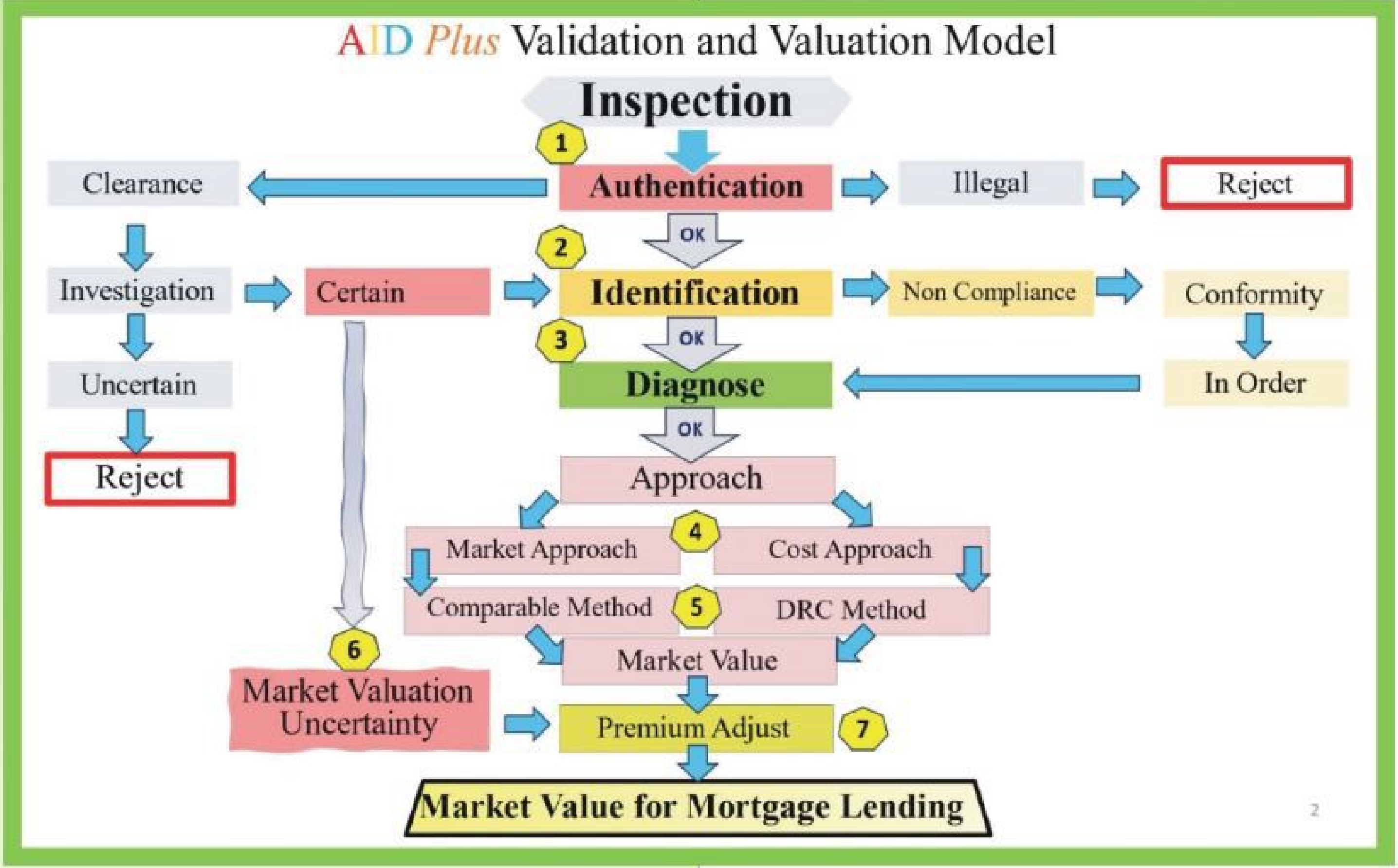
Is Technical expertise or Valuation theories more crucial for determining LSV?

Loan **S**ecurity **V**aluation is one of the main valuation elements which takes place more than one third of the entire valuation services related to vehicle and machinery valuations. Therefore, the significance of understanding and critically analyzing this LSV component is important, since it has a vast impact to the economy of the country in many ways.

various aspects, even those not explicitly outlined in written notices. Authentication and identification emerge as pivotal steps in this scenario, contributing significantly to the lender's risk mitigation strategy associated with potential asset sales.

