# Best Practices in PROPERTY VALUATION for Banks and Financial Institutions

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# 🕮 Preface

***Best Practices in Property Valuation for Banks and Financial Institutions***

In a nation as vast and diverse as India, where real estate intersects with law, legacy, and livelihood, the role of the property valuer has evolved into one of profound responsibility. For banks and financial institutions, property valuation is not merely a procedural requirement—it is the bedrock of secured lending, credit discipline, and risk containment. In this context, the valuer stands as a sentinel of trust, precision, and ethical balance.

Over the past decade, I have had the privilege of working with leading financial institutions, legal professionals, and fellow valuers. My journey—from site visits in rural Bengal to audit discussions in bank panels—has taught me that while properties may differ in structure, documentation, or geography, the principles of prudent valuation remain universal.

This book is a humble consolidation of that journey. It brings together regulatory understanding, technical protocol, field-tested communication, and more than a hundred real-world cases—many of which are not found in any textbook. Each chapter has been crafted to support the valuer not only in formulating accurate reports but also in making decisions when documentation fails, when clients resist, or when legality is unclear.

Valuers and their assistants today face increasing scrutiny—from internal audit, statutory regulators, and public accountability. In this climate, documentation, neutrality, and defensible reporting are no longer optional—they are essential. Through this book, I hope to provide a practical and principled guide for valuers, bankers, and young professionals seeking to uphold the highest standards of valuation excellence.

This book would not be possible constant guidance of Prof. Dr Sujoy Kumar Biswas. I also like to express my sincere gratitude to my team Malay, Rajib , Binoy, Kaushik, Satyajit, Jaydeep, Biswarup, Sourav and all other supporting people who constantly helped me and provided practical inputs which constituted the detailed case studies in this work.

I express my deepest gratitude to my mother Bulbul Chakraborty , wife Sangita and my best friend , my son Parnanko. Their unconditional love, encouragement, and sacrifices made me the person I am today. Their unwavering faith in me has been the foundation of my strength throughout this journey.

A special tribute goes to my beloved father, who departed for heavenly abode on 14th January 2025. His values, wisdom, and unwavering support have been my guiding light. His belief in my potential and his words of encouragement continue to inspire me, even in his absence. I dedicate this work to his cherished memory, knowing that he would have been proud of this achievement.

May this work contribute, even in a small way, to the strengthening of India’s financial architecture and the dignity of our profession.

**Parijat Chakraborty**

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# PART I: FUNDAMENTALS OF VALUATION

# Chapter 1:
# Introduction to Property Valuation

Property valuation is a critical process that lies at the intersection of real estate, law, finance, and public trust. It involves a comprehensive assessment to determine the fair market value of a property, reflecting its worth based on its physical attributes, legal title, permissible land use, location, and prevailing market conditions. For banks and financial institutions, property valuation plays a pivotal role in secured lending, forming the foundation upon which credit decisions are made and risks are assessed.

In the context of institutional finance, valuation is not merely a technical exercise but a risk mitigation tool. It safeguards the lender by ensuring that the loan amount sanctioned against a property does not exceed its realizable value. A precise valuation prevents over-financing, discourages misrepresentation of assets, and provides a defensible basis for the bank's recovery position in case of default. Moreover, in NPA (Non-Performing Asset) management, accurate valuation enables correct provisioning, revaluation, and classification of assets in line with regulatory expectations.

The valuer, therefore, assumes a position of significant responsibility. As an independent and professionally trained expert, the valuer must maintain objectivity while navigating through legal documents, architectural plans, site conditions, and market intelligence. His or her report must withstand both internal audit scrutiny and legal challenge, while also being practically useful to the bank's loan processing and credit monitoring teams.

Various types of valuations are undertaken depending on the purpose—ranging from fair market valuation for loan sanction, to forced sale value in case of distress recovery, to rental assessments and litigation-related evaluations. Regardless of type, every valuation must be rooted in sound methodology and align with statutory compliance.

In India, valuation practice is governed by an evolving framework that includes International Valuation Standards (IVS), the Indian Banks' Association (IBA) guidelines, and directives issued by the Reserve Bank of India. Banks may also have their own internal valuation protocols. As the regulatory environment becomes more stringent and the real estate landscape more complex, the demand for diligence, documentation, and defensibility in valuation reports continues to grow.

This book is a practical guide for valuers, bankers, and stakeholders who rely on property valuation for financial decision-making. It is drawn from real-world experiences, field documentation, and institutional correspondence. Each chapter will explore specific aspects of valuation, highlight potential red flags, and outline best practices to ensure both compliance and credibility in every assessment.

## 1.1 What is Property Valuation?

Property valuation is the science and art of determining the fair market value of a real estate asset—be it land, building, or a combination—based on legal, physical, and market parameters. For financial institutions, it forms the backbone of risk assessment in secured lending.

## 1.2 Importance in Banking & Financial Ecosystem

- Ensures the loan amount is within the recoverable value.
- Helps prevent fraud and over-financing.
- Acts as an objective basis for asset classification in NPA cases.
- Supports transparency and accountability in credit operations.

## 1.3 Role of the Valuer

- Acts as a neutral third party between borrower and lender.
- Must verify legal, structural, and locational compliance.
- Reports must be legally defensible, technically sound, and practically useful.

## 1.4 Types of Valuations

- **Fair Market Valuation**
- **Distress/Forced Sale Valuation**
- **Rental Assessment**
- **Valuation for Legal Disputes**
- **Revaluation for NPA Classification**

## 1.5 Valuation Standards & Guidance

- International Valuation Standards (IVS)
- Indian Banks' Association (IBA) guidelines
- Reserve Bank of India Circulars
- Bank-specific credit policies

# Chapter 2:
# Legal and Regulatory Framework

The process of property valuation for financial institutions is deeply interwoven with the legal identity and statutory compliance of the asset. A well-prepared valuation report not only determines the market worth of the property but also reflects the legal sanctity and convertibility of the asset into cash, should enforcement become necessary. Hence, it is essential that valuers possess a sound understanding of the laws and regulations that govern land ownership, construction approval, and financial prudence.

At the core of legal verification are the **land title documents**. These include the *Deed of Sale*, *Khatian* (Record of Rights), *Mutation Certificate*, *Conversion Certificate*, and *Tax Receipts*. The valuer must ensure that:

1. **Dag and Khatian numbers** in all documents match and correspond to the actual land parcel.
2. The land has been **mutated in the name of the present owner**, with proper proof of possession.
3. If the land was originally agricultural, a **Conversion Certificate** must confirm that the use has been legally changed to residential or commercial, as applicable.

A critical reference tool in West Bengal and several other states is the *BanglarBhumi* portal, which enables online verification of plot details, classification, conversion status, and mouza maps. However, online data must always be corroborated with physical documents and site observations.

