

Examination of Clients' Needs with respect to the Mortgage Valuation Reports Produced by Valuers in Awka, Lagos, Abuja and Port-Harcourt (2016-2018)

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Abstract: Asset valuation refers to the process of determining the monetary worth/value of an asset. This study was conducted to examine the needs of clients concerning mortgage valuation reports produced in Awka, Lagos, Abuja, and Port-Harcourt. The primary aim of the research is to identify clients' requirements regarding these reports in order to enhance valuation practices in the aforementioned cities. To achieve this, both questionnaire and interview instruments were utilized. A sample of five hundred and thirty-eight (538) registered firms, along with twenty-one commercial banks from Awka, Lagos, Abuja, and Port-Harcourt, was selected for the study. The data collected were analyzed using statistical tools, including Relative Importance Indices (RII) and Frequency Distribution. The results from the descriptive statistical test (Frequency Distribution) revealed that the following aspects were ranked as the most important needs of the clients: executive summary, introduction, subject property, opinion of value, and certification. Based on these findings, it is recommended that professional Estate Surveyors and Valuers should clearly state the identity of the mortgagor, provide an assessment of the financial and market situation of the property, indicate the extent of the survey when it exceeds one day, differentiate between the date of valuation and the date of the report if they do not coincide, and address the status of town planning zoning and approval.

Keywords: Clients', Needs, Mortgage Valuation, Banks, and Estate Surveying and Valuation Firms.

1. INTRODUCTION

The Appraisal Foundation (2006) defined valuation report as any communication, written or oral, of an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment. In Nigeria, the NIESV (2006) describes valuation report as a document that records the instruction for assignment and the basis that led to the opinion of value.

Merging these definitions, a 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. According to IVSC (2011), it is essential that the valuation report communicates the information necessary for the proper understanding of the valuation, free of ambiguity, and providing the intended reader with a clear understanding of the assessment provided.

Valuation report is a way of conveying the information to the client who commissioned the report. It must, therefore, meet the needs of the client as well as uphold the standards set, for such valuation, in the profession (Aluko, 2000). Also, every registered Valuer in Nigeria is accountable to his client subject to the code of Ethics produced by the board and each

Valuer is expected to have a clear understanding of the needs of the client, to enable him report appropriately. Perhaps, Valuers have international valuation standards council (IVSC) as an independent, not-for-profit, private sector standards organization incorporated in the USA and with its operational headquarters in London, UK. The IVSC develops international technical and ethical standards for valuation on which investors and others rely. The IVSC is responsible for developing the international valuation standards and associated technical guidance. Researchers opine that a standard valuation report should be the one with detailed information on the subject property well communicated to the client in accordance with the international valuation standard which comes to bear after the assessment of the subject property that is based on supportable conclusion arrived at through a thorough and logical analysis of fact and data at a particular time.

It is based on the foregoing discussed issues that, this study is aimed at examining the clients' needs with respect to the mortgage valuation reports produced in Anambra State.

2. REVIEW OF THE EMPIRICAL STUDIES

I. Classification of Appraisal (Valuation) Reports in USA and Nigeria.

Valuation reports in USA are prepared under three classifications as follows;

- Summary Appraisal Report
- Self-contained Appraisal Report
- Restricted Use Appraisal Report

Summary Appraisal Report is the most common appraisal report within the industry because it satisfies the needs of lenders and large institutions, without getting into a high level of detail. Summary Appraisal Reports can have one, two or three approaches to value, depending on the situation of the property and the use of the appraisal (Colorado Appraisal Consultants, 2014).

Self-contained Appraisal Report is the second most common appraisal report within the industry because it satisfies the needs of lenders and large institutions, but can sometimes be arduous to read due to the amount of information. Self-contained Appraisal reports can have one, two, or three approaches to value, depending on the situation of the property and use of the appraisal.

Typically, self-contained reports are only used in commercial valuation settings due to the amount of information presented. This type of report has more detail and information than both Restricted Use and Summary appraisal reports (Colorado Appraisal Consultants, 2014).

