natural gas pipeline distribution routes/counted from the outermost point of the guarantee/land.
- 14) Assets located below High Voltage Power Lines, where High Voltage Power Lines refer to electricity distribution lines using towers/power pylons, known as Extra High Voltage Transmission Lines (SUTET), High Voltage Transmission Lines (SUTT), and Direct Current High Voltage Transmission Lines (SUTTAS). “Below” means that the distance of the asset from the outermost cable of SUTET/SUTT/SUTTAS is less than 30 meters and 50 meters from the tower.
- 15) Assets located near riverbanks and/or cliffs with a distance of  $< 25$  meters.
- 16) Assets located near waste disposal sites (Temporary Waste Disposal Sites or Integrated Waste Disposal Sites). Waste disposal refers to assets located within a radius of up to 100 meters from Temporary Waste Disposal Sites (TPS) or within a radius of up to 500 meters from Final Waste Disposal Sites/Integrated Waste Disposal Sites (TPA/TPST).
- 17) Assets located within a distance of  $\leq 25$  meters from railroad tracks or train tracks (including MRT and LRT).
- 18) Assets located in narrow alleys and dead-end streets. “Located in narrow alleys” means:
  - Net road width is less than 5 meters (excluding water channels/drainage, whether open or covered), making it impossible for at least 2 four-wheeled vehicles to pass.
  - A dead-end street is a street that lacks facilities for turning around, requiring vehicles to reverse when changing direction.
- 19) Assets located on the coastal area with a minimum distance of 100 meters.
- 20) Assets consisting of vacant land or abandoned buildings.
- 21) Assets consisting of former swiftlet nests or currently utilized as swiftlet bird nests.

### **Procedure For Collateral Valuation By Internal Appraisal at PT. Pasar Dana Pinjaman**

A procedure is a series of systematic steps or actions that must be followed to accomplish something. According to Ardios (2018), a procedure is a part of a system that consists of a series of actions involving several individuals in one or more designated departments to ensure that a business activity or transaction can be repeated and carried out uniformly. Procedures are established as guidelines for performing actions in a company, and every activity in a company has its own procedure outlined in the Standard Operating Procedure.

The internal appraisal division at Danamas also has its own procedures as guidelines, especially when assessing collateral. The collateral assessment by internal appraisal starts upon receiving an order to assess an asset submitted by the borrower as collateral. The assignment/order for the assessment is given to the appraisal division through a single gateway (one-gate system), which is the Appraisal Support. The procedural flow for the internal appraisal division is as follows:



**Figure 1.** Flowchart of Collateral Valuation Procedure by Internal Appraisal at PT. Pasar Dana Pinjaman

From the flowchart above, the procedure for collateral assessment by internal appraisal consists of the following steps:

1. *Receipt of Appraisal Request Email*

The appraisal procedure begins with the receipt of an appraisal request email from the branch office and the sales team to the appraisal team at the operational office. The email provides a brief profile of the borrower, including full name, loan code, asset address, Loan limit, tenor, copies of collateral ownership documents, and pictures of the asset.

2. *Collateral Document Verification*

Upon receiving the appraisal request email, the internal appraisal team will verify the collateral ownership documents attached to the email. The documents to be verified including Land Ownership Certificate (SHM) or other ownership certificates as mandatory documents, Land and Building Tax documents (PBB), Building Permit, and Order form with accompanying PIC number. Aspects to be checked in the collateral documents include:

- Collateral Owner
- Collateral location address (street, block, number, village/sub-district, district, and others, specifically for apartment properties, additional information such as tower, floor, and property number).
- Certificate number and certificate expiration date (if the property certificate is in the form of Right to Build or Right to Use).
- Ensure that the Building Permit refers to the certificate number being appraised. If there are indications that the Building Permit does not refer to the certificate, the Internal Appraisal Unit can conduct further verification with the relevant authorities.
- On the site plan, check information regarding the land area, land shape, neighboring land boundaries, the road in front of the property, and others.