Apart from ownership verification, **sanctioned building plans** must be closely scrutinized. These plans are typically approved by municipal corporations, development authorities, or panchayats. The valuer should confirm:

1. The plan is **duly stamped and signed** by the approving authority.
2. The plan shows **clear demarcation of floors, units, open sides, and built-up areas**.
3. The plan is **valid as per date** and has not expired at the time of inspection.
4. **Deviation from the sanctioned plan**, if any, is documented and appropriately flagged.

Modern housing projects are also governed by the **Real Estate (Regulation and Development) Act, 2016 (RERA)**. For under-construction or newly built apartments, the valuer must check:

- Whether the **project is registered under RERA**.
- If the **unit under valuation is listed in the RERA layout**.
- Whether **completion status** and stage of construction matches what's declared online.

For properties being financed by banks, compliance with **bank-specific valuation guidelines** is mandatory. These often draw from directives issued by the **Reserve Bank of India (RBI)**, the **Indian Banks' Association (IBA)**, and internal credit risk policy manuals. Some banks (e.g., Bank of Baroda) may not accept under-construction projects without RERA approval, while others may set thresholds for deviation tolerance or impose limits on non-converted land financing.

In addition, the valuer must consider:

- **Legal Search Reports (LSR)** to verify if the property is free from encumbrance.
- **No Objection Certificates (NOCs)** from authorities in the case of apartments or group housing.
- **Zoning and Master Plan Regulations**, especially for commercial or semi-urban areas.

The valuation report must reflect a holistic view—technical, legal, and regulatory—because any deficiency in compliance could lead to the bank's security interest being compromised. As a custodian of financial prudence, the valuer's role is not only to report but also to alert.

# Chapter 3:

# Land Classification and Title Verification

Proper verification of land classification and title is the cornerstone of reliable property valuation. It determines the legal usability of the land, its developmental potential, and whether it can be lawfully mortgaged to a financial institution. Inaccurate or incomplete title verification can expose both the lender and the valuer to significant risk—including potential loan default, litigation, and asset recovery complications. This chapter outlines the key elements that a valuer must scrutinize before forming an opinion on land value.

Every parcel of land in India is classified by the revenue department under a particular usage category. The most common classifications include **agricultural**, **residential**, **commercial**, **industrial**, and **water body or vested land**. While a land parcel may be physically used for residential purposes, unless it is legally converted from agricultural or other restricted use, such development may be unauthorized. Hence, the valuer must first ensure that the **land use classification is suitable for the proposed or existing construction**.

For this purpose, the following documents are typically reviewed:

1. **Porcha / Record of Rights (RoR)** – Indicates ownership, classification, and possession history.

2. **Dag and Khatian** numbers – Used to uniquely identify the land plot in revenue records.
3. **Mutation Certificate** – Confirms that the property has been transferred in the owner's name in the land records.
4. **Conversion Certificate** – Essential if agricultural land has been legally converted to residential or commercial use.

It is important that the valuer cross-checks all the above documents with one another, as **discrepancies between the Deed, Mutation, Porcha, and Conversion Certificate** are often the source of legal conflict. For example, a Sanction Plan may show a building on 3.4 decimals of land, but the Conversion Certificate may only mention 2 decimals within a single Dag. Such mismatch, if not flagged, could render the mortgage unsustainable.

In many cases, valuers may use official portals such as **BanglarBhumi** to verify online records, including mouza maps, classification, and ownership history. However, digital records should not substitute original certified documents obtained from the client. Any inconsistency in Dag number, classification status, or Khatian entries between documents and portal data should be explicitly mentioned in the report.

Another important aspect is to identify whether the land is part of a **consolidated Dag or shared plot**. If the borrower's property is part of a larger land holding shared with family members or co-owners, the valuer must clarify whether clear demarcation exists, preferably supported by **Amin Sketch** or

**Partition Deed**. In absence of this, the valuation may be considered speculative.

The valuer should also be cautious of:

- **Vested or Khas land** (government-owned), often shown illegally as private property.
- **Land under litigation**, with legal stay or encumbrances.
- **Land in environmentally restricted zones**, such as wetlands or CRZ areas.

When in doubt, the valuer is advised to request clarification from the bank or suggest legal verification before proceeding. A conservative approach to doubtful land classification protects the credibility of the valuation report and ensures that financial institutions are not exposed to unenforceable mortgage security.

# Chapter 4:

# Documents Required for Valuation

Accurate property valuation depends as much on the authenticity of documents as on the physical features of the site. A valuer's primary responsibility is not just to assess the value of the physical structure, but to ensure that the legal and technical documentation supports the ownership, usability, and mortgageability of the property in question. Financial institutions rely heavily on this documentary due diligence to avoid exposure to defective titles, illegal constructions, and undervalued securities.

Before initiating the site inspection, the valuer must request and carefully examine a comprehensive set of documents that establish the legal, structural, and locational profile of the property. The core set of documents typically includes the following:

1. **Title Deed / Deed of Sale**: This is the fundamental document proving ownership. It must clearly mention the Dag and Khatian numbers, extent of land, schedule of property, and the party transferring ownership. The name of the borrower must match the title holder without ambiguity.

2. **Agreement for Sale** (in case of flats under construction or recent bookings): This outlines the agreed terms between buyer and developer. It must mention the flat number, block, floor, area, parking rights, and payment schedule. It serves as the basis

for verifying the promised property against what exists on ground.

3. **Sanctioned Building Plan**: Issued by the municipal or panchayat authority, this must bear the signature and seal of the approving officer. The plan should clearly specify:

    - Number of floors approved
    - Flat-wise layout and orientation
    - Built-up area and open sides
    - Common amenities (e.g., staircases, lifts, car parking)

    Valuers should be cautious of unsigned or expired plans, or cases where the construction deviates materially from the sanctioned drawing.

4. **Conversion Certificate**: Especially for land converted from agricultural to residential/commercial use, this document is mandatory. It must clearly mention the Dag number and the extent of land converted.

5. **Mutation Certificate**: Proves that the land has been recorded in the name of the present owner in municipal or panchayat records. Mutation is important for tax liability and proof of possession.

6. **Record of Rights (RoR) / Porcha / Khatian**: These government-issued land records confirm classification and lineage of ownership. Any discrepancy in Dag/Khatian between the RoR and Deed must be reconciled.

7. **Tax Receipts and Utility Bills**: Recent property tax receipts, electricity bills, and water connection papers help confirm that the property is actively used and not under dispute or abandoned.
8. **Completion Certificate (CC)** and **Occupancy Certificate (OC)**: In case of completed structures, these are issued by the competent authority and certify that construction has been done as per sanctioned plan and is fit for occupation.
9. **RERA Registration Certificate**: For projects falling under RERA jurisdiction, particularly under-construction properties, the valuer must confirm the project's RERA registration status, floor approval, and carpet area declared.
10. **Amin Map / Mouza Map / Site Sketch**: These help match the site layout with government land records and verify location, boundaries, and access paths.