A Restricted Use Appraisal presents the most minimal level of all the report classes. This is the least common appraisal report type because it does not satisfy the needs of most lenders and intended uses (Colorado Appraisal Consultants, 2014).

According to Ogunba (2013) when the intended user include parties other than the client, either a self-contained appraisal report or a summary appraisal report must be provided. When the intended users do not include parties other than the client, a restricted use appraisal report may be provided (P. 474).

These classifications are not employed in Nigeria valuation reporting. What is adopted is the UK-oriented valuation reporting.

II. Clients Needs and Expectations of the Valuation Report

The client's needs and expectations of the valuation report generally, is the drive for the demand of valuation report. Valuation report is a medium of conveying the information to the client who commissioned the report. Aluko (2000) emphasised that valuation report must meet the needs of client as well as upholding the standards set, for such valuation, by the profession and as such, the better the information set in a valuation report, the better the quality of the report.

In the preparation of valuation report and to capture the client's needs and expectation is expected of the Valuer to proceed through the following stages according to author's:

Stage 1. The Valuer receives instructions from the client to conduct property valuation. The Valuer should ascertain the purpose of the valuation through the client and Valuer discussion, which stand as the need of the client. Additionally, applicable date of the valuation report should be agreed on with the client. The survey plan, deed, or other pertinent papers pertaining to the property should be assessed.

Stage 2. In consultation with the client, the Valuer should determine the valuation basis from the clients need (use to which the valuation is to be put) and on the type of property.

Stage 3. The Valuer should undertake market inspection and surveys.

Stage 4. Where adjustments for depreciation and obsolescence are required, the age, lack of utility or any other observable conditions distinguishing the property from like kind in new condition should be ascertained.

Stage 5. The Valuer analysis the data gathered in the previous stage. The Valuer is required to form an opinion of value by assessment of value determining factors on the basis of expertise and experience.

Stage 6. The Valuer prepares and submits the valuation report to the client.

3. RESEARCH METHODOLOGY

This includes the use of questionnaire, interview and document analysis. Descriptive analysis was used to summarise the data collected. Tables and simple percentages including Frequency Distribution, Mean Ranking and Pearson Product Moment Correlation Coefficient were used.

The population of the study was 4,304 consisting of revoking authority (RA), affected rights holders (ARHs), and Estate Surveyors and Valuers (ESV). Since the study population has different characteristics, they were stratified and sampled for study as shown in Table I below.

Table 1: Population and Sample Size

S/No.	Stratum	Population (Estate Surveying and Valuation Firms)	Sample size
1	Stratum 1 Awka	11	11 (In respect of the sample size for the Estate Surveying and Valuation firms in Awka and commercial banks, Denscombe (2003) opined that a total enumeration survey is more appropriate for any population of less than 30 people or events.)
2	Stratum 2 Lagos	359	191 (Using Kothari (2004), the Formula for estimating Sample Size)
3	Stratum 3 Abuja	107	57 (Using Kothari (2004), the Formula for estimating Sample Size)
4	Stratum 4 Port-Harcourt	61	33 (Using Kothari (2004), the Formula for estimating Sample Size)
	Total	538	292

Source: NIESV Directory (2016) and Anambra State Branch of NIESV Directory (2016)

Table 2: Population and Sample Size commercial banks

S/No.	Stratum	Population (Commercial Banks)	Sample size
1	Commercial Banks	21	21 (In respect of the sample size for the Estate Surveying and Valuation firms in Awka and commercial banks, Denscombe (2003) opined that a total enumeration survey is more appropriate for any population of less than 30 people or events.)

Source: Central Bank of Nigeria (2016)

4. DATA PRESENTATION AND ANALYSIS

4.1 The respondents (Banks and Estate Surveying and Valuation firms) suggested the following variables to be considering identifying the client's needs.

