

An Evaluation of Quality of Mortgage Valuation Reports in Nigeria

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Abstract- Mortgage valuation reports have long been one of the lines of defence in helping commercial banks protect their assets, minimize losses, and make well-informed lending decisions. The study was kick-started because of the increase in non-uniformity of valuation reports in form of common standard of reporting, terminology and presentation with the fact that clients to valuation profession around the world have been getting much more sophisticated and analytical in their approach to investment. The aim of the study is to evaluate the quality of Nigerian mortgage valuation reports standard with a view to providing information that will enhance valuation practice. The study examined the major components of Mortgage Valuation Reports produced by Valuers in the study area, among others. Questionnaire and interview instruments were administered on five hundred and thirty eight (538) registered firms in Awka, Lagos, Abuja and Port-Harcourt. Data obtained were analysed with the use of the following statistical tools: Relative Importance Indices (RII), and Frequency Distribution. The descriptive statistical test (Frequency Distribution) reveal that forced sale value is been used by most of the practitioners till date as basis of valuation instead as description of the circumstance under which mortgage value (market value) is conducted. The study also established that some of the components of mortgage valuation reports in the study area do not fully fall in line with Nigerian Institution of Estate Surveyors and Valuers (NIESV) guidance notes or International Valuation Standards (IVS) and the reports lack uniformity. It is therefore recommended that the Estate Surveyor and Valuer should state the identity of the mortgagor clearly as well the state of the financial and market situation of the property, the extent of survey when the survey takes more than a day to be completed, there should be a difference between date of valuation and date

of the report if it is not concluded at the same date, and state of the town planning zoning/approval. The Valuers are expected to combine these aspects along with other data to produce good valuation reports.

Indexed Terms- Evaluation, Mortgage, Mortgage value, Nigeria, Quality, Valuation report,

I. INTRODUCTION

Property valuation is the determination of the monetary worth/value of an asset or property. There are numerous individual reasons for conducting an asset or property valuation. Property valuation plays a key role in many areas of finance such as buying and selling, mortgage, merger, and acquisition. The decision based on the valuation report well prepared provides a substantial level of professional shielding to clients from the risks and problems of wrong investment decisions. As such, there is need to ensure high professional valuation standard as it attracts the attentions of the world. Howbeit, the clients to valuation profession around the world have been getting much more sophisticated and analytical in their approach to investment. Accountants, stockbrokers, and other financial analysts have progressively refined their financial techniques to meet changing clients' expectations. Unfortunately, in Nigeria, it seems that the real property professional has been slow to respond to this process of change.

However, the introduction of Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Institute of United States of America as reported by Tosh & Rayburn (1999) has enhanced the improvement of valuation standards as required under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 of United States of America. Since 2006, Uniform Standards of Professional Appraisal Practice (USPAP) has been

updated in a 2 years cycle, and the current version of USPAP has an effective date of January 1, 2018. Also in the UK, the Royal Institution of Chartered Surveyors (RICS, 2003) Report on valuation standards and procedures and various industry reports have addressed a range of key issues regarding credibility of the valuation reports. Similar developments regarding professional valuation standards and practice have been evident in the US (Appraisal Foundation, 2008).

These issues, according to Razali and Juanil (2010) carried out a study which highlights importance of commercial property valuation reports as a key ingredient in the property investment decision-making. This research takes on more significance in the context of the current market instability, uncertainty resulting from the global financial crisis and the need to continue to improve all aspects of valuation standards and valuation reports as part of the integrity of and public confidence in the valuation profession in Malaysia.

The continuous growth and sophistication in the property market have made the property owners to ask for regular property performance evaluations. Kalu (2001) notes that “sound investment strategy demands that investment performance measurement should be made on a regular basis”. In view of these developments, Valuers have been faced with the challenges of improving on the credibility of their valuation standards and reports since their clientele has grown more sophisticated.

Investors are also becoming more sophisticated; hence the need for better and sophisticated valuation and reporting practices is essential in the market. Moreso, the concerns for better valuation standards, and especially report quality, have received considerable attention worldwide. In Australia for example, the overall conclusion from various studies that have been conducted is that the valuation process and the quality of valuation reports have improved considerably over the years (Newell, 2004).