The valuer must insist on legible, complete, and verifiable copies of these documents. Where only photocopies are provided, the report must clearly state so. If any critical document is missing or has conflicting data (such as differing areas across plan and agreement), the valuer should refrain from concluding the valuation or issue a report only after clarifying the anomaly.

In instances where the client refuses or fails to provide key documents, it is both acceptable and advisable to return the assignment with a formal communication, as per the format established in earlier chapters. Adhering to proper documentation review ensures that the valuation stands up to legal scrutiny and audit compliance, and serves the bank's interests with professionalism and integrity.

# PART II: TECHNICAL INSPECTION & REPORTING

# Chapter 5:

# Site Visit Essentials

A site visit is not merely a physical walkthrough—it is the valuer's opportunity to verify, validate, and visualize whether the property aligns with the documents submitted. While papers may claim legality and order, it is often during site inspection that irregularities come to light. For financial institutions, the site visit serves as a ground-level audit of the mortgage asset. Therefore, a well-prepared and methodical approach to the visit is essential.

Before the inspection, the valuer must **scrutinize all documents received**—Deed, Agreement for Sale, Sanctioned Plan, and Conversion Certificate. This pre-review enables the valuer to identify potential red flags, such as mismatch in area, unclear flat number, or expired sanction plans. Based on this, a preliminary checklist can be prepared for verification on-site.

At the time of the visit, the valuer should ensure the following:

1. **Presence of the owner/representative**: Site access must be coordinated in advance. In case the owner is absent, the valuer should document the same and decide whether to hold or return the assignment based on the seriousness of access denial.
2. **Physical measurements**: Carry measuring tapes or laser devices to verify built-up area, room dimensions, ceiling height, setbacks, and open space

claims. These should be cross-checked against the Sanctioned Plan.

3. **Verification of location and orientation**: Ensure the flat or house is positioned as per documents (e.g., "North-East facing 1st floor flat" must match physical reality). Use compass or GPS where required.
4. **Construction quality and completion status**: Note whether construction is complete, under construction, abandoned, or structurally unsafe. In under-construction cases, match the declared stage with what exists on-site.
5. **Check land conditions**: For land plots, verify boundary markings, road access, usage (converted vs non-converted), and surrounding encroachments. Amin Map or Mouza Map can be a valuable aid.
6. **Photographic evidence**: Capture clear, dated photographs of:
    - Entry gate and address board
    - Street/road leading to the property
    - Front and rear elevations
    - Internal rooms, kitchen, toilets, staircases, and open sides
    - Any discrepancy areas (e.g., overbuilt zone, deviation from plan)

In cases of **joint buildings or common walls**, the valuer should comment on demarcation, shared roofs, and access limitations. If a staircase or rooftop is used in common with another unit, this should be highlighted, especially if not clarified in the Deed.

Valuers should be particularly alert to **obstructed or indirect access routes**. If the property is landlocked, reachable only through another's premises, or accessible by waterway (e.g., boat only), the bank must be informed immediately for policy advice.

In every site visit, **professionalism and neutrality** are paramount. The valuer is not expected to engage in dispute resolution, but must document what is verifiable. If any situation arises where confirmation is not possible—due to locked flats, refusal of access, or incomplete construction—the valuation should be put on hold, and a formal communication must be sent to the bank, stating the cause and recommending next steps.

In conclusion, the site visit is a powerful layer of due diligence that transforms a document-based assessment into an informed, verifiable valuation. It anchors the report in ground reality and protects the financial institution from potential lending risk.

# Chapter 6:

# Sanction Plan Analysis

Among all documents reviewed during the valuation process, the Sanction Plan occupies a place of critical importance. It is the legally approved blueprint that governs the allowable development on a piece of land. For a valuer, analyzing the Sanction Plan is not only about reading technical drawings—it is about interpreting legality, assessing deviation, and identifying whether the actual construction is in conformity with what has been lawfully permitted.

A Sanction Plan is typically issued by a competent authority such as a municipal corporation, panchayat, development authority, or urban planning board. It provides a formal nod to the builder or landowner to carry out construction as per specific parameters, including floor-wise layout, built-up area, open space, side margins, elevation, staircases, and parking arrangements.

During valuation, the following critical aspects of the Sanction Plan must be closely examined:

1. **Authentication of the Plan**: The plan must bear the stamp and signature of the approving authority along with the date of approval. Unsigned or expired plans are not legally valid and must be flagged.
2. **Number of Floors Sanctioned**: Compare this with actual construction. For instance, if the Sanction Plan permits G+3 floors, but a 5th floor is found

constructed on-site, this constitutes a serious deviation.

3. **Unit-wise Distribution**: The plan must clearly indicate how many dwelling units are approved per floor. If a floor sanctioned for one unit is found divided into two, it must be noted as a structural modification beyond approval.

4. **Flat Orientation and Positioning**: Details such as "Flat A on the North-East side" must match site reality. Any mismatch between documented and observed flat placement—whether in side, entrance location, or alignment—should be documented in the valuation report.

5. **Built-up Area and Setbacks**: Measure the actual built-up area against the approved one. Construction beyond the sanctioned footprint, especially into side margins or car parking areas, should be specifically mentioned.

6. **Amenities and Common Features**: Check for presence and positioning of lifts, staircases, balconies, common passageways, and water tanks. Their absence or relocation from the plan is a material deviation.

7. **Use of Space as Per Plan**: One of the most common irregularities is residential usage in spaces sanctioned for car parking or commercial use. If the Sanction Plan marks an area as "car park" and it is found built into a flat, this must be clearly stated.

If the Sanction Plan is not available or not legible, the valuer must refrain from commenting on conformity and suggest holding or returning the assignment until a valid copy is provided. Similarly, in RERA-compliant projects, the Sanction Plan uploaded on the RERA portal must be cross-verified with the one provided by the client.

In cases of older constructions or unorganized development zones, it is common to encounter plans that were either never sanctioned or have expired. In such instances, the valuer should highlight the absence of a legal construction permit and advise the bank to exercise caution.

It is also important to note that minor deviations (such as shifting a door or window) may be tolerable depending on bank policy, but **major deviations**—additional floors, change of use, or extra units—must be treated as valuation constraints.

In sum, the Sanction Plan is the legal lens through which the physical structure must be viewed. A mismatch between what is drawn and what is built not only affects value—it questions legality. As such, a meticulous review of the Sanction Plan is one of the valuer's foremost duties in delivering a reliable and defensible report.

# Chapter 7:
# Area Measurement Techniques

Accurate measurement of area is the backbone of any property valuation report. Whether for a flat, bungalow, commercial unit, or vacant land, the valuer's ability to correctly interpret and report various area metrics determines not only the credibility of the valuation but also its alignment with legal and financial norms. In the context of financial institutions, any overstatement or understatement of area can significantly affect the loan-to-value ratio, leading to regulatory and financial complications.

In India, area is described in several terminologies, each with specific implications. The most common categories include **Carpet Area**, **Built-up Area**, **Super Built-up Area**, and for land parcels, **Decimal**, **Katha**, **Square Meter** or **Square Feet** as units. The valuer must be proficient in converting, verifying, and documenting these with precision.