Emphasizing the foundational significance of the initial three steps (Validation Phrase) - Authentication, Identification, and Diagnose - the article stresses the need for meticulous attention to these preliminary stages before advancing to the inspection phase. This careful approach establishes a robust groundwork for subsequent phases of the valuation.



With reference to the article published in Volume 01 of "The Automotive Engineer" magazine, delve into a comprehensive exploration of the valuation process, specifically focusing on Loan Security Valuations – LSV (mortgage valuations). This article meticulously details the scientific approach employed in determining the value of assets, emphasizing the crucial role of authentication, identification, and diagnosis in mitigating risks, particularly in the context of assessed assets serving as security for loans.

The article sheds light on the unique engagement between valuers and lenders, underscoring the significance placed on the valuer's confirmation and certification of

In Loan Security Valuation (LSV), the extent of technical appraisal typically remains at a superficial level unless explicitly agreed upon in the terms of engagement with the client or any intended user. However, the valuer may exceed this level and either conduct various levels of appraisals or analyze reports provided by a qualified technician.

Conversely, member valuers are granted full authority to do so, with the understanding that assumptions, special assumptions, limitations, and special considerations adhere to international standards, contingent upon the client's pre-agreement.

Superficial appraisal, a critical aspect, includes the following 12 points:

1. Condition of the engine and other systems.
2. Condition of the gearbox and drive train.
3. Structural and body conditions.
4. Interior and exterior overlook.
5. Functionality and performance.
6. Safety and Hazard identification.
7. Identification of non-compliance with prototype and legal complications.
8. Observations of accidents and major repairs.
9. Observations of deteriorations and obsolescence.
10. Estimate the economical value over the life span.
11. Check the quality of the extras and calculate the impact on the overall value.
12. Ability to assess comprehensive material technical uncertainties.

Loan security valuation process can be strategically divided as 50% validation and 50% valuation. Notably, 80% of the validation process relies on technical competence, constituting 40% of the entire assignment. This technical component comprises solely superficial inspections and appraisals, with provisions to refer to specific technical reports when required to understand the degree of condition and its impact on value.

The second phase of the Valuation Model (Valuation Phrase) focuses on how Valuation Principles should be applied in a scientific and methodical way to arrive at a realistic market value. For assets with homogeneous characteristics, such as vehicles and machinery mostly, the market Valuation approach is commonly employed, especially in loan security valuations.

The term "Loan Security Valuation" itself indicates the security expected by the intended users of the opinion. Financial institutions rely on valuers to assess all foreseeable risks during inspections to mitigate potential impacts on the loan facility.

While the article provides a concise overview of valuation principles, its primary aim is to serve as a valuable resource for those aspiring to become professional valuation officers. Although not delving into an in-depth exploration, it presents a conceptual arrangement of valuation mechanisms, offering insights into the significance of both technical appraisal and the application of valuation principles in achieving proficiency as a valuation officer.

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The subsequent step in the Valuation mechanism involves engaging with and selecting the most fitting approach and method and its related application to estimate value. Regardless of the method used, it is imperative to consider the lowest value to proceed further. Constructing the estimation on a comparable basis poses a challenge unless the right application is adhered to. One to One, Continual, Peripheral and Rule of Thumb are the primary applications employed during this stage.

The critical importance of making adjustments for any material valuation uncertainties to arrive at the most informed valuation judgment. It unequivocally asserts that the valuation process encompasses a combination of technical appraisal and the judicious application of valuation principles, providing valuable insights into the intricate nature of loan security valuation.

Concluding the article, it asserts that the concept of loan security valuation stands as a major valuation theory widely utilized in the Sri Lankan market. It acknowledges the continuous challenges faced by the finance industry due to various misconducts and incompetence. The arguments brought by various parties, so as to conclude this valuation assignment is merely a technical approach whilst some Others want to corner it at valuation principles, finally it can be considered as Valuation is a multi-disciplinary workout underpinned by technical and principles-based concept.

Isuru Senaratne MRICS
Chartered Valuation Surveyor
FICM, MIAE, MNIOSH

Director/President
Institute of Automotive & Machinery Valuers - SL

Managing Director
CareDrive Valuation & Consultancy (Pvt) Ltd.