In Nigeria the profession of valuation is regulated by the Nigerian Institution of Estate Surveyors and Valuers (NIESV) and the Estate Surveyors and Valuers Registration Board of Nigeria

(ESVARBON). The Professional Code of Conduct provides rules and guidance to Valuers, and a number of quality control mechanisms exist. However, because the valuation market is highly competitive and according to Aluko (2007), when clients are not satisfied with the quality of service received they might tend to look elsewhere to satisfy their demands. This may lead to others who are not Estate Surveyors and Valuers intruding into the Valuers jobs in the country.

It is important that an assessment is performed as to whether valuation reports presented by Estate Surveyors and Valuers meet the expected standard. This concern has received considerable attention in the UK Waters Report, (2000); Carsberg Report, (2002) and the issue of the valuation reports credibility has also received attention in Australia according to Newell, (1995, 1999, and 2004); Australian Property Institute, (2008). The overall conclusion from the surveys in Australia is that the valuation process and the quality of valuation reports have improved considerably between 1989 and 1998 (Newell, 2004). It is based on the above that this study was designed to evaluate the quality of mortgage valuation reports produced by Valuers in Nigeria.

II. REVIEW OF THE EMPIRICAL STUDIES

2.1 Valuation for Secured Lending: Bankers' Assessment and Expectation

Valuation report is the provision of written opinion as to capital value or price, or rental value, of any given basis in respect of an interest in property, with or without associated information, assumption or qualifications as suggested by Alebiosu (2017). According to the researchers valuation report can be defined as any communication, written or oral opinion of an assessment that is transmitted to the client upon completion of an assignment which is expected to conform to the professionally accepted standard.

Based on the above valuation definition, banks place heavy reliance on Assets Valuations advised by Estate Surveyors and Valuers, especially to arrive at a reasonable loan-to-value assessment, if in mortgage loan considerations as well as, to minimize the risk of

credit losses to banks in the event of foreclosure against pledged property. However, in recent times experience seems to indicate that some Estate Surveyors and Valuers manipulate the final outcome of the property value, thereby making such valuations unreliable/misleading (Alebiosu, 2017). Perhaps, the researchers are of the opinion that the outcome of valuation report can also be unreliable and misleading if it did not conform to the professionally accepted standard which is the reason for the study. The greatest problems are the reliability and the losses being imposed on lenders by these misleading valuations.

2.2 Challenges with Valuations for Secured Lending

In determining acceptable collaterals, Banks consider adequacy of the value of pledged assets and realizability (ease of sale) of same. Presently, banks are faced with the risk of overvalued assets by professional Valuers such that proceeds upon sale of such assets fall much below earlier estimated values in valuation reports.

It has also been observed that clients due influence final outcome of property valuation due to selfish interest leading the valuers to meet their clients' (asset owners) need while demanding for high valuation fees in return. Most firms derive highest satisfaction from their clients (fee) but they do not give much consideration to the professional aspect, ethics, as outlined by the Nigerian Institution of Estate surveyors and Valuers (NIESV) (Alebiosu, 2017). As such, as suggested by researchers that valuation professionals must learn how to hold on to the standards expect of the profession.

Alebiosu (2017), opine that banks are concerned with the issue of overvaluation as well as standardised guide to valuation to reduce the variance between the estimated forced sales values submitted by professional Valuers and actual market value realised from sale of the asset. However, forced sale value is no longer recognised as basis of valuation but had changed to equitable value (IVS, 2013).

2.3 Bankers Expectation of Valuations for Secured Lending

According to Alebiosu (2017), below were the expectation:

- a. Professional valuation that respects the ethics and integrity of the profession.
- b. Disciplinary Committee to handle petitions and cases reported by the market. The Council must have powers to withdraw licences of practitioners where they have been implicated.
- c. Standardised rating guide across Upper to Middle class property markets in such a way that variation should not be more than 5% between valuations.
- d. All professional valuation reports presented to banks should include a Professional Indemnity Clause, which will indemnify the banks against any loss due to overstated or fraudulent valuations.
- e. The researchers are of opinion that this cannot stand without taking into account the factors that will negatively affect the property values such as rental vacancy rates which can take yields off-balance and such is not the making of the Valuer, so is better to say that professional Valuers should respects the ethics and integrity of the profession .

