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**LENDERS PERCEPTION TOWARDS MORTGAGE  
VALUATION PRACTICE IN TANZANIA**

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# Introduction

- Mortgage loan - loan in which property or real estate is used as collateral.
- In mortgage loan, underwriting lenders normally consider the following items about potential borrowers:
  - Credit History
  - Capacity
  - **Collateral Value**

# Introduction

## Collateral Value

- The market value of anything used as a **collateral** to support a loan.

For lenders **collateral value** is used as a:

- Base for the loan amount – **LTV**
- Lenders Risk Control Measure – **Default**

Therefore in mortgage loan underwriting, estimation of collateral value (property or real estate value) is critical.

# Research Problem

- Lenders attach great importance to the **quality and reliability of mortgage valuation** (collateral value) i.e. procedures and whole process involved in making financial decision.
- Therefore, it is particularly important that assessment is performed as to whether external valuation clients **needs and expectations** are being met as concerns the **quality of valuations**.

# Methodology

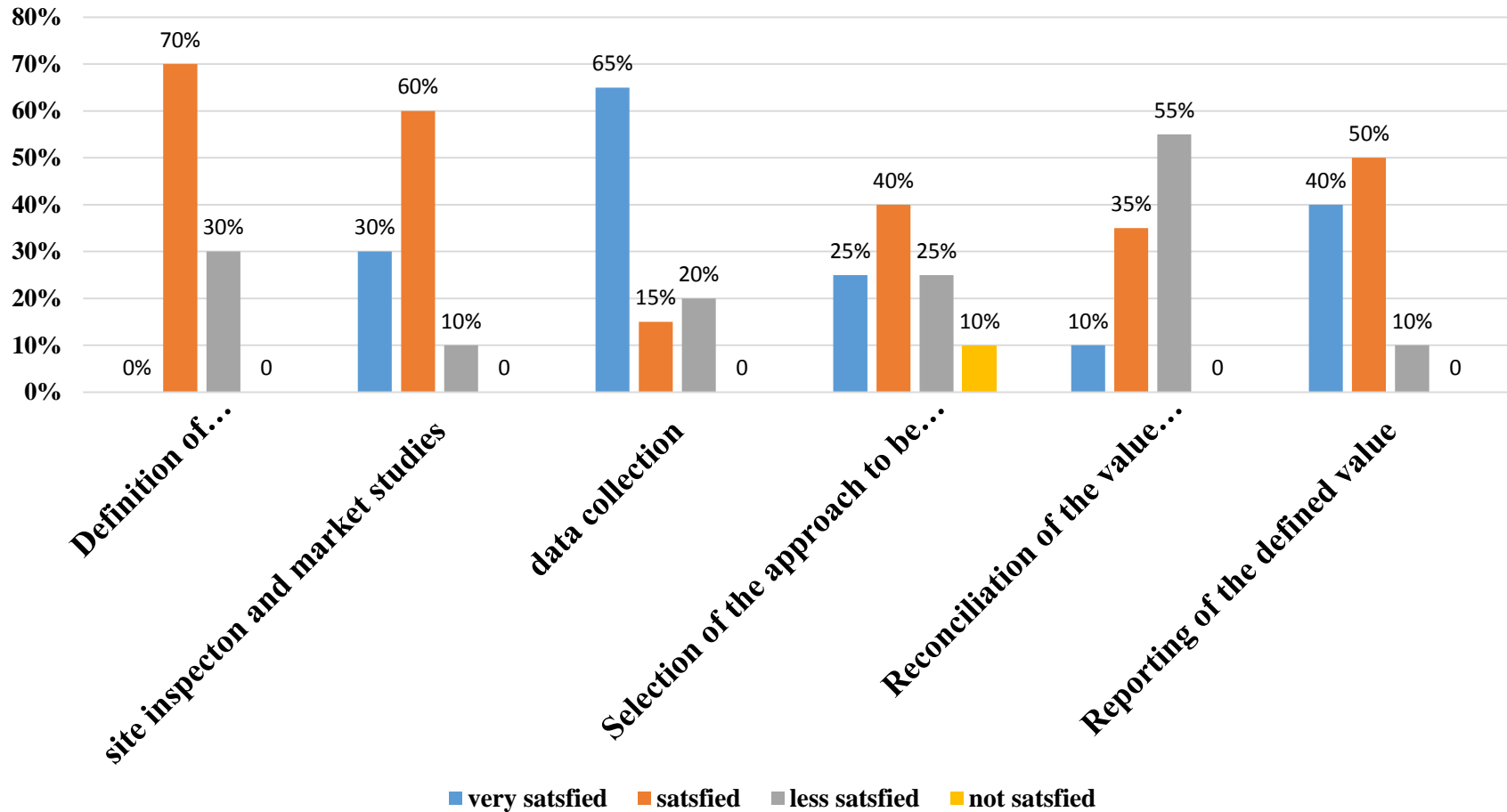
- 15 credit officers from commercial banks offering mortgage finance were interviewed
- 2 in-house valuers from two banks.
- Data were analyzed using thematic analysis, and presented as graphs, figures and tables in the report.