The **Carpet Area** refers to the actual usable area within the walls of the flat—excluding thickness of walls, balconies, staircases, and common passages. It is the purest representation of liveable space. **Built-up Area** includes the carpet area along with the thickness of the walls and possibly a proportion of the balcony or utility space. **Super Built-up Area**, often used by builders and in sale agreements, includes the built-up area plus a proportionate share of common areas such as lobbies, lifts, staircases, clubhouse, etc.

During a site inspection, the valuer should carry:

1. A **laser distance meter** or measuring tape.
2. **Printed floor layout**, if available, for cross-verification.
3. A **notebook and calculator** for quick area calculations.

The following steps are essential for accurate area estimation:

1. **Room-by-Room Measurement**: Each room's length and breadth should be measured to determine exact square footage. Kitchen, toilet, and balcony areas must also be measured separately.
2. **Ceiling Height**: Especially in commercial properties or duplex units, the ceiling height contributes to volume perception and utility. Unusually low ceilings or mezzanine additions must be noted.
3. **Wall Thickness Consideration**: For built-up calculations, wall thickness—typically between 4.5 inches (partition) to 9 inches (external)—must be factored in. Failure to do so results in inflated or understated area reports.
4. **Setback and Open Area Confirmation**: In bungalows and standalone plots, it is essential to measure open spaces, setbacks, and overall footprint in relation to the site boundary. This is especially relevant in sanction plan conformity checks.
5. **Verification Against Agreement/Deed**: The measured area must be compared with the area mentioned in the Deed, Agreement for Sale, and

Sanction Plan. Any inconsistency should be flagged with a clear explanation.

6. **Shared Spaces**: In flats within complexes, the proportion of shared spaces claimed under "super built-up area" should be evaluated in context. Builders often exaggerate this to inflate saleable area and value.

In land valuation, the unit of measurement can vary—**Decimal**, **Katha**, **Bigha**, **Cottah**, or **Acre**—depending on regional norms. A valuer must be fluent in conversion factors (e.g., 1 Decimal = 435.6 sq.ft.) and ensure that Dag/Khatian area, mutation area, and physical area are reconciled.

When deviation arises—say, the Agreement claims 1,200 sq.ft., but physical measurement reveals only 1,050 sq.ft.—this must be clearly highlighted in the report. The valuer may choose to adopt the lower figure as a conservative measure or mention both figures with an explanatory note.

Additionally, for multistorey buildings, **staircases, lift shafts, and service ducts** should be observed carefully, especially when flats are shown as having more built-up area than structurally possible. If rooftop areas, garden terraces, or car parking are being claimed as part of flat ownership, these must be validated legally.

Ultimately, area measurement is both a mathematical and legal act. It quantifies not just what is built, but what is permissible and mortgageable. A professionally derived area statement lends authority to the valuation report and offers clarity to the bank regarding its financial exposure.

# Chapter 8:
# Land Area Mapping

In property valuation—particularly for land parcels or standalone structures—the alignment between document-based land records and actual site layout is critical. Land area mapping serves as the link between the theoretical and the tangible. It helps confirm ownership boundaries, evaluate access, and detect possible encroachments or overlaps. For financial institutions, accurate mapping ensures that the mortgaged property corresponds precisely to the asset declared in the legal and technical documents.

Land parcels in India are primarily identified through their **Dag** and **Khatian** numbers. These are unique identifiers allocated by the revenue department to catalog specific plots and record their ownership. However, mere mention of Dag/Khatian in a Deed or Conversion Certificate is not enough; the valuer must confirm that the physical land inspected corresponds with the designated Dag(s).

This is where **land area mapping tools** and documents come into play. Chief among them are:

1. **Amin Map (or Site Sketch by Government Surveyor)**: A hand-drawn or digitally rendered plan that shows the exact shape and location of the land parcel within a mouza. It often includes adjacent plots, roads, water bodies, and government land. This is crucial in confirming demarcation and verifying whether the claimed land is identifiable on ground.

2. **Mouza Map / BLRO Map**: Issued by the Block Land & Revenue Office, this map shows an entire area or mouza segmented into individual Dags. It serves as an official baseline for comparison and dispute resolution. Valuers often use this to match the boundaries shown in the Deed against official government layout.
3. **Site Plan or Layout Map from the Promoter**: In case of real estate projects, developers often provide their own site layout, showing internal road access, plot numbers, amenities, and common areas. While useful, these must be treated as secondary references, subordinate to government-sanctioned maps.

During inspection, the valuer should do the following:

- **Compare the Dag and Khatian from the Deed with the Amin or Mouza Map**. Confirm whether the plot's size, shape, and position correspond with the map.
- **Verify access road location and width**. Discrepancies are common—documents may state "approach road from the East," but the site may be landlocked or reachable only through another's plot. In such cases, the bank should be informed for policy-based advice.
- **Identify plot boundary markers**, if available—brick pillars, fencing, trees, or walls. Their absence can lead to future disputes and should be noted in the report.

- **Check for overlapping construction** beyond sanctioned Dag, especially in cases where land spans multiple Dags but only a portion is converted. Construction over non-converted land must be clearly recorded, and banks cautioned.
- **Note any natural constraints** like ponds, uneven terrain, high-tension lines, or rights of way across the land. These can reduce usable area and impact valuation significantly.

In semi-urban or rural areas, site demarcation is often vague. In such cases, the valuer may request the client to arrange for **Amin verification** or legal demarcation before a reliable valuation can be provided. If no boundary markers exist and documents are inconsistent, it is advisable to **hold or return the assignment** with a reasoned explanation.

Additionally, in projects under **RERA**, the land parcel and building footprint must be matched with the registered layout plan. If deviations are found, they should be reported.

In conclusion, land area mapping transforms abstract plot numbers into real, measurable, and mortgageable space. It offers spatial certainty to the bank, protects against disputes, and strengthens the valuer’s position as a credible technical consultant. In an era of digitization and geo-referencing, this process is becoming not just advisable—but indispensable.

# PART III: RED FLAG SCENARIOS & HANDLING

# Chapter 9:

# Common Valuation Anomalies

Despite the best efforts of document collection and client cooperation, valuation assignments often reveal anomalies—gaps, mismatches, and irregularities that challenge the valuer’s ability to provide a conclusive opinion. These anomalies may be minor, calling for clarification or correction, or they may be significant enough to warrant holding or rejecting the assignment altogether. For financial institutions, unreported anomalies can translate into compromised security, legal disputes, or recovery failure. Hence, it is vital that valuers not only identify these red flags but also handle them with professional restraint and documented clarity.

The most frequently encountered anomalies in valuation fall into distinct categories:

**1. Area Mismatch**

This is among the most common issues. It typically arises when the built-up or super built-up area mentioned in the Deed, Agreement for Sale, or Sanction Plan does not match the actual measured area during site inspection. For example:

- Agreement mentions 1,200 sq.ft., but physical measurement shows 950 sq.ft.
- Sanction Plan shows 2 units per floor, but 3 are constructed.
- Excess area is found built over non-converted land.