2.4 Valuation Reporting Format

The Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) stated in the Valuation Reporting Template that each report shall contain an Executive Summary with the following information: asset type, date of valuation, purpose, opinion of value, identification of Valuer, name and address of client and business.

Then, main report includes

1. Introduction:
 - a) Brief/instruction
 - b) Identification and status of Valuer
 - c) Purpose of Valuation
 - d) Scope of valuation
 - e) Date of inspection
2. Factual information:
 - a) Location/Neighbourhood description
 - b) Property Description
 - c) Construction Details
 - d) Accommodation Details
 - e) Site Description
 - f) Condition

- g) Tenure
- h) Source(s) of Information
- 3. Economic background:
 - a. Market analysis
- 4. Valuation:
 - a) Basis
 - b) Approaches/methods
 - c) Assumptions and Limitations
 - d) Conclusion and Opinion of Value
- 5. Disclosure and attachments:
 - a) Source of information/data
 - b) Comparable Grid, Photographs, etc
 - c) Aerial Photographs, Maps, GIS Location, Drawings,
 - d) Data Fact Sheet.

Aluko (1999), asserted that in terms of valuation report, that there is no specific format for a standard valuation report and all experts have the liberty of developing their in-house style but the Board (ESVARBON) gave a valuation reporting template as stated above proves otherwise by providing the format/guide. Perhaps, the format/guide provided as stated above by the Board is not in total conformity with the IVS since valuation standards and guidance notes of NIESV (2006) state that, to perform valuation that complies with generally accepted valuation principles (GAVP), it is mandatory that Valuers adhere to all sections of the IVS reporting code of conduct. Odudu (2015) opined that for the institution to move to the next level, the professionals should not limit to local practice standards. Although in January 2019, ESVARBON introduced the Green Book as the current Nigeria Valuation Standards. This Green Book is the adoption of IVS 2017 fully and as such the researchers are waiting to see how it will be enforced.

2.5 Clients' Perception of the Quality of Valuation Report

Estate surveyors and valuers around the world have realised that clients' perception of the quality of valuation report is important to ensure high valuation standards and good practices. As observed in Malaysia, Razali, Juanil and Newell (2009) on the study that addressed specific issues regarding the

quality of valuation reports found that clients are more satisfied when there are details and discussion of analytical aspects and purpose of valuation report addressed in detail. The authors fail to spell out the contents of a good quality report and the standards by which it should be judged. This was pointed out earlier by Shlaes (1993), according to the author, the appraisal profession is being brought low by its failure to establish and enforce proper report standards. Clients are dissatisfied with the laborious reports issued under the USPAP. Clients feared paying for information that is outdated, insufficient to their needs, and often irrelevant to the assignment. The researcher seeks to articulate and also spell out the contents of the quality report and the standards by which it should be judged, and to suggest related education reforms. The researcher discovered that clients are generally not satisfied with appraisal reports because the reports totally ignore the needs of clients whose interests may be focused more on debt coverage ratio, investment value, or downside risks than on market value as understood by appraisers. The author gave a list of report characteristics which reflected what a quality appraisal should be. According to the author, report must be: current (written in real time with up-to-the-minute financial and market information rather than with old, obsolete data and methodology); complete (containing all the information needed to identify a property and make the appraiser's case); correct (accurately reporting facts and explaining issues that pertain to an assignment); cogent (logically, clearly, and convincingly taking a reader through the steps of the argument on the shortest path to the correct conclusion); consistent (without internal discrepancies that might confuse or mislead a reader); convenient (making it easy for a reader to find the important elements) and concise (wasting no words or money).

Aluko (2007) examined the mortgage valuation process in Lagos metropolis by administering questionnaires randomly on Estate Surveying and Valuation firms as well as lending institutions and the data emanated there from were analysed using frequency distributions, ranking mean and relative important index ranking with the intention of discovering whether the contents of mortgage valuation report meet the needs of client as well as

uphold the standards set for such valuation in the profession. When the researcher compared the view of estate surveyors and lending institutions with respect to the information content of mortgage valuation reports, the author's findings revealed that mortgage valuation reports presented by Valuers are not currently meeting the needs and demands of lending institutions. And the researcher further stated that when clients are not satisfied with the quality of service received they might tend to look elsewhere to satisfy their demands.