Table 3: suggested variables to be consider identifying the client's needs

1.	Executive summary
2.	Introduction
3.	Subject property
4.	Financial & Market situation
5.	Opinion of Value
6.	Assumption
7.	Submission
8.	Certification
9.	Appendix

4.2 Clients' Responses on the Needs of Mortgage Valuation Reports

This section analyses questions that bordered on knowing the clients' needs on the mortgage valuation reports. This is with a view of achieving the aim of the study. Table 4 gave detailed analysis of the responses from each of the banks. Respondents' responses which were in terms of very important, important, moderately important, little important and not important for the Variables in table 3 was assigned 5, 4, 3, 2 and 1 respectively.

Table 4: Banks responses

Variables	Very important W = 5	Important W = 4	Moderately important W = 3	Little important W = 2	Not important W = 1	Total	RII	Ranking
Executive summary	15 WF = 75	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	15 (75)	5.00	1 st
Introduction	15 WF = 75	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	15 (75)	5.00	1 st
10. Subject 11. property	15 WF = 75	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	15 (75)	5.00	1 st
Financial & Market situation	0 WF = 0	4 WF = 16	2 WF = 6	7 WF = 14	2 WF = 2	15 (38)	2.53	4 th
Opinion of Value	15 WF = 75	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	15 (75)	5.00	1 st
Assumption	0 WF = 0	7 WF = 28	0 WF = 0	8 WF = 16	0 WF = 0	15 (44)	2.93	3 rd
12. Submission	0 WF = 0	15 WF = 60	0 WF = 0	0 WF = 0	0 WF = 0	15 (60)	4.00	2 nd
13. Certification	15 WF = 75	0 WF = 0	0 WF = 0	0 WF = 0	0 WF = 0	15 (75)	5.00	1 st
Appendix	0 WF = 0	6 WF = 24	4 WF = 12	3 WF = 6	2 WF = 2	15 (44)	2.93	3 rd
Total	75	32	6	18	4	135		

Key: WF = Weighted frequency.

Table 4 showed that Executive Summary, Introduction, Subject Property, Certification, and Opinion of Value ranked first (RII = 5.00). These was followed by Submission (RII = 4.00). And followed by Assumption and Appendix (RII = 2.93). Then, followed by Financial and market situation (RII = 2.53). This goes to explain that the five valuation report variables that ranked first with (RII = 5.00) were the major clients' needs with respect to the mortgage valuation reports, that is not to say that other variables are not relevant because without considering other valuation report variables it will lead to poor standard of reporting and presentation.

As regards to the work done on this area by Oluwunmi (2008) and Oluwunmi, Ajayi, Olaleye and Fagbenle (2011) in Lagos metropolis were the researchers state that clients' prefers to see more details in the valuation report as concerned the financial and market situation of the property did not agree with the results of this work, as financial and market situation were ranked 4th.

4.3 Responses from the Banks as Regards to Issues that Attract the Interest of the Banks of which they would prefer to see more in the Reports are as follows:.

- a) Introduction as it concerned the identity of the mortgagor.
- b) State of the financial and market situation of the property.
- c) The extent of survey when the survey takes more than a day to be complete.
- d) There should be a difference between date of valuation and date of the report if it is not concluded at the same date.
- e) State of the town planning zoning/approval.

5. DISCUSSION/CONCLUSION

The study revealed that the following were ranked 1st executive summary, introduction, subject property, opinion of value and certification as the main needs of the clients and also show that bankers would prefer to see more of those things that would provide the full identity of the mortgagor as well guarantee the recovery of loan if the mortgagor defaults in payment as at when due. From the research, issues that attract the interest of the banks of which they would prefer to see more in the reports but which some of the Estate Surveyors and Valuers have little or not been including are as follows:

- a. Introduction (details) as it concerned the identity of the mortgagor.
- b. State of the financial and market situation of the property.
- c. The extent of survey when the survey takes more than a day to be complete.
- d. There should be a difference between date of valuation and date of the report if it is not concluded at the same date.
- e. State of the town planning zoning/approval.

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