The valuer must clearly document both figures and either adopt the lower one or hold the valuation pending rectification.

**2. Deviation from Sanction Plan**

Structural deviations are critical because they compromise legal compliance. Typical issues include:

- Extra floors built beyond approved levels.
- Car parking area converted into a flat.
- Staircases shifted, common area encroached, or balconies enclosed.
- Residential units constructed where commercial was approved (or vice versa).

Any deviation beyond bank policy thresholds (often 5–10%) must be reported and may require valuation to be withheld.

**3. Land Use and Conversion Gaps**

Often, construction is found on land that is either partially converted or not converted at all. Common cases include:

- Deed covers 3.5 Decimal; only 2 Decimal shown as converted.
- Sanction Plan includes the entire land; Conversion Certificate does not.
- Construction extends over Dags not mortgaged or legally declared.

Banks are generally averse to financing non-converted land. The valuer must recommend legal opinion or return the assignment with a note on conversion mismatch.

### 4. Documentary Discrepancies

Discrepancies across documents can be subtle but dangerous:

- Dag and Khatian numbers mismatch between Deed and Conversion Certificate.
- Sanction Plan is unsigned, expired, or not legible.
- Agreement modified post-loan without informing the bank.
- RERA certificate missing for under-construction projects.

In such cases, the valuer must seek clarification or note clearly that the valuation is based on unverifiable or incomplete documents.

### 5. Landlocked or Inaccessible Property

Some properties, while documented as having road access, are found during inspection to be landlocked or dependent on indirect access such as through another's plot or via water transport. These include:

- Absence of motorable road.
- Entry blocked by neighbor's boundary.
- Plot entirely enclosed by government or private land.

Such issues significantly affect mortgage enforceability and must be immediately brought to the attention.

### 6. Attached, Shared, or Indistinct Properties

Multiple structures joined without legal separation pose valuation challenges:

- Common roofs or staircases with neighboring units.
- Two flats merged into one without approval.
- One part of the building mortgaged, other under sibling's name.

Valuation in such cases must be undertaken only if legal demarcation exists. Otherwise, the assignment should be put on hold.

**7. Client-Side Obstacles**

Sometimes, the issue lies not with the property but with the process:

- Client refuses access or does not show up for the visit.
- Relevant documents are not provided despite multiple follow-ups.
- Client verbally expresses disinterest after loan approval.

The valuer must document such interactions and report inability to proceed in a neutral and professional tone.

These anomalies—while diverse—share a common theme: **they impact the bank's ability to enforce its security interest.** As such, the valuer must not ignore, dilute, or hide them in the report. Instead, a clear description of the issue, its legal implication, and a recommendation for bank-level resolution must be included.

In the next chapters, we will explore in detail how to respond to these anomalies, when to issue a "Hold" versus a "Negative" letter, and how to communicate firmly yet respectfully with clients and banks.

# Chapter 10:

# Client-Related Delays and Non-Cooperation

While the physical and legal aspects of a property form the foundation of a valuation report, the cooperation of the property owner or client is equally essential in ensuring timely, complete, and conclusive assessment. However, valuers often face challenges not because of structural irregularities, but due to client-side delays, evasions, or refusals that obstruct the process. These situations, though administrative in nature, can severely impact the turnaround time and credibility of the valuation process for banks and financial institutions.

Non-cooperation from clients takes many forms—some are circumstantial and understandable, while others suggest deeper concerns or potential misrepresentation. It is the responsibility of the valuer to assess the severity of the situation, maintain neutrality, and document the interactions properly for the bank's record.

Some of the most common client-side impediments include:

**1. Refusal or Failure to Provide Documents**

Many clients submit incomplete document sets or avoid sharing critical papers such as the Sanction Plan, Conversion Certificate, or Agreement for Sale. In some cases, the documents are outdated, unsigned, or illegible. When repeatedly requested documents are not provided, the valuer must:

- Refrain from speculative reporting.

- Issue a formal **Negative Letter** citing document unavailability.
- Recommend reconsideration only upon submission of required papers.

**2. Unavailability for Site Inspection**

The site visit is a non-negotiable part of the valuation process. Clients often delay or cancel inspections citing personal reasons such as:

- Being out of station.
- Illness or hospitalization.
- Tenants refusing access.
- Ongoing family disputes.

If the visit is delayed beyond a reasonable period, the valuer should:

- Notify the bank of the delay.
- Hold the assignment with a **formal communication**.
- Decline the assignment if access is consistently denied.

**3. Non-Disclosure of Key Information**

Some clients conceal material facts until confronted. These may include:

- Property being jointly owned, but mortgaged by a single person.
- Building constructed on non-converted land.
- Existing mortgages or legal disputes.

- Post-loan agreement modifications.

Such revelations, especially if made late or reluctantly, should be carefully recorded and mentioned in the report or in a “negative observation” communication.

**4. Verbal Indications of Disinterest**

In certain cases, borrowers may verbally inform the valuer that they are:

- No longer interested in availing the loan.
- Unaware of the loan terms and not prepared to proceed.
- Postponing the plan for indefinite periods.

In such situations, it is advisable to return the assignment, citing client indecisiveness. This protects the valuer from involvement in incomplete or speculative assessments.

**5. Inaccessibility or Unresponsiveness**

There are instances where clients simply do not respond—calls go unanswered, addresses are unreachable, or the given contact person denies knowledge of the valuation. These situations often arise in:

- Non-serious borrowers.
- Erroneous referrals.
- Potential fraudulent cases.

The valuer should document call logs or visit attempts and formally notify the bank of inability to proceed.

The handling of such client-side issues must always be **professional, firm, and non-confrontational**. Valuers are not expected to chase or convince clients—they are mandated to report facts as observed, including inability to perform due to lack of cooperation. Well-drafted **On-Hold Letters** and **Negative Assignment Returns**, such as those developed in your practice, serve as audit-safe tools that protect both the valuer and the bank from procedural uncertainty.

It is always recommended that valuers avoid partial valuation in the absence of full access or documentation, even under client pressure. Neutrality, consistency, and documented communication are the pillars of ethical practice, especially when client behavior becomes a barrier.

# Chapter 11:

# Legal Search Reports (LSR) and Compliance Flags

The strength of a property as mortgageable security lies not just in its physical value or documentation, but in its legal clarity. While the valuer conducts technical and physical due diligence, the bank simultaneously or subsequently obtains a **Legal Search Report (LSR)** to validate the title, ownership lineage, and freedom from encumbrances. A well-informed valuer must understand the implications of the LSR, recognize its relevance in the valuation process, and know when a red flag in compliance necessitates caution, revision, or rejection of the assignment.