3. *Collateral Suitability Checking (Desktop Checking)*

Desktop checking is performed as an initial stage to determine whether the asset has any negative aspects and to ensure that the asset is marketable and acceptable as collateral. The steps involved in desktop checking are as follows:

- 1) The appraiser receives an order from the Appraisal Admin for assets that do not meet the criteria for internal appraisal, along with supporting documents such as the certificate and object photos.
- 2) The appraiser checks the location coordinates in the Sentuh Tanahku application to verify the location.

- 3) The appraiser cross-checks the location on Google Maps based on the coordinates obtained from the Sentuh Tanahku application. If the object is not registered in the Sentuh Tanahku application, the checking can be based on the assessed object's address. If the asset is not registered in the Sentuh Tanahku application and the address is incomplete, making it not visible on Google Maps, desktop checking cannot be performed.
- 4) The appraiser needs to check using Google Maps and Google Street View if there are any negative aspects surrounding the assessed object that would make it non-marketable.
- 5) If a negative aspect is found, the appraiser needs to measure the distance between the collateral and the identified negative aspect using the measuring tool in the mapping application and include it in the report.
- 6) Capture information related to the collateral, including:
  - a. Object coordinate points based on the Sentuh Tanahku application,
  - b. Urban planning through platforms like Gistaru or Jakarta Satu (if available),
  - c. Google Earth, which provides information about the location and the surrounding environment of the object,
  - d. If possible, check using Google Street View to verify the object's condition. If verified, capture and include it in the report, reflecting the actual condition shown on Google Street View,
  - e. Front view or façade photos of the building, if possible,
  - f. Front view photos (including access roads to the collateral) and photos of the right and left sides of the assessed collateral (including boundaries),
  - g. Photos of objects opposite the collateral and the right and left sides,
- 7) The appraiser provides a conclusion regarding whether the object should proceed with the appraisal or if it is not recommended for appraisal. If it is recommended for appraisal, the appraisal admin will check the eligibility of the application, whether it meets the criteria for internal appraisal. If the asset falls outside the scope of internal appraisal, the appraisal admin will send an offer to a licensed appraiser (KJPP). If the asset is not recommended for appraisal, the admin will send an email stating that the asset does not meet Danamas' collateral criteria, and the application cannot proceed or requires collateral replacement.

#### 4. *Site Visit*

Based on the results of the desktop checking, for assets that are recommended and meet the criteria for internal appraisal, an appraisal of the asset will be conducted.

Subsequently, a surveyor from Danamas' internal appraisal team will contact the borrower to schedule a site visit. If the borrower cannot be reached or a survey cannot be conducted in the near future due to reasons such as the absence of a companion, the internal appraiser may conduct a limited assessment (without entering the collateral) to expedite the process. Upon arrival at the location, the surveyor/appraiser must follow the following appraisal procedures (these procedures apply to all property collateral objects such as vacant land/plot, land and buildings, shop houses, and strata title apartments):

