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SUSTAINABLE COLLATERAL VALUATION AS PANACEA TO POOR MORTGAGE LOAN RECOVERY IN NIGERIA

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Abstract

Value is the estimate of future benefits accruable to an asset. Much as a valuer is not required to be gifted in prophecy, his task demands diligence and foresight. The aspect of determining the market value of property and related assets as benchmark for credit facilities is perhaps, much critical in this respect. There abounds statistics of mortgaged collateral properties that were found at the point of mortgage foreclosure, to be worth much below expectation and at some extremes, even less than their quoted values at the creation of the mortgage several years earlier. This has invariably, contributed significantly, to the collapse of many Nigerian banks and with similar reports from the financial crisis that sprang up in the United States of America last decade. Several factors have been responsible for this. This paper is in two parts. The first undertakes empirical study of common challenges confronting efficient mortgage valuation activities in Nigeria, using purposive sampling by way of case analysis of historical data on selected mortgage transactions. The other part focuses on position discourse on sustainable value analysis to accompany expressed opinion of value on property assets to be used as collateral for mortgage loans. This sustainability of value is not interchangeable with, but complimentary to the more popular concept of property sustainability.

Keywords: Loan recovery, market value, mortgage collateral, sustainability and valuation

1.0 INTRODUCTION

Credit has become quintessential for expansion and growth of modern businesses – agriculture, mining, manufacturing, distribution, asset acquisition or even provision of various services (Okungbowa & Ashakah, 2019). The financial institutions as well need to trade depositors' fund through credit to deserving applicants in order to survive and make profit. In fact, loan often represents the largest asset of banks (Abaidoo, 2015). Abata (2014) had advised that banks need to reduce their liquidity (or cash) holdings, though while also minimizing credit risk, in order to boost performance. Hence, much as the borrower seeks to maximize return on his business by engaging third-party funding, the lender is no less a prudent businessman. Accordingly, one strategy of mitigating the risk of default on repayment by the borrower is to take from him as pledge, a moveable asset or create a right of claim over his immovable asset (otherwise

called mortgage) whose value is not inferior to the loan being advanced (Fernando, 2021). However, another view is that borrower's ability to service debt is of greater significance than a collateral of high value (Song, 2002). While the pledged asset is usually placed in the possession of the lender, only the title or documents of ownership on the mortgaged (or collateral) asset is normally deposited with the lender, physical possession still residing in the borrower or his representatives. Either way however, a rational lender would be expected to have ascertained the prevailing market value of the asset. Incidentally, the value so established only represents an estimate of the present worth of future benefits expected from the asset, often with only the valuer being privy to the dynamic variables in-built into his estimates. Though those primarily concerned with failure of mortgage transactions are the immediate parties involved – mortgagee, mortgagor and perhaps, their professional advisers, most licensed lenders are financial institutions

trading with the deposits and funds of the public such that any misfortune befalling them could have spiral effects on the economy and the larger society. Where professional negligence or incompetence happens to have contributed to the failure of a mortgage or credit arrangement as well, the image of the body of professional group involved is also called into question. Unfortunately, poor credit recovery has remained the major bane of financial institutions in the developing and developed nations of the world alike (Fofack, 2005 and Somoye, 2008). Concerted efforts are therefore required by all stakeholders to ensure the mutually beneficial mortgage credit system does not wane. Oyerinde (2022) suggested multi-dimensional credit management system towards arresting the spate of bad debts within Nigerian banks, including adequate risk controls. Invariably, diligent admission and treatment of collateral security must fall into this category.