An LSR is typically issued by an empanelled advocate who examines the chain of title for a property, often spanning 30 years or more. The report verifies whether the property has been:

- Lawfully acquired and transferred over time,
- Mutated and recorded in the name of the borrower,
- Free from litigation, stay orders, or restrictions,
- Free from existing mortgages, charges, or claims by third parties.

For the valuer, the LSR becomes a **supporting yet decisive document**. While one may not comment on the legal enforceability of a document, it is imperative to refer to the LSR where:

- **Ownership is in dispute**, or documents presented by the borrower don’t match the LSR findings.
- **BLRO records or maps** indicate the property is recorded as vested land, government-owned, or under public utility reservation.
- **Encumbrances or mortgages exist** that have not been disclosed by the borrower.
- **Sale or conveyance deeds are unregistered or improperly executed**, yet the borrower is seeking valuation on that basis.

In such cases, the valuer should refrain from issuing a valuation report until:

- A **clean and unambiguous LSR** is produced.
- The bank gives written confirmation to proceed despite the legal flag.
- The client submits clarifying documents (e.g., rectified deeds, indemnities, NOCs).

Common compliance flags that intersect with valuation include:

**1.** Title Discrepancies

- The Deed may be in one name, while the Mutation or Conversion Certificate is in another.
- A claim of inheritance may lack probate or legal heir certificate.
- Property jointly held, but valuation requested for only one owner.

**2.** Mortgage or Encumbrance Already Registered

- The property is already mortgaged to another institution (LIC, NBFC, etc.).
- A lien or charge is recorded in CERSAI or municipal records.

**3.** Stay Order, Litigation, or Adverse Possession

- A case is pending in civil court or consumer forum.
- The land is under dispute between family members.
- Long-term occupancy by a tenant has matured into adverse possession.

**4.** Government or Institutional Reservation

- Property lies in a region designated for future acquisition.
- It falls under coastal regulation zone (CRZ), forest land, or protected archaeological area.
- It is part of land earmarked for road widening or public purpose.

If any of the above appear in the LSR or are discovered independently, the valuer's ethical and professional responsibility is to **pause, report, and recommend further legal verification**. In situations where the bank asks for valuation despite known legal flags, the report must **explicitly mention these facts**, and often a **qualified valuation** (i.e., "subject to legal clearance") is issued.

Additionally, some banks have internal compliance rules:

- Refusal to finance properties under construction without RERA registration.

- Minimum frontage or road width requirements.
- Disallowance of valuation for vested or non-converted land.

Valuers must remain aware of such norms and, where necessary, clarify with the bank before proceeding.

Action When LSR is Negative

When a Legal Search Report (LSR) comes back negative—indicating issues such as unclear title, existing encumbrances, legal disputes, adverse possession, or unregistered ownership—it is imperative that the valuer refrains from proceeding with the valuation. A negative LSR is a clear indication that the property may not be mortgageable under law, and any valuation issued in such a scenario can mislead the lending institution and expose the valuer to reputational and legal risk. In such cases, the valuer must issue a formal **Negative Letter** or **Assignment Return**, stating the inability to proceed due to adverse findings in the LSR. If the LSR is received after the valuation report has been issued, the valuer should submit a supplementary note to the bank indicating that the valuation was conducted prior to the receipt of legal findings. In no case should the valuer attempt to override or interpret legal deficiencies—such assessments are the bank's prerogative. The safest course of action is to clearly report the situation and await further instructions, ensuring that the valuer's role remains within technical and ethical boundaries.

In conclusion, while the LSR is a legal document, it intersects powerfully with valuation credibility. Understanding its implications helps valuers take cautious, compliant decisions—reinforcing trust with the bank and protecting against post-disbursal complications.

# Chapter 12:

# When to Hold and When to Return a Valuation Assignment

One of the most important responsibilities of a professional valuer is knowing **when not to proceed**. In the face of ambiguity, irregularity, or non-cooperation, the decision to either place the assignment on hold or return it altogether must be made with clarity, integrity, and timeliness. Financial institutions depend on the valuer not just for value estimation, but also as a frontline checkpoint against procedural, technical, and legal risks. Misjudgment or indecision at this stage can result in grave implications for the bank.

A valuation assignment may be **held** or **returned** for a wide range of reasons. Understanding the distinction between the two actions—and their appropriate use—is essential.

## ◈ When to Hold a Valuation Assignment

A "Hold" status is applied when the valuation **cannot proceed temporarily** due to remediable issues. These situations are not immediately conclusive but require clarification or additional action. Common hold scenarios include:

1. **Client unavailable for site inspection** due to travel, health, or tenant obstruction.
2. **Sanction Plan or Agreement missing**, but the client has promised to submit it shortly.

3. **Flat or unit locked**, and no arrangement made for entry.
4. **Boundary disputes or ownership confusion** still under internal family resolution.
5. **Pending legal advice** from the bank regarding partial conversion or RERA issues.
6. **Site inaccessible temporarily**, such as in cases of flooding, civil obstruction, or festival closures.

In such instances, the valuer should send a **formal Hold Letter**, detailing:

- The issue encountered.
- Attempts made to resolve it.
- What documents or actions are awaited.
- A recommendation to reconsider valuation upon receipt or resolution.

This practice protects the valuer's professional standing and signals diligence to the bank without closing the opportunity entirely.

### When to Return a Valuation Assignment

In contrast, a valuation should be **returned without processing** when the issue is **critical, non-remediable, or poses legal/ethical conflict**. Common return scenarios include:

1. **Construction done over non-converted land** without any attempt at rectification.
2. **Sanction Plan expired, missing, or irreconcilably mismatched** with the built structure.

3. **No road access or landlocked plot**, where the bank's mortgageability is clearly compromised.
4. **Client refuses to provide essential ownership documents**, or legal heirship is unverified.
5. **Major deviation in use**—e.g., residential flat being used as a commercial studio without change-of-use permission.
6. **Dag/Khatian inconsistency across documents**, creating title conflict.
7. **Legal Search Report shows adverse possession or litigation**.

In such cases, a **Negative Valuation Letter** must be issued—stating the grounds of rejection in objective, non-confrontational language. These letters serve as official documentation for the bank's records and audit trail.

✅ **Best Practices while drafting letters**

- **Document every visit, call, and communication**—including WhatsApp messages, missed calls, and doorstep refusals.
- **Avoid verbal assurances**—insist on official documentation for re-engagement.
- **Do not issue provisional or incomplete reports**, even under pressure.
- Use **clear templates** for Hold and Negative Letters to maintain consistency and legal defensibility.

Knowing when to proceed is important—but knowing when to pause or decline is equally vital. A valuer's strength lies not only in analysis but in **judgment**. Protecting the integrity of the process—and by extension, the bank's interest—is the highest professional service a valuer can render.