- 1) Ensure that the appraiser has received the order from Appraisal Support, including the borrower's Person In Charge (PIC) and copy of collateral documents.
- 2) Before the visit, ensure that the appraiser has identified the collateral object, including the owner of the collateral, the relationship between occupants/tenants of the collateral and the borrower (if different and known by the internal appraiser during the visit), and conducting ownership document verification.
- 3) Contact the Person In Charge (PIC) of the borrower/owner of the collateral to schedule the site visit.
- 4) During the visit, equipped with information from the collateral's ownership documents and Building Permit (IMB), the appraiser performs the following inspections and measurements:
  - a. Check the alignment of the object's address on the certificate and/or IMB with the actual address in the field. If it does not match, make a note of it.
  - b. Conduct a physical observation of the assessed object, including:
    - Shape and size of the object, measure the length, width, and area of the land and buildings in detail (including the object's frontage), including the length and width of the interior and exterior of the building.
    - Object boundaries and variations in ground elevation,
    - Object's orientation in relation to the compass, compare it with the situational diagram in the certificate,
    - Completeness of object facilities such as the number of rooms, electrical capacity, water, telephone, air conditioning, generator set, and others,
    - Object's condition, including building construction, floors, walls, frames, roofs, and ceilings.
  - c. Perform an observation of the geographic and topographic conditions of the assessed object, including:
    - Characteristics of the surrounding environment (rural/urban)
    - Spatial arrangement conditions around the object,
    - Object's function in the surrounding environment, potential environmental impacts,
    - Accessibility, facilities, and supporting utilities around the object.
  - d. Observe the property market characteristics around the object,
  - e. Observe the condition of the object and its surroundings, determining if the collateral object has any non-marketable conditions. Ensure that all conditions that may affect the appraisal are recorded.
- 5) Capture collateral documentation / photos, including:
  - a. Front view or facade of the building
  - b. Front view (including access road to the collateral), photos of the object on the right and left side of the collateral (including boundaries).
  - c. Interior photos of the building, including its rooms (if permitted). If there are rooms that are not allowed to be photographed, provide information or explanation regarding their access.
  - d. Backyard photos.
  - e. Photos of the object across the collateral and its right and left sides.
  - f. Photos of the object behind the collateral (best effort).

- g. Photos of the object's identification number.
  - h. Photos of negative conditions on the object and its surrounding environment that may affect the appraisal (if any).
  - i. If possible, document the Person In Charge (PIC) with the collateral object.
- 6) Confirm the following with the designated Person In Charge (PIC):
- a. Inquire whether the object being reviewed in the field matches the object stated in the appraisal order form and the collateral ownership certificate.
  - b. Inquire about the relationship between the collateral owner (as stated in the legal ownership documents) and the borrower/prospective borrower (if different).
  - c. Inquire about the occupancy status of the collateral object (if there are occupants), and if different, inquire about the relationship between the occupants and the collateral owner (rented/occupied/owned by the owner).
  - d. Inquire about the year of construction or the last renovation carried out on the object.
  - e. Inquire about supporting facilities of the building, such as electrical capacity, water supply, telephone, and others, according to the appraisal's work instructions.

During the field visit, the internal appraiser is required to include a statement in the Inspection Report confirming that they have adhered to the Integrity Pact, stating that they have not received any form of gratification from the borrower.

#### 5. *Collecting the Comparison Data*

The next step after conducting the visit/survey is to find comparable data to determine the basis of value. The appraiser should search for at least 3 (three) sources of comparable data, which can be obtained from internal databases (if available), the local community, and/or through brokers/agents. The following considerations should be taken into account when obtaining comparable data for the market approach:

- a. The minimum number of comparable data should be 3, sourced from different data sources,
  - b. The internal appraiser must ensure that the comparable data is not controlled or monopolized by a single party (e.g., data from one developer or one property agent). If this occurs, the appraiser must search for new comparable data,
  - c. The comparable properties should be similar to the property being appraised,
  - d. Whenever possible, the comparable properties should be located in the surrounding area of the subject property,
  - e. Document the sources of comparable data in the appraisal report, including complete and clear contact information (if available) and coordinates.
6. *Analysis and Report Making*

Once all the data is gathered, the next step is to analyze and calculate the value, which will be compiled into an asset appraisal report. The procedure for analyzing and calculating the value is as follows:

- 1) From the obtained comparable data, select the 3 most similar comparable data to the condition/characteristics of the subject property,

- 2) Estimate the transaction price based on the comparable data (adjust the selling price to become the transaction price),
- 3) Make adjustments (additions/ subtractions) between the comparable data and the subject property. This includes the location, position, access road width, front facade, area, number of floors, land position, land shape, property shape, zoning regulations, property legality, and elevation, as specified in the appraisal instructions.