Real estate has remained the most popular collateral asset for loans (Gan, 2007; Nwuba, Egwuatu & Salawu, 2013 and Hirankasi, 2021). This is partly because lenders are attracted by its fixity in location, considering it difficult for mortgagor to elope with (Nathan & Marshall, 1973). In fact, if passed to a third party while the mortgage interest subsists, the mortgagee can still recover possession (Sears, 1953). At the same time however, lenders need to be conscious of the fact that value realization in real estate is a daunting task (Vazquez, 2015). It is not therefore unexpected that prospective borrowers do resort to mortgage arrangement in lieu of seemingly evasive sales transaction. Under such circumstances, he often strive to secure up to the expected market value of the real estate as loan amount and this could only be achieved by influencing the reported market value, upon realizing that the mortgagee is poised to be conservative in safely adopting only a proportion thereof. Invariably, both the default risk and recovery risk outlined in Bello et al (2013) are wrapped up together from the outset. Agarwal, Ben-David & Yao (2015) had also established that mortgages having inflated valuations experience more default in payment.

Muecke (2021) identified four key attributes of a good collateral asset to include being cost-effective to hold, operationally easy to use, and being easy to take

delivery of and to liquidate. One cannot confidently claim that real estate meets these criteria but efforts must be made to reduce the impediments. It is with this background that this paper intends to undertake empirical analysis of selected mortgage transactions across Nigeria towards identifying the leading challenges confronting credit recovery by the lenders and how a more comprehensive approach to pre-contract valuation of proposed collateral assets can ameliorate the experiences. This is more compelling when one realizes that early recognition of challenging aspects of a collateral at origination of mortgage would better guide decision to enter into contract and serve as signposts for credit and collateral monitoring.

2.0 LITERATURE REVIEW

2.1 Concepts of mortgage, collateral and value

This section will open with perspective understanding of two concepts – mortgage and collateral – for the discourse at hand. According to French & Leyshon (2012), the term ‘mortgage’ has French background (‘mort’ meaning dead and ‘gage’ referring to pledge whereby a pledged asset against a loan becomes dead either upon payment of the debt or if payment fails, then the pledge transforms to permanent ownership in the hands of lender). It was nevertheless popularized in the American housing market where the lexicology tries to differentiate between ‘mortgage’ and ‘collateral’. Under this interpretation, it is noteworthy that a loan can be obtained from a lender or financial institution for various purposes – business, asset acquisition, education, social and the like. To assure the lender of repayment or rather, to secure his fund against default, the prospective borrower often pledges or agrees to place a lien on an asset of equivalent (and more often, higher) value to the lender as ‘collateral’ security. This asset could take the form of real estate, machinery or some other agreed asset or a mix thereof. However, mortgage transaction is believed to have occurred only when the loan is for purchase or development of a real estate asset with the same incident asset serving as collateral (Kagan, 2023 and Own it home loans, 2023). And expectedly, this is more common in the housing sector. Nevertheless, in popular usage, all forms of loans guaranteed with collateral assets are loosely considered and treated as mortgage loans. In fact, mortgage has often been generally described as an

arrangement where a loan has been secured by a real property with the amount outstanding on the loan serving as encumbrance on the value of the real property until such has been fully paid for the mortgagee's right to be discharged, failing which the mortgagee-lender can enter into the property to sell or dispose (Nathan & Marshall, 1973). Thus, 'mortgage loan' has been loosely adopted in this study as encompassing all firms of loans having collateral security backing. This is to be able to contextually analyze the case studies covered herein as well as to communicate with stakeholders.

Similarly, the value of an asset is an estimate of the worth of its future benefits (forward-looking), unlike cost that reports the past sacrifices made to bring it or its comparable into existence (established fact), and also contrary to price dealing with recent transactional events on comparable assets (another factual figure capable of being exact). Ashaolu (2016) held that everything about the future belongs to the realm of probabilities. Indeed, it is commonly accepted that what is certain about tomorrow is uncertainty except that some of these can be mitigated by their reduction into measurable risks. Incidentally, one typical journey into the uncertain future is value determination (or valuation). The Royal Institution of Chartered Surveyors (RICS, 2003) through Guidance Note 5, French and Gabrielli (2005) as well as Kucharska-Stasiak (2013) had both emphasized the elements of uncertainty that naturally accompanies real estate valuation, but the handling of which exemplifies professional expertise. Thus, expert valuation is often required as guide to various economic decisions, especially on investments. Little wonder therefore, that valuation advice is regarded as being a fiduciary type (Cox, 2011). In other words, the valuer is being put in a position of financial trust and guidance in sensitive decision-making process. Mortgage transaction is one such critical decision with respect to capital funds of the lender where the valuer is expected to painstakingly anchor the lender's risks on realizable worth of a given collateral asset. Here lies the duty of the asset valuer.

