



FIG WORKING WEEK 2012

May 6–10 2012
Rome, Italy



FINANCIAL AND ESTIMATING INDICATORS FOR ASSESSMENT OF MORTGAGE LENDING VALUE



“The mortgage lending value is defined as the value of the property as determined by a prudent assessment of the future marketability of the property taking into account long term sustainable aspects of the property, the normal and local market conditions, and the current use and alternative appropriate uses of the property. Speculative elements shall not be taken into account in the assessment of the mortgage lending value. The mortgage lending value shall be documented in a clear and transparent manner”.

Directive of the European Parliament 2006/48/EC dated 14 June 2006





- Prudent assessment of its future marketability;
- Speculative elements;
- Assumptions;
- Percentage deduction from market value;
- Mortgage assessment.

$$DCR = \frac{R}{Q}$$

where:

- R = net annual income (*euro/year*);
- Q = annual repayment instalment (*euro/year*).

$$LTV = \frac{M}{V}$$

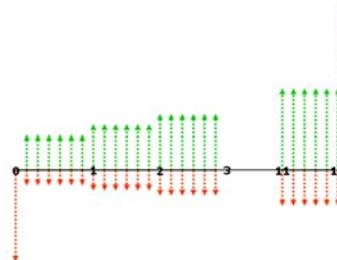
where:

- M = mortgage (*euro*);
- V = value (*euro*).

$$s = \frac{R}{V} = DCR \cdot LTV \cdot \frac{r}{1 - (1+r)^{-m}}$$



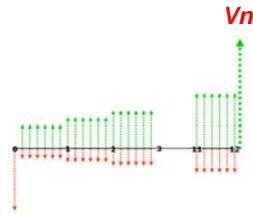
$$V = R \cdot \frac{1 - \left(\frac{1+l}{1+s_f} \right)^n}{s_f - l} + \frac{R_n}{s_n} \cdot (1+s_f)^{-n}$$



where:

- R net income of the first year of the property to be assessed (euros/year);
- l annual rate of variation of the net income;
- s_f capitalisation rate in the financial capitalisation method;
- R_n net income of the last year of the property to be assessed (euros/year);
- s_n final capitalisation rate (going out rate);
- n duration of the period of availability (years).

$$V_n = \frac{R_n}{s_n}$$



where:

V_n final resale value (euros);

R_n net income of the last year of the property to be assessed (euros/year);

s_n final capitalisation rate (going out rate);

$$s_n = s \cdot \left(\frac{1+l}{1+d} \right)^n$$

where:

s capitalisation rate

s_n final capitalisation rate (going out rate);

l annual rate of variation of the net income

d annual rate of variation

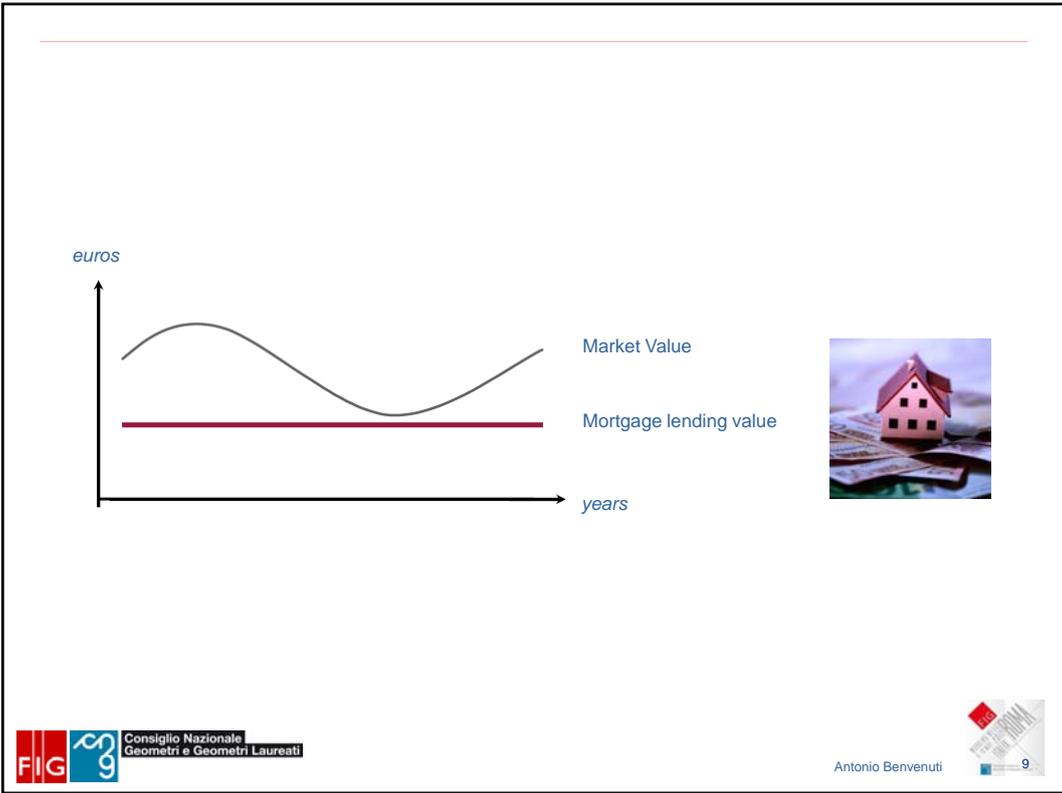
$$s = \frac{R}{V} = \text{DCR} \cdot \text{LTV} \cdot \frac{r}{1 - (1+r)^{-m}}$$

$$S_f = S \pm d$$

S_f

$$s_n = s \cdot \left(\frac{1+l}{1+d} \right)^n$$

S_n



... thanks you for your attention!.

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10