After the valuation calculations are completed, the next step is to prepare the collateral appraisal report using the standard format provided by Danamas. Ensure that all notes from the physical inspection during the visit and confirmation with the person in charge (PIC) of the collateral are included in the report. Include the object's coordinates/Global Positioning System (if possible). Create a location map with a floor plan that is attached to the report, and include survey photos such as the front view, access road, interior

view (bedrooms, living room, bathrooms), exterior view (yard, property boundaries if possible). Finally, provide conclusions from the collateral appraisal, including;

- a. The market value of the property presented reflects the relevant market value considering the conditions at the time of the appraisal,
  - b. Negative conditions of the collateral that can affect its market value (if applicable) and provide explanations,
  - c. Positive conditions that support the market value of the collateral (if applicable) and provide explanations,
  - d. Recommendations regarding the collateral from the Internal Appraisal Unit
7. *Review and Submission of the Asset Appraisal Report*
- The completed appraisal report is then submitted to a reviewer for review before being presented to the Loan committee to assist in making Loan decisions. The review process ensures the accuracy of the data and values provided by the appraiser. If the given value is deemed too pessimistic/optimistic, adjustments will be made before finalizing the report and the summary appraisal, which will be presented to the Loan analyst team and the Loan committee. The internal appraisal report should at least include the following information:
- a) The purpose and date of the appraisal, with the purpose being debt collateralization
  - b) Appraiser's statement, assumptions, and limitations,
  - c) Location and identity of the asset,
  - d) Status of the object,
  - e) Object/location designation,
  - f) Object's condition,
  - g) Facilities and infrastructure of the object,
  - h) Factors affecting the appraisal,
  - i) Appraisal value (market value and liquidation value),
  - j) Conclusion,
  - k) Attachment of object photos (if available, include photos of the object along with the accompanying borrower/PIC),
  - l) Attachment of location map of the object and position of comparable data,
  - m) Attachment of object floor plan,

- n) Attachment of comparable data,
- o) Attachment of land plot (if the collateral consists of land or a building with multiple certificates).

### **Obstacles Faced by Internal Appraisal in Collateral Valuation Process at PT. Pasar Dana Pinjaman**

Obstacles are common in any endeavor, including the collateral valuation process. Despite thorough preparation of work procedures and agendas, on-site conditions often deviate from expectations, resulting in obstacles that hinder the valuation process. There are three main Obstacles encountered by the internal appraisal division at PT. Pasar Dana Pinjaman in the collateral valuation process:

#### *1. Difficulty in Finding Comparable Data Sources*

Finding comparable data is a crucial part of the appraisal process. The Internal Appraisal Standard Operating Procedure at Danamas specifies that appraisers must collect a minimum of three comparable data sources. These sources can be obtained from internal databases, field visits, and real estate agents. The processed values of these comparable data serve as the basis for determining the land value of the collateral asset.

In reality, finding identical comparable data in the field is extremely challenging. It is almost impossible to find objects that are precise replicas of the subject property being appraised, even when the object is a house within the same cluster. This can be influenced by factors such as asset condition, location, size, layout, construction quality, building age, and more. Another reason is the requirement to find comparable data sources in close proximity to the subject property, while in many cases, there are not many assets being sold that can serve as comparable data sources in the vicinity.

To overcome this Obstacle, the internal appraisal division at Danamas has developed a special calculation worksheet for land value based on comparable data with specific adjustments. The distance between the subject property and the comparable data source remains a key factor, but land area, building area, and other relevant points in the calculation can be adjusted within certain deviation limits. Currently, a deviation limit of 15% has been established. If the deviation value resulting from the three comparable data sources is below 15%, the value can be used as the basis for land valuation. However, if the deviation value exceeds 15%, the generated value cannot be used. This is due to the presence of inconsistent data (overbiased), and the appraiser must replace that data with other comparable data sources.