A key measure of reliability of the expressed opinion of value about the uncertain future is the level of competence displayed in the valuation process as defined by quality of data input, appropriateness of

analytical procedure and professional ethics involved in the process (data, methodology and ethics). Ordinarily, in valuation market, the topical concern has been the paucity or inadequacy of reliable data (Gitari, 2001; Ajibola, 2010; Ayedun, Oloyede & Durodola, 2012 and Cheloti & Mooya, 2021). This paper would nevertheless demonstrate that in the aspect of mortgage-related valuations, even with available data, there often abound more potent challenges of influence on methodology, external limitations to value realization and ethical compromises, both requiring attention. An important aspect of credit management is diligence in assessing collateral assets, not just in terms of its value but the ability of the asset to sustain value over the mortgage term.

2.2 Sustainability analysis

Basel Committee on Banking Supervision (BCBS) has laid down procedures, rating guidelines and monitoring strategies for banks in their credit management system. The various banks as well are disposed to improving their credit risk handling in several complimentary ways, most of which are borrower-focused. However, the aspect of calling for valuation of collateral asset has not been effectively utilized enough.

Collateral used as security for credit required analytical rating, besides ascertaining its market worth at a fixed moment of time. Fitch rating system is common among lending institutions in assessing likelihood of default in meeting financial commitments, with the highest being AAA (lowest expectation of default risk or highest credit quality) with AA (very high credit quality) and A (high credit quality) as three top scores, while BBB (good credit quality), BB (speculative) and B (highly speculative) belong to the average, less desirable speculative categories for the creditor. Much as real estate has attraction for mortgage collateral for being fixed in position and able to hold its value over time, there are other features of it that often repel investors. It is typically very illiquid as value realization may take a fairly long time of marketing with ancillary costs, requires close attention and management during holding period and susceptible to unforeseeable phenomenon if not properly secured with insurance cover (Vazquez, 2015). Besides, most collateral real estate held by banks might not be within easy reach and

there are bank-mortgagees whose first attempt at locating their collateral asset is when foreclosure steps are to be commenced.

Sustainability is a concept applicable to every forward-looking decisions. Collateral value determined at opening of mortgage transaction reflects market condition for the property asset 'as is' as at the date of valuation. Thus, both the market and the asset together or severally might undergo changes that would render the ascribed value unrealistic, due to any of the elements of systematic and unsystematic risks (Ashaolu, 2016). The mortgagee desires a collateral asset that can sustain or hold on its value over time. The general perception that real estate provides hedge against inflation and does not experience price volatility are subject to various economic and circumstantial conditions and features a prudent investor cannot be presumptuous about.

3.0 METHODOLOGY

Data for the empirical aspect of this study were extracted from archives of practicing estate surveying and valuation firms as supplemented by published reports on eight (8) selected mortgage arrangements involving some Nigerian commercial banks, one regional (West African) bank and the intervention of a government supervisory agency - Asset Management Corporation of Nigeria. The focus were mainly, where available, data sets on year of initiating mortgage, original loan amount granted, market value at commencement of mortgage, market value at foreclosure, loan balance at foreclosure and peculiar circumstances around the mortgage contracts. The relevant data have been presented and analyzed using simple statistical tools.