# Findings

- Lenders perception concerning their expectations and needs towards mortgage valuation were measured based on four aspects:
  - Aspects involved during valuation for mortgage purpose
  - Legal attachments required in mortgage valuation
  - Endorsement process by respective authorities
  - Realization of value in default

# Aspects Involved During Valuation For Mortgage Purpose

**Lenders Satisfaction Level on Aspects In Mortgage Valuation**



# Legal Attachments Required In Mortgage Valuation

- 70% of respondents were satisfied with legal aspects treatment during mortgage valuation including:
  - Official search,
  - Title of the property,
  - Encumbrances, and
  - Property ownership.

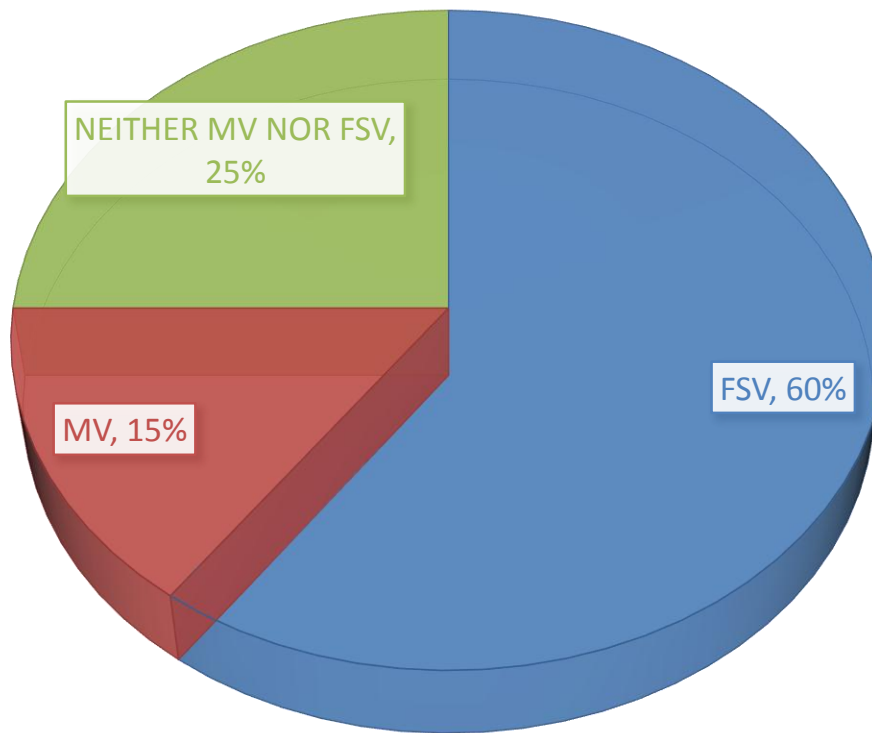


# Endorsement Process By Respective Authorities

- There are still problems in the respective authorities as highlighted by lenders, like:
  - **Overvaluation of properties**
  - **Misrepresentation of property status - bare lands vs developed property**

# Realization of Value In Default

## RESULTS



# Challenges Lenders Encounter In Mortgage Valuations

- Overvaluation of properties
- Valuation approaches used
- Use of ghost properties as collateral
- Failure to disclose material information
- Valuation carried in unfamiliar markets

# Recommendations

## **For lenders:**

- Should do participatory valuation for properties used as collateral as well as crosscheck if the property exists.
- Employing in house valuers to approve and cross check valuations done.

# Recommendations

## **Valuers and Valuation Firms**

- Valuers should seek and acquire continuous professional trainings and development to be updated.
- Valuers should not make use of ghost properties
- Should adhere and comply with provided standards, ethics and professional code of conduct

**THANK YOU**

**ASANTE SANA**