Oluwunmi (2008) examined clients' perception of the quality of property valuation reports in Lagos Metropolis. Questionnaires were distributed to a total number of twenty-five (25) banks and one hundred and sixty-three (163) estate surveying and valuation firms. The study also compared seventy-eight (78) valuation reports to ascertain if the valuation reports of the Estate Surveyors and Valuers are meeting up with the standard set by the institution. Data collected were analyzed using non-parametric statistics. The result of the examination of seventy-eight (78) Valuers' reports in comparison with the standard expected shows that Valuers' reports were meeting the standard, sixty-two percent (62%) of the banks are at least satisfied with the overall content of their valuation reports. However, the examination of clients' needs revealed that they would prefer to see more details on demand information in the larger property market" and "valuation calculations to convince them how the Valuers arrived at the value" ranked first in what the clients required with a mean rank of 3.85 while "a portion stating the complexity of the market and also the position of the property in the market" ranked second with a mean value of 3.77. "More emphases on the analytical aspects of the valuation" and "the estate surveyors and Valuers should state how certain they are about the valuation figures" ranked third (mean = 3.69) in their reports. The study concluded that there should be greater understanding between the clients and the estate surveyors with respect to the needs of the clients.

A further study by Oluwunmi, Ajayi, Olaleye and Fagbenle (2011) considered clients' perception of the quality of property valuation reports with a view to determining clients' satisfaction level and thus improving on the quality of Valuers' reports. The result revealed that 62% of the banks (clients) were at

least satisfied with the overall content of the valuation report they received from Valuers. However, the results showed that clients wanted to see improvement on details of tenancies which seldom appear; details on specific comparable; state of letting market; general information on comparable; valuation calculations and uncertainty in valuation figures in their valuation reports. It is obvious from the foregoing that nations of the world are persistent concerned with the desire to satisfy clients' needs through quality valuation reporting (Waters Report, 2000; Crosby, Hughes, and Murdoch, 2004 in UK; Newell, 2004 in Australia; Razali, Juanil and Newell, 2009 in Malaysia; Lorenz and Lützkendorf, 2008 in Germany and Aluko, 2000, 2007; Oluwunmi, 2008, in Nigeria).

III. MATERIALS AND METHODS

The study adopted the descriptive survey research design. The Estate Surveying and Valuation firms in Nigeria are target population. The Estate Surveying and Valuation Firms as earlier mentioned are the real property consultants firm professionally recognized in Nigeria to conduct valuations and it reports, drawn from the Estate Surveying and Valuation firms in cities such as Awka, Lagos, Abuja, Port-Harcourt.

However, an aggregate sample size of 281 firms was adopted as the sample size of the Estate Surveying and Valuation firms in Lagos (191), Abuja (57) and Port-Harcourt (33) using Kothari (2004) proportional allocation method, while Valuation firms in Awka were selected using total population (census) technique due to its manageable size of 11.

Summation of the Estate Surveying and Valuation firms sample size in Lagos, Abuja and Port-Harcourt and Estate Surveying and Valuation firms sample size in Awka is 292.

This research featured a close-ended question in addition to matrix which is also a form of close-ended questionnaire. Here questions are arranged to form a table with identical response options placed on top. Options were given to respondents to choose from.

For each of research question, respondents were required to tick the box provided against a particular question. Also respondents were also required to tick a box based 5 point Likert scale and in percentages against a research question made available to them in the questionnaire. These Likert scales range from not important to Very important as well in ranges of 70% to 40%. A parametric and non-parametric statistical test was employed. The application of the actual parametric tests such as Frequency distribution was employed in generating the distribution characteristics of the variables and data used in the subsequent statistical analysis of the data. The descriptive statistics like mean was used in addition to frequency and percentage distribution. Non-parametric test used was relative important index, the idea behind the adoption of scaling approaches is derived out of the need that, one can get a measure and a reasonably reliable actual position of the respondent(s) on the attitude continuum with the aid of Relative Importance Index. Under Relative Importance measure, components are to be rated against a scale to assist in assessing the significance of each component. The scale will then be transformed into an index otherwise known as Relative Importance Index (RII) for each component to determine the ranks of the different components. The Relative Importance Index (RII) is evaluated using the following expression:

$$RII = \sum W / AN$$

Where *RII* = Relative important index.

W= weight given to each component and method by the respondents, ranging from 1 – 5.