4.0 FINDINGS AND DISCUSSIONS

For ease of comprehension, the eight selected mortgage transactions (one in tourism, one in aviation, two industrial and four in residential mortgages) cutting across various collateral types and quantum of loan are first described, in turn.

Case 1 – Residential property mortgage (Attributes: excessive over-valuation of collateral at opening, collateral suffered neglect and decay, huge default)

A mini estate comprising 4 units of 2-floor buildings, each accommodating 4 flat-apartments of 3 bedrooms with ancillary facilities and conveniences was used as collateral for a mortgage facility in 1981 with an indicated market value of over N800,000. There were indications that the mini estate was newly completed and fully occupied at this time. By 1992 when the mortgage transaction had failed however, a revaluation was called for by the mortgagee, preparatory to foreclosure. As indicated in Fig. 1, a new market value of N120,000 was arrived at, just a little above the going value of a comparable bare site then. As at this 1992, none of the four buildings still had its roofing materials in place, most of the structures had weakened after persistent exposure to weather, and of course, with no occupants in the mini estate already showing clear evidences of blight. Though the buildings had not reached normal calendar old age but they were already physically obsolete due to neglect.



Fig. 1: Origination and foreclosure collateral valuation for Case 1

On reflection, as at creation of mortgage in 1981, the market value of the mini estate should actually have been in the region of N100,000 only. Most invariably, if anyone has enjoyed a mortgage facility running into multiples of the market value of a property used as collateral, he could as well not be bothered maintaining the over-encumbered asset, especially knowing that the process of the mortgagee attempting to recover beyond the value of mortgaged collateral could be daunting. Also, the valuer could have been excessively influenced or coerced and most likely without ethical control either. Where such a valuer is forced to undertake sustainability analysis as part of his report, he most probably, would have exercised some restraints.

Case 2 Uncompleted residential property in a city's periphery

This was a case of uncompleted residential bungalows in the outskirts of a State capital. The owner took a loan of N20,000 in 1981 to finance a government contract which unfortunately, was not paid for after execution. By 1992, loan indebtedness had reached N660,000 with growing interest rate coupled with non-servicing nor repayment of capital. The collateral which carried a value of N30,000 in 1981 was valued at N240,000 in 1992, having suffered abandonment in their uncompleted but already dilapidating state. Ultimately, the mortgagee auctioned off the collateral property at about N200,000 with the unpaid loan balance cancelled. Figure 2 displays the scenario.

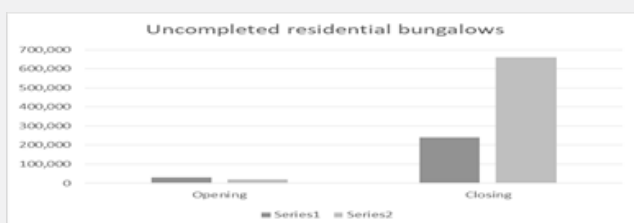


Fig. 2: Origination and foreclosure scenario for Case 2

Case 3 - Mortgage in tourism investment (Attributes: State government ownership, unresolved legal issue of free trade zone, and foreign currency-denominated)

Borrowing to finance public expenditure is usually sensitive as government players are transient in

nature and their avowed policies may not be sustained by successive administration, as experienced under this case. This risk is further compounded by having the loan denominated in foreign currency by a State government that is not only incapable of earning foreign exchange but also within a national economic setting experiencing galloping exchange rate. Fortunately, development of the project was faithfully completed to, at least 95% and even launched into operation in 2007 but soon died off shortly after with the expiration of the term of administration that had the vision. The project was said to have cost \$470 million (over N48 billion) as loan from various banks.