#### *2. Hard to Reach Person In Charge*

After conducting desktop checking on the collateral object and recommending it for appraisal, the next step is for the internal appraisal team to contact the borrower to schedule a site visit. However, there are often cases where it is difficult to reach the PIC, both initially to schedule the visit and on the day of the appraisal. This poses a constraint for the internal appraisal team as it can hinder the valuation process and even delay the Service Level Agreement (SLA). This is not only a Obstacle for the internal appraisal division but also for Danamas as a fintech company, as the speed of transaction processes, especially Loan, is a key added value compared to traditional banks.

To prevent potential losses caused by this constraint, the internal appraisal team has established a special appraisal procedure called limited appraisal, which allows internal appraisers to conduct appraisals on collateral objects even when

the PIC is difficult to contact. The limited appraisal is performed by appraisers assessing the object from outside without entering the property, relying solely on information from collateral documents or previous asset appraisals (if available). The establishment of the limited appraisal procedure has significantly helped overcome the Obstacle posed by difficult-to-reach PICs. However, this also requires special attention from the appraiser to be cautious in providing values and recommendations for the object.

### *3. Indications of Fraud During Appraisal Process*

During site visits for collateral appraisal, there have been cases where borrowers manipulate and conceal information about the collateral object. Their intention is to obtain a higher collateral value, which potentially. Leads to a higher Loan limit. In such cases, appraisers are required to be more detailed and cautious during the direct appraisal process and not to blindly trust the information provided by the borrower before conducting measurements and direct checks. In more extreme cases, borrowers openly offer special treatments or incentives to appraisers to obtain desired values. This can be a significant constraint if the borrower insists on attempting to bribe the appraiser, potentially leading to fraud. As an independent team, appraisers are obligated to prioritize integrity and uphold the code of ethics for appraisers, refusing any form of special treatment or offer, regardless of the reason.

## **CONCLUSION**

PT. Pasar Dana Pinjaman (Danamas) is a financial technology-based company that operates in the peer-to-peer lending model, providing lending services based on information technology. The peer-to-peer lending model makes the company a marketplace that connects lenders with borrowers. The funds collected from lenders are then disbursed in the form of loans with various facilities. For high-limit loan products, Danamas always requests collateral as a risk mitigation measure. Collateral serves as a guarantee in the form of assets/properties provided by the borrower to the lender to obtain Loan facilities. Appraisal plays an important role as an independent party that provides value and recommendations for the collateral submitted by the borrower. Based on the review conducted, the following three main points can be concluded:

1. The criteria for assets that can be appraised by Danamas internal appraisal align with the competence of the internal team. Referring to the Minister of Finance Regulation, assets that can be appraised by the internal appraisal include simple properties within a maximum distance of 30 km in a straight line from Danamas operational office, with a total exposure below 10 billion Rupiah. For collateral other than simple properties that require specialized expertise in appraisal and assets located beyond the reach of the internal appraisal, the use of external appraisal services from Public Appraisal Office is mandatory. Danamas also has specific policies that govern the criteria for eligible collateral, such as marketable assets without being on a negative list.
2. The internal appraisal division has established internal collateral appraisal procedures outlined in the SOP. The internal collateral appraisal process includes receiving appraisal orders, checking collateral documents, conducting suitability checks (desktop checking) to identify any negative list items and provide recommendations on whether a survey is necessary, conducting field visits, finding comparable data, performing analysis and calculations, preparing asset appraisal reports, and reviewing reports by a reviewer. The

procedures implemented by Danamas' internal appraisal division align with the standards set by MAPPI. An additional step, desktop checking, has been added as a risk mitigation measure and cost-cutting strategy, allowing early identification of collateral with negative list items that cannot be accepted, thereby avoiding unnecessary appraisal processes.

3. There are obstacles faced by the internal appraisal team in the collateral appraisal process. Some of the Obstacles include difficulty in finding comparable data sources, difficulties in contacting the Person In Charge (PIC), and indications of fraud by borrowers during the appraisal survey. While the approach to handling these Obstacles depends on the individual appraiser, the development of specialized worksheets, systems, and limited appraisal procedures has been deemed to have a significant impact in addressing these Obstacles.

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