A = Highest weight (i.e. 5 in this study).

N = total number of respondents.

IV. DATA PRESENTATION AND ANALYSIS

Table 1 Distribution of Questionnaires to Estate Surveying and Valuation Firms

S/ No	Location	No. of firms	Distributed	Retrieved	Success (%)
1	Awka,	11	11	6	55
2	Lagos,	359	191	121	63
3	Abuja,	107	57	33	58
4	Port-	61	33	18	55

	Harcourt				
5	Total	538	292	178	61

Out of 292 questionnaires administered, a total number of 178 questionnaires were retrieved and found useful for analysis. Questionnaire distribution and response rates by locations are as shown in table 1 are explained as follows;

A response rate of 55% was achieved on questionnaires administered to all the 11 Estate Surveying and Valuation firms in Awka. A total of 191 questionnaires were administered on the Principal Partners of the 191 practicing Estate Surveying and Valuation firms operating within Lagos. A response rate of 63% was achieved, a total of 57 questionnaires were administered on the Principal Partners of the 57 practicing Estate Surveying and Valuation firms operating within Abuja. A response rate of 58% was achieved and a total of 33 questionnaires were administered on the Principal Partners of the 33 practicing Estate Surveying and Valuation firms operating within Port-Harcourt.

4.1 Respondents' Working Experience

Working experience is vital to the performance of any individual as it enables the individual to make significant contributions to a firm overall performance, encourages effective sourcing and organisation of information, working in group situation and application of theoretical knowledge vis-à-vis practical context. A good combination of academic qualifications, professional qualifications and on-the-job experience should, under normal condition, produce better report. For this reason, years of working experience of the respondent Estate Surveyors and Valuers were sought and the data collected were analyzed as shown in Table 2.

Table 2 Working Experience as Estate Surveyors and Valuers

Experience (years)	Frequency	Percentage
≤5	6	3

6-10	62	35
≥ 11	110	62
Total	178	100

Table 2 displays the number of years of experience acquired by the respondents. The Table indicates that respondents with 5 years and below of experience accounted for 3% while the others followed an upward trend (35% and 62%). Apart from 3% and 35% of the respondents who stated that they had between one and ten years working experience, as Estate Surveyors and Valuers, a greater proportion of the respondents (62%) had worked for more than eleven (11) years. With more than (11) years of experience, it can be deduced that majority of the

respondents have requisite experience for carrying out mortgage valuation assignments and it reports.

4.2 Components of Mortgage Valuation Reports

From Table 3 and 4 below, components of mortgage valuation reports in the study area was assessed with the standard components of valuation reports approved by the Nigerian Institution of Estate Surveyors and Valuers and International Valuation Standards as represented by the 178 retrieved samples was analysis as follow:

Table 3 Components of mortgage valuation reports (Nigerian Institution of Estate Surveyors and Valuers)

NIESV Valuation Standard and Guidance Notes (2006) Report Components	Included	Not included	% of not included
Executive summary	178	0	0
Brief/instruction	178	0	0
Identification and status of Valuer	178	0	0
Purpose of Valuation	178	0	0
Scope of valuation	178		0
Date of inspection	178	0	0
Location/Neighbourhood description	178	0	0
Property Description	178	0	0
Construction Details	178	0	0
Accommodation Details	178	0	0
Site Description	178	0	0
Condition	178	0	0
Tenure	178	0	0
Source(s) of Information	112	66	37

Market analysis	44	134	75
Basis	178	0	0
Approaches/methods	178	0	0
Assumptions and Limitations	124	54	30
Conclusion and Opinion of Value	178	0	0
Comparable Grid, Photographs,	52	126	71
Aerial Photographs, Maps, GIS Location, Drawings,	122	56	31
Data Fact Sheet	44	138	78

The majority of the Estate Surveying and Valuation firms respondents have 71%, 75% and 78% of Comparable Grid, Photographs, Market analysis and Data Fact Sheet respectively not included in the report, while 37, 30 and 31 percent of Estate

Surveying and Valuation firms do not include Source(s) of Information in the report, Assumptions and Limitations, and Aerial Photographs, Maps, GIS Location, Drawings, respectively.