As at 2011 when a consortium of four valuation firms revalued the assets on site, the figure arrived at apparently justified the reported cost of investment by the mortgagor. Ten years thereafter however, the foreign-denominated loan have worsened in terms of its local currency equivalent with official exchange rate plummeting four times. Ordinarily, it was an ambitious project designed to ease shopping through a free trade zone while also providing alternative to foreign holidays by Nigerians through well-thought out resort facilities. Nevertheless, the following observations constituted clogs to the project design:

- i) Free trade zone planned by the State Government promoter-mortgagor could only be operated by the Federal Government of Nigeria (FGN) and except the Federal partnership had been secured (contrary to the situation here), the foundation for realization of envisaged business opportunity has not been laid. This became more precarious for a project that was being commissioned at the verge of a change in government at both the State and Federal levels (2007); and
- ii) The project loan was raised in foreign currency, though expected income from business operations would have also been substantially foreign currency – denominated. However, as the business could not operate as designed, the debt burden will still have to be paid in the foreign dollars by a State Government-mortgagor not disposed to earning foreign exchange.

Case 4 – Industrial establishment under development (Attributes: opening over-valued collateral, project abandonment, huge default)

A proposed flour mill factory had all its building components, machinery and other assets knocked down and containerized from Turkey to be built as 100% prefabricated in Nigeria. However, only about 40% of the installation on site had been accomplished when around 2009, a mortgage deal was struck between the promoter and a commercial bank to the tune of about N10billion. The factory had a reported market value of over N17.7billion as at this date. By 2012, the credit facility had become non-performing and already constituting a threat to the mortgagee banks' liquidity position. Asset Management Corporation of Nigeria came to the rescue and commissioned a revaluation of the mortgaged assets. Unfortunately, only about N5.2billion market value was gotten (see Fig.3).

Investigation revealed that the over-bloated collateral value actually approximated local currency equivalent of letters of credit and invoices tendered by the promoter in the course of the valuation exercise. To worsen matters, the factory was valued as if in operational existence as at that time. Infractions like these could be veiled since the advice on value are often expressed in a blanket manner without stringent control checklist.



Fig. 3: Origination and foreclosure value of collateral for Case 4

It was not known what this loan was procured for because developments on site stopped almost immediately thereafter. Invariably, the loan was benchmarked on foreign currency without taking into cognizance, the unstable pattern of exchange rate and the fact that earnings from sale of products upon completion, would be in local currency only. That the factory was still under construction (not yet in production to earn income with which to service the loan) was another critical variable. Equally important factor to have influenced value is the market share of

the proposed flour milling business, given the existence of prominent competitors within the same catchment area. Unfortunately however, regular valuation methodologies could not have appropriately captured any these extraneous variables as each of the conventional methods of valuation is particular about realizable value if the property were to be exposed to the market as at the relevant date.

Case 5 – Light industrial investment (Attributes: sole proprietorship, regularly serviced, rising interest rate, and promoter's ill-health)

In this wise, the mortgage arrangements was smooth-sailing until servicing and repayments got stuck when the underlying business nose-dived due to the promoter (mortgagor)'s ill-health. At foreclosure, and as a result of continuously heightened interest rate (being adjusted to reflect prevailing lending rates), the market value of collateral property fell considerably short of outstanding loan balance. Fortunately however, amicable settlement was reached by negotiation with N2.5million raised by the mortgagor as final settlement sum, as against the indicated N9.6million loan balance when it was to be foreclosed in year 2000, and the collateral market value being about N5.5million. At origination in 1988, the loan sum was only N350,000 while the collateral was valued at N520,000. Details are as demonstrated in Fig. 1.

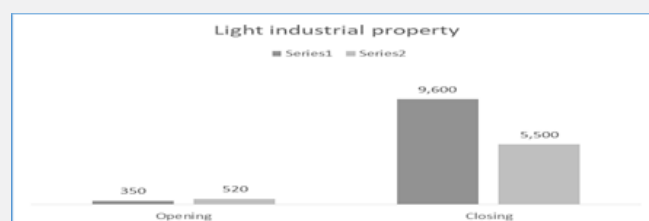


Fig. 4: Origination and foreclosure pattern of figures for Case 5

Case 6 Government Reservation Area residential bungalow

Around 1986, an uncompleted low-density bungalow in the old reservation area of a State capital was used as mortgage collateral. Originating valuation report was not made available, neither was the actual loan sum known. However, as at 1993 when the property was to be foreclosed by the mortgagee-bank, outstanding indebtedness was about N360,000 while the property had suffered neglect after a reported fire incident,

almost reducing the premises to bare site. A market value of N110,000 was advised and eventually auctioned away at N90,000.