# PART IV: BEST PRACTICES & ETHICS

# Chapter 13:
# Dos and Don’ts for Valuers

Property valuation is a field that blends analytical rigor, legal understanding, ethical conduct, and real-world judgment. In the context of banking and financial institutions, the valuer is not merely an estimator of market worth, but a gatekeeper of trust. Their report influences lending decisions, recovery strategies, and audit evaluations. As such, strict adherence to a code of conduct, process discipline, and consistent communication is essential to maintain credibility and professional dignity.

Over years of experience, a framework of **Do’s and Don’ts** has emerged—practical, repeatable, and audit-safe. These best practices act as a compass for both new and experienced valuers navigating the complexity of institutional property assessment.

## ✅ Do’s: The Pillars of Professional Valuation

1. **Verify all documents thoroughly before the site visit.**

   Scrutinize the Sanction Plan, Deed, Conversion Certificate, Mutation, and Agreement. Note any mismatches in Dag/Khatian, built-up area, or use classification in advance.

2. **Conduct physical site visits with preparedness and neutrality.**

Carry measuring equipment, plans, GPS/location tools, and identification. Remain neutral, even if the client insists on a particular value.

3. **Record and photograph all key observations.**

   Document entrances, sides, open spaces, road width, construction quality, and discrepancies. Time-stamped photos form an audit trail.

4. **Measure the area accurately and mention both claimed and actual.**

   If Agreement mentions 1,200 sq.ft. and site shows 1,000 sq.ft., record both. Clarify which one is being considered and why.

5. **Mention deviations, if any, clearly in the report.**

   Structural, locational, or usage deviations must be flagged, even if minor. It protects the bank and the valuer in case of dispute.

6. **Issue Hold or Negative letters when needed.**

   Use pre-drafted, standardized templates. Maintain a record of every such communication for audit defense.

7. **Stay updated with bank-specific policies and regulatory changes.**

   For instance, some banks do not accept unconverted land; others require RERA for under-construction properties. Always verify.

8. **Ensure independence and resist any influence.**

   Do not adjust value based on client expectation or bank pressure. Valuation is not a negotiation—it is a professional opinion.

9. **Retain valuation records, visit notes, and communication logs.**

   These are crucial in the event of audits, litigation, or internal review.

10. **Always declare the scope and limitation of your report.**

    If certain areas were inaccessible or documents incomplete, mention this explicitly. It preserves the integrity of your opinion.

### ✕ Don'ts: Common Pitfalls to Avoid

1. **Do not accept verbal information in place of documents.**

   "Owner said" or "Builder confirmed" cannot substitute verified documentation.

2. **Do not issue a report without visiting the property.**

   Even in familiar buildings or revaluation cases, a fresh inspection is essential.

3. **Never finalize a report without a signed and stamped Sanction Plan.**

   A hand-drawn plan or site sketch is not a replacement.

4. **Do not use inflated or manipulated market rates.**

   Justify your rate with recent sales, portal screenshots (e.g., MagicBricks, 99acres), or local registry office insights.

5. **Avoid vague language or technical ambiguity.**

   Phrases like “seems fine,” “appears okay,” or “probably legal” erode report strength.

6. **Do not let urgency compromise due diligence.**

   A fast report delivered without checks can expose the bank and the valuer to risk.

7. **Avoid engaging in discussions about loan terms or approvals.**

   These are outside the valuer’s mandate and may cause conflict or confusion.

8. **Do not overlook land classification mismatches.**

   Construction over non-converted land—even if partly—must be flagged.

9. **Refrain from valuation when documents are forged, incomplete, or inconsistent.**

   Always return such assignments with written communication.

10. **Never compromise your signature or letterhead.**

    Keep digital files secure, avoid sending editable Word documents, and watermark if needed.

In summary, the professional valuer stands as a bridge between legal certainty, technical accuracy, and institutional responsibility. Following a disciplined set of Dos and Don’ts builds trust, prevents audit vulnerabilities, and upholds the honour of the profession. In your journey as a valuer, these principles will not only guide your work—but define your legacy.

# Chapter 14:
# Communication with Banks

Effective and transparent communication between the valuer and the bank is not just a professional courtesy—it is a statutory and procedural necessity. The valuer's ability to convey findings, red flags, deviations, and uncertainties with clarity and neutrality often determines how the bank proceeds with loan sanctioning, monitoring, or rejection. In an environment driven by compliance, audit scrutiny, and legal enforceability, well-documented and appropriately worded communication becomes as critical as the valuation report itself.

At its core, the valuer's responsibility is to **report facts, not make decisions**. Banks rely on the valuer for technical insight, but it is ultimately the credit officer, branch manager, or risk team who will decide on the acceptability of the asset. Therefore, communication must be firm in facts, neutral in tone, and non-prescriptive in outcome.

## 📨 Types of Communication with Banks

### 1. Covering Letter with Valuation Report

Every valuation report must be accompanied by a **brief, formal covering letter** on letterhead, stating:

- The name of the property/borrower
- Purpose of valuation (loan against property, project funding, etc.)
- Date of site inspection

- Report submission date
- Declaration of independence and site verification

This ensures that the valuation is seen as a standalone, traceable assignment with institutional purpose.

**2. On-Hold Letters**

When valuation cannot proceed due to client unavailability, missing documents, or temporary site issues, a polite but clear **Hold Letter** must be issued. It should mention:

- The reason for hold
- What is awaited
- Whether partial observations are possible
- Recommendation for future re-engagement

This avoids any confusion or accusation of delay and becomes a part of the bank's loan file.

**3. Negative Letters / Assignment Returns**

When valuation is not possible due to critical issues—such as non-converted land, legal dispute, mismatched documents—a **Negative Valuation Letter** must be formally sent. It must:

- State facts without legal conclusions
- Mention discrepancies clearly (e.g., "Sanction Plan shows 1 unit, 2 found on-site")
- Avoid subjective or judgmental language (e.g., avoid "illegal" or "fraudulent")
- Suggest that valuation may be reconsidered upon resolution

### 4. Request for Advice

In borderline or policy-sensitive cases—such as construction partially over non-converted land, or deviation within acceptable limits—a **Request for Advice** letter can be sent. This:

- Shares the observation
- Seeks clarity on whether bank policy permits valuation under such condition
- Protects the valuer from overstepping their jurisdiction

It allows the bank to take responsibility for policy interpretation, while keeping the valuer's position clear.

### 📌 Best Practices for Valuer-Bank Correspondence

- Always use **official letterhead with reference number and date**.
- Keep language **neutral, professional, and concise**.
- **Avoid ambiguous or emotional phrasing**—e.g., "seems problematic", "client was rude", "I feel".
- When returning assignments, **mention the specific document or fact that caused the return**.
- Retain a copy of every letter sent to the bank in your permanent records.
- Where multiple parties are involved (builder, co-owner), **address only the bank** unless instructed otherwise.
- **Avoid giving any verbal valuation figures** prior to formal report submission.

- In electronic submissions, **send locked PDFs**, and watermark if needed.

In an era where regulatory oversight and institutional accountability are paramount, clear and precise communication is not a formality—it is a protective shield. A valuer who communicates facts consistently and professionally becomes a trusted advisor, not just a service provider.