Table 4 Components of mortgage valuation reports (International Valuation Standards)

Minimum Components (IVS 103 reporting reference)	Included	Not included	% of not included
Valuation Certificate (Executive summary)	178	0	0
Introduction	178	0	0
Purpose of valuation	178	0	0
Subject Property	178	0	0
Extent of investigation	108	70	39
Effective date of valuation	178	0	0
Nature & Source of information	112	66	37
Physical characteristic of asset	178	0	0
Legal characteristic of Property	170	8	4
Financial & market situation of Property	44	134	75
State of repair	178	0	0
Town Planning zoning/approval	52	126	71
Basis of Valuation	178	0	0
Method of valuation	178	0	0
Correlation of values	178	0	0
Opinion of Value	178	0	0

Assumptions	124	54	30
Submission(restriction on use, distribution/publication)	122	56	31
Certification	178	0	0
Signature & Stamp	178	0	0

The majority of the Estate Surveying and Valuation firms respondents have 71% and 75% of Town planning zoning/approval and Financial & market situation of Property respectively not included in the report, while 39, 37, 4, 30 and 31 percent of Estate Surveying and Valuation firms do not include extent of investigation in the report, nature & source of information, legal characteristic of property, assumptions, and submission (restriction on use, distribution/publication) respectively. Section 9.10 of the Valuation Standards and Guidance Notes of the Nigerian Institution of Estate Surveyors and Valuers provides that the valuation report should disclose any assumptions, hypothetical scenarios, or limiting conditions that may affect objectivity and that directly affect the valuations and, where appropriate, indicating their effect on the value and in relation to IVS. This result with reference to provision above, among others, makes some of the Valuers mortgage valuation report substandard.

Furthermore, the quality of mortgage valuation reports prepared by Estate Surveyors and Valuers for the clients (banks) was gathered and analysis, the researcher took samples of mortgage valuation reports from 62 estate surveying firms, that is, 62 mortgage valuation reports that were prepared by Estate Surveyors and Valuers. This figure represented 21% of the sampled Estate Surveying and Valuation firms (292). The reports were for mortgage purposes

and they were those prepared between January, 2009 and February, 2019. The valuation reports were collected from the Estate Surveying and Valuation firms that were willing to release same for the purpose of this research work. This is done with a view to know the components of mortgage valuation reports and assessed it with the standard components of valuation reports approved by the Nigerian Institution of Estate Surveyors and Valuers and further International Valuation Standards to check whether the Estate Surveyors and Valuers have fallen short of the required standard specified by the NIESV guidance notes, International Valuation Standards or not.

4.3 Information Component of Valuation Report

In determining the quality of mortgage valuation reports prepared by Valuers, the researcher assigned 5,4,3,2 and 1 to “Very important”, “important”, “Moderately important” “Little important” and “Not important” respectively depending on the extend of a component of the report features is included or not. The data was analyzed using weighted mean in table 5 below.

Table 5 Estate Surveyors and Valuers responses

Components	Very important W = 5	Important W = 4	Moderately important W = 3	Little important W = 2	Not important W = 1	Total	RII	Ranking
Executive Summary	62 WF = 310	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	62 (310)	5.00	1 st
Introduction	34 WF = 170	28 WF = 112	0 WF = 0	0 WF = 0	0 WF = 0	62 (282)	4.55	3 rd

Subject property	62 WF = 310	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	62 (310)	5.00	1 st
Financial & Market Situation	10 WF = 50	11 WF = 44	31 WF = 93	10 WF = 20	0 WF = 0	62 (207)	3.34	5 th
Opinion of Value	62 WF = 310	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	62 (310)	5.00	1 st
Assumption	25 WF = 125	32 WF = 128	5 WF = 15	0 WF = 0	0 WF = 0	62 (268)	4.32	4 th
Submission	0 WF = 0	26 WF = 104	12 WF = 36	0 WF = 0	24 WF = 24	62 (164)	2.65	7 th
Certification	36 WF = 180	26 WF = 104	0 WF = 0	0 WF = 0	0 WF = 0	62 (284)	4.58	2 nd
Appendix	7 WF = 35	12 WF = 48	19 WF = 57	23 WF = 46	1 WF = 1	62 (187)	3.02	6 th
Total	298	135	67	33	25	558		

Key: WF = Weighted frequency.