Case 7 Aviation assets

This major private airline commenced business with heightened expectations and apparently took a multi-billion naira loan to acquire sufficient fleet and meet up other logistics towards harvesting emerging opportunities, as the government had just ceased from operating the national carrier. At its hey days, reports had it that there were up to 30 aircrafts in the fleet, controlling close to 60% of Nigerian air transport - local and international (Premium Times, 2017).

After a while however, the debt burden started mounting and some management lapses were suspected by the regulatory authorities. Therefore, between 2012 and 2013, a fleet of ten aircrafts (one of which had been grounded in a hangar in United Kingdom) belonging to the business was called for revaluation as possible guide to the Asset Management organization resolving the impasse between it and its creditor-banks. Total value obtained was only in the region of N30billion. The actual intention was not to put up these aircrafts for sale but for the intervening government corporation to be able to gauge its level of credit-worthiness. As at the end

of 2016, the airline was reported to be indebted to the tune of N146 billion making the intervention organization to take over its operations.

Case 8 Residential property (Attributes: collateral property untraceable)

Revaluation of a supposed residential property under mortgage was called for by the credit recovery department of a commercial bank in 1993. The property could not be located by the estate surveyor and valuer employed for the exercise. The bank eventually made available a copy of the survey plan purportedly covering the property but the coordinates were charted, by the valuer's appointed land surveyor, to be situated in the middle of a dual carriage way (Oshodi - Mile 2 Express). The bank eventually commissioned another independent land surveyor, but alas, with the same outcome.

Granted that this case happened before the advent of geographical positioning system technology. But mortgagees ought to have physically inspected assets under their care, not just through the proxy of ad hoc independent valuers or land surveyors. Similar manipulations can still occur under contemporary digital practices if the credit or loan department are not diligent enough to track their collateral inventory.

A summary of the foregoing cases is as contained in Table 1

Table 1: Summary data on case studies (Amount and Value in N except if specified)

S/N	Type of Property	Year of mortgage	Reported value	Loan amount	Year of sale	Loan balance	Reported Value	Remarks
1	Residential	1981	800,000	N/A	1992	N/A	120,000	Inconclusive
2	Residential	1981	30,000	20,000	1992	660,000	240,000	Auctioned
3	Tourism/Biz	2005	N/A	\$10million	2018	\$6.4million	51billion	Under receivership
4	Industrial	2009	17.7 billion	N/A	2012	N/A	5.2billion	Under receivership
5	Light industrial	1988	520,000	350,000	2000	9.6million	5.5million	Negotiated settlement
6	Residential	1986	N/A	N/A	1993	360,000	110,000	Auctioned
7	Aviation	2006	N/A	N/A	2016	146billion	30billion (2013)	Under receivership
8	Residential	1982	90,000	N/A	1994	N/A	N/A	Non-traceable

The challenges from sampled cases include:

I) Appointment of valuers at origination of mortgage was skewed in favour of mortgagors. One possible controversy lies on who should appoint a collateral valuer. When one realizes that valuation for purpose of loan collateral is to gauge the risk of a

lender in case of borrower's default, there is an underlying principle of conservativeness which can only be delivered through a mortgagee-appointed independent valuer. As against highest price payable by a hypothetical buyer, focus here is on value that can readily be realized (not so much within arm's length transaction) upon loan default.

- ii) No strict internal control over reported collateral value and authenticity of its existence
- iii) Mortgagee do not exercise monitoring power over collateral properties during mortgage term, especially in the areas of use, handling and maintenance.
- iv) Income-earning capacity of collateral assets was seldom factored into mortgage valuation, given that the primary target source of loan servicing and repayment could fail for several unforeseen reasons, including ill-health.
- v) Mortgagors sometimes coerce valuers using any or combination of knowledge power, baits and intimidation.
- vi) Contractual arrangements are often interrupted by changing fiscal and monetary policies, especially lending rates
- vii) Political changes and inconsistency in policy formulation and execution sometimes disrupt mortgage loan contracts.
- viii) There are issues of collusion and integrity challenge among mortgagee's personnel
- ix) Unimpressive reward system also do limit valuer's willingness to exert efforts beyond the ordinary. Some financial institutions have been reported to be offering as collateral

valuation fees, amount that can scarcely fund field-movements and report-printing. Collateral valuation is supposed to be a risk management strategy for a lender and by trivializing this, the outcome cannot be expected to be impactful.

- x) Loans are sometimes procured in foreign currencies by a business or mortgagor without opportunities to earn foreign currencies, especially given sporadic increases in exchange rate against the local currency.

Table 2 typifies the collateral asset-specific variables the valuer would be required to prepare alongside his valuation opinion for a more explicit guide to the mortgagee-lender. The variables are explained thereafter. The rating of variables are to make more transparent, the valuer's thought process, and to give explicit picture of how sustainable the quoted value figure from prevailing market conditions would be in the foreseeable future. In Table 2, the author attempted a demonstration using Case 5 above with which he was much familiar. The score of 44 points from maximum obtainable (70) represented about 63% which falls within moderate risk in the suggested decision criteria later in this paper.

Table 2: Suggested sustainability analysis (or ratings) of collateral assets

Brief description of collateral	Variables rated	Highest grade (5)	Very high (4)	High (3)	Low (2)	Very low (1)	Total score
	Location			3			44
	Neighbourhood character			3			
	Design		4				
	Build quality		4				
	Facilities			3			
	Stage of development	5					
	Title/tenure	5					
	Primary valuation method		4				
	Income generating status			3			
	Ease of disposal				2		
	Condition			3			
	Status of occupiers			3			
	Insurance coverage					1	
	Sustainability integration (specify.....)					1	
Percentage score							66.15%

Brief explanation of variables and scoring guidelines

Location – This is a leading determinant of value in real estate market. Focus is usually in terms of proximity to complimentary uses and users, commuting time and quality of access routes. Location features are more relevant in the commercial sector, where it is either prime (dominant centre of business), secondary (including outline of major streets) or inferior.

Neighbourhood character – This is a compliment of location more particularly suitable in rating residential properties. It is usually in terms of level of serenity and density pattern – low-density/high income, middle-low density, middle density, high-middle density and high density. Periphery locations (outskirts of towns and cities) and fenced major housing estates are at best, middle-low and middle but often classified as high if within unplanned vicinity. Semi-rural and rural locations are equivalent to high density due to marketability and accessibility issues.

Design – The functionality of property design for its use and flexibility of conversion are major marketability variables in both the sales and rental sectors. A diligent valuer would not gloss over these attributes.

Build quality – Ordinarily, buildings are expected to remain stable for decades but the selection and mix of materials for different structural parts are vital determinants here. As the valuer is expected to have described the details of construction from this perspective whereby, it should not be difficult to gauge an assessment thereof.

Facilities – Type and adequacy of conveniences, water, electricity, drainage, parking, waste disposal and allied facilities and amenities are drivers of value in real estate.

Stage of development – As noted earlier in some of the case analysis, uncompleted development

works in real estate used as loan collateral are seldom attended to after creating mortgage right over it. The valuer must be conscious of this, not only to avoid any speculative action but to be cautious in his remarks and assessment, since what is expected of him is value 'as 's' as at the date of his inspection. A versed valuer would be accustomed to proportional rates for different construction stages in a building and if need be, he would seek advice from allied quantity surveyor colleague.