Table 5 showed that Executive Summary, Subject Property, and Opinion of Value ranked first (RII = 5.00), these was followed by Certification (RII = 4.58), followed by Introduction (RII = 4.55), followed by Assumption (RII = 4.32), followed by Financial and market situation (RII = 3.34), followed by Appendix (RII = 3.02), Then, followed by Submission (RII = 2.65). This goes to explain that the three valuation report components that ranked first with (RII = 5.00) were the major components of mortgage Valuation reports produced by Valuers in the study area. That is not to say that other components are not relevant because without considering other valuation report components will lead to Estate Surveying and Valuation firms' clients giving their jobs to other experts and foreigners. On the whole reports, most of Appendix of the reports had diagrams, pictures, site plans, and building plans inserted indiscriminately within the body of the report rather than at the end as addenda. Moreso, every components of valuation report is as important as the report.

4.4 Valuation Basis

Table 6 Basis of valuation for mortgage purpose

S/N	Basis of valuation	Frequency	Percentage
1	Value in use (investment value)	14	7.86
2	Fair value	0	0
3	Existing use value	0	0
4	Market value	32	17.98
5	Net realizable value	0	0
6	Forced sale value	92	51.69
7	Alternative use value	0	0
8	Salvage Value	0	0
9	Depreciated replacement cost	40	22.47
10	Re-instatement/indemnity	0	0
11	Equitable value	0	0

Table 6 reveals that 51.69% of the respondents use Forced sale value, 22.47% use Depreciated replacement cost, 17.98% and 7.86% use Market value and Value in use (investment value)

respectively all in mortgage valuation exercise. Forced sale value is been used as bases of valuation by the practitioners mostly till date as the table above revealed. However, forced sale value is no longer recognized as basis of valuation but as a description of the circumstance under which mortgage value (market value) is conducted. The truth is that forced sale value is extremely difficult to realistically estimate and as such the IVSC in 2007 changed it to market + marriage value and further had its nomenclature changed in 2013 to equitable value to avoid confusion with IFRS13 (International Financial Reporting Statements).

4.5 Responses from the Estate Surveyors and Valuers on what determines the Quality of a Mortgage Valuation Report.

The Estate Surveyors and Valuers are of the opinion that mortgage valuations reports can be said to be of good quality if the under listed are taken:

1. Accurate information and details of the subject property and the usage.
2. Adequate knowledge of the property market on the part of the Estate Surveyors and Valuers.
3. Experience, skill, and knowledge of the Estate Surveyors and Valuers.
4. Assumption must be correct.
5. Appendix of pictures of the subject property in the valuation report as addenda.
6. Good command of words used, clarity of the report and the packaging.
7. Methods and the basis of valuation employed.
8. The financial and market situation of the property as revealed by the inspection.
9. Trends of values of comparables taken.
10. Adherence to IVS where NIESV valuation standard and guidance notes are silence.

V. CONCLUSION

This study evaluates the quality of mortgage valuation reports in Nigeria and provides ways of improving the reports and as such state that forced sale value is no longer recognized as basis of valuation but as a description of the circumstance under which mortgage value (market value) is conducted. Every components of valuation report is

relevant as provided by the researchers because without considering any of the valuation report component will lead to Estate Surveying and Valuation firms' clients giving their jobs to other experts and foreigners. Howbeit, valuation report must belogically, clearly, and convincingly taking a reader through the steps of the argument on the shortest path to the correct conclusion. The study also established that some of the components of mortgage valuation reports in the study area do not fully fall in line with NIESV guidance notes or IVS and this led to lack of uniformity in the reports and as such there is need to uphold the professional standards for better reporting.

5.1 Recommendations

Based on the study outcome, the following recommendations are made:

It is recommended that a professional Estate Surveyor and Valuer should state clearly the identity of the mortgagor, state of the financial and market situation of the property, the extent of survey when the survey takes more than a day to be completed, there should be a difference between date of valuation and date of the report if it is not concluded at the same date, and state of the town planning zoning/approval. The Valuer is expected to combine these aspects along with other data to produce good valuation reports. All lenders usually have a panel of Valuers that they engage to conduct the valuations on the banks' behalf. And as such it is very important to ensure that the valuation reports come in well harmonised. If there are lawns, have that mowed; if the identity of the client is not clear, dig dip. Presenting the report in its most harmonized by adopting common standard of reporting, terminology and presentation will give the customers the desired satisfaction.

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