Title/tenure – This is the kernel of real estate that gives it marketable value. The more officially authenticated the title and the longer the tenure, without known encumbrances, the better.

Primary valuation method – Here, the valuer is tasked to declare the appropriateness of his choice of method, though could have been constrained by many factors outside his control.

Income generating status – The best real estate for use as loan collaterals are those with immediate or prospective capability to generate income (investment properties).

Ease of disposal – Much as disposal of real estate often take some time with attendant costs, the ease of marketability varies with the type, location and state of local market. Where the valuer has been observed to be deliberately generous in his rating here, he could be taken up for such responsibility in an event of foreclosure.

Condition – The physical, decorative and averagely apparent structural integrity state of developments within the premises of collateral real estate are factors normally considered, though implicitly, in valuation which a collateral valuer would be requested to make explicit declaration on.

Status of occupiers – Some properties are offered for collateral due to challenges the owner is having with occupiers or regularity of income. The collateral valuer could be made to carry out due diligence in this regard to further educate a

prospective lender intending to accept it as collateral.

Insurance coverage – One of the weaknesses in real estate investment is exposure to loss or damage through several unforeseeable circumstances – fire, rainstorm, earthquake and social unrest, among others. Where an insurance policy has been bought, the risks are reduced, otherwise the mortgagee may be exposed to total or partial loss. Existence of insurance cover deserves at least, three points while adequacy of the cover (amount) determines how high the score would be. Case 6 above for instance, suffered fire accident that almost eroded mortgagee’s expectation.

Sustainability integration (available factors to be specified) – Where sustainability factors on energy efficiency, green construction or similar contemporary economic and performance-enhancing variables are present in a collateral real estate, such would constitute advantages to marketability and value realization.

On account of the foregoing collateral asset-specific thirteen (13) sustainability measures, the valuer would be required to sum up the score out of maximum obtainable 65 and convert to percentage. Thereafter, the prospective lender-mortgagee would be advised to consider decision criteria as shown here-below.

Possible decision criteria:

Below 50%	-	very high risk
50% to 59%	–	high risk
60% to 69%	-	moderate risk
70% to 79%	-	low risk
80% and above	–	very low risk

5.0 CONCLUSION

Without doubt, causes of failure in mortgage transactions are multifarious and traceable to many stakeholders – mortgagors, mortgagees, professional advisers including valuers, changing fiscal and monetary policies as well as political factors, among others. The concern in this paper has nevertheless, been narrowed to the role of the collateral valuer at the commencement of mortgage contract. Valuation as a journey into the future requires diligence and where vital decisions like mortgage contract must be guided by its outcome, competence and transparency become germane. Unfortunately, the mortgage valuation market in Nigeria, as in several other nations, have been bedeviled not just by dearth of data but avoidable human factors of influences, inadequate professional exertion and ethical compromises. The expressed figure of the valuer at best, represents what the collateral asset can possibly fetch if exposed to the market as at the date of valuation. His thought process on pertinent future variables would possibly have been implicitly taken care of without the mortgagee being privy to their criticality. Hence, it is hereby advocated that advice on value of mortgage collateral should be more comprehensive and explicit enough to properly guide the mortgagee on how to navigate the decision-making path. This it is suggested, is by inclusion of sustainability analysis (by way of collateral rating assessment) in the advice on realizable market value of a property asset being presented as mortgage collateral. While the analysis itself could be manipulated to suit a predetermined score, its more explicit declaration is bound to constraint many collateral valuers upon realizing the attendant dangers they are being exposed to in an event of litigation. Nevertheless, to make such effective, the mortgagee must be prepared to assert his role in the appointment of the collateral valuer and his fees must necessarily be made commensurate to the task expected of him, even if the mortgagee whose interest would ultimately be protected, need to underwrite a part thereof.

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