# Chapter 15:

# Tech Integration in Valuation

As the property valuation landscape evolves, technology has become both an enabler and a safeguard. For banks and financial institutions under increasing pressure to digitize, audit, and expedite credit processes, the valuer's adoption of technology reflects not only efficiency but trustworthiness. From digital mapping to online document verification, tech-enabled tools are revolutionizing how valuations are conducted, recorded, and defended.

Gone are the days when valuation was limited to tape measurements and handwritten notes. Today, **a technologically empowered valuer** uses software, apps, digital registries, satellite imagery, and cloud storage to bring transparency, precision, and audit-safety to the entire process.

## 🔧 Key Technological Tools for Modern Valuers

### 1. Digital Measuring Devices

- **Laser Distance Meters (LDMs):** Accurate, fast, and ideal for indoor use. Many models allow storage of readings and automatic area computation.
- **Measurement Apps:** Mobile apps such as *Measure* (iOS), *CamToPlan*, or *RoomScan Pro* assist in quick on-site layout drafting.

**2. Geolocation and Mapping**

- **GPS Mapping Tools:** Help verify property location, alignment, and access roads.
- **Google Earth / GIS Layers:** Useful for identifying environmental constraints, road width, and surrounding land use.
- **BhuNaksha / BanglarBhumi Portals:** In states like West Bengal, these portals allow plot-level verification against official records.

**3. Property Market Platforms**

- **MagicBricks, 99acres, Housing.com:** These are essential for benchmarking per sq.ft. rates in the locality, especially when registry office sales data is sparse or outdated.
- **Registry Department Online Portals:** Many states now allow e-search of property deeds and transaction summaries, helping validate sale value trends.

**4. Document Authentication and Storage**

- **PDF Signing & Watermarking Tools:** Tools like *Adobe Acrobat Pro* or *Smallpdf* allow secure digital signing, version control, and watermarking of reports.
- **Cloud Backup:** Google Drive, Dropbox, or OneDrive should be used for permanent, tamper-proof storage of reports, photos, letters, and communications.

### 5. Aerial and Drone Survey (Optional for Large Sites)

- For industrial plots, farmland, or large development projects, drone-assisted topography and volumetric mapping provide unmatched clarity.
- Tools like *Pix4D*, *DroneDeploy*, or *DJI Terra* integrate well with AutoCAD for 3D analysis.

### ⚙ Integration with Bank Systems

Many leading banks now operate through centralized **valuation portals**, requiring:

- Uploading of valuation reports in prescribed formats.
- Geo-tagged photographs and timestamps.
- Lender-defined templates with dropdown data fields.

Valuers must stay updated on each bank's digital interface, response timelines, and submission protocols. Errors in format or metadata often lead to report rejection or audit queries.

### Benefits of Tech Integration

- **Enhanced Accuracy:** Digital tools reduce human error in measurement and reporting.
- **Faster Turnaround:** Automated calculations, templates, and cloud access save time.
- **Audit Compliance:** Time-stamped photos, GPS logs, and auto-saved data strengthen documentation.

- **Client Confidence:** Use of technology reinforces the image of the valuer as a modern, trustworthy professional.
- **Better Dispute Handling:** Digital archives help defend the valuer's position in case of litigation or internal scrutiny.

### 🔒 Caution While Using Technology

- **Ensure data privacy and client confidentiality.**
- Avoid using **editable Word reports** for final submissions—lock all final reports.
- Use **non-editable file formats**, especially when sending market screenshots or site maps.
- Avoid over-reliance on online data without physical verification—portal listings may not reflect reality.

Technology is not a replacement for diligence—but a magnifier of it. A tech-integrated valuer is faster, safer, and more audit-resilient. As financial institutions grow more digital and data-driven, the valuer who adapts early becomes an asset—not just to the client, but to the credit ecosystem as a whole.

# Chapter 16:

# Case Studies from the Field

Behind every property valuation lies a story—a combination of technical facts, human interactions, and judgment calls. While checklists and formats provide structure, it is in the field that the valuer's skills are truly tested. The following case studies, drawn from real valuation assignments, showcase the complexity, unpredictability, and responsibility that define the profession. They also highlight the importance of discipline, documentation, and ethical clarity.

### 📃 Case Study 1: Construction Over Non-Converted Land

**Context:**

A valuation was requested for a house built over 3.4 Decimal of land. Documents showed conversion approval for only 2 Decimal, while the Sanction Plan indicated 900 sq.ft. of construction. Amin Map inspection revealed that the building extended over the unconverted portion.

**Action Taken:**

Valuation was returned with a formal letter noting that construction exceeded the converted land area. Recommendation made to submit updated conversion documents and a modified Sanction Plan.

**Lesson:**

Conversion status must align with constructed area. Partial conversion constitutes a red flag.

### Case Study 2: Sanction Plan Mismatch with Floor Deviation

**Context:**

Sanction Plan approved for G+2. However, site inspection found a G+4 structure. Owner claimed additional floors were for "future use."

**Action Taken:**

A Hold Letter was issued immediately. Bank was advised to seek clarification from the municipal authority. Valuation proceeded only for the sanctioned floors.

**Lesson:**

Valuers must never assume the legality of unauthorized structures. Report only what is approved.

### Case Study 3: Landlocked Plot with No Motorable Access

**Context:**

Deed mentioned road access from the South. On-site, the plot was surrounded by private land, with no direct road and only a narrow footpath.

**Action Taken:**

Report was held and a letter issued to the bank, asking whether its policy allowed financing such properties. No valuation figure was provided.

**Lesson:**

Mortgageability is compromised in landlocked cases. Physical access must match legal declarations.

### 🗏 Case Study 4: Client Refused Document Submission

**Context:**

Borrower promised to provide Mutation and Conversion Certificate but failed to submit them over repeated visits. Phone calls went unanswered.

**Action Taken:**

Assignment was formally returned. A detailed letter documented all follow-up efforts, protecting the valuer against delay accusations.

**Lesson:**

No valuation should proceed in the absence of foundational documents. Record every communication attempt.

### 🗏 Case Study 5: Residential Use in Commercially Approved Premises

**Context:**

The flat was located in a building approved as a media office complex. Owner had converted a 450 sq.ft. studio into a full-time residential unit with kitchen and bathroom.

**Action Taken:**

As per the concept of valuation, report need to considered Highest and Best Usege (HABU) of the property. But in most practical approach valuer should formally intimate the issue to the Bank and should obtain usage conversion certificate.

Then he must judge the best usage of the property that can legally be considered.

**Lesson:**

Change of use must be legally validated before valuation can proceed.

### 🗒 Case Study 6: Owner Unavailable Due to Hospitalization

**Context:**

Owner was hospitalized and could not facilitate site visit. Relatives on-site were uncooperative and refused to show documents.

**Action Taken:**

Hold Letter issued. Bank was informed of the situation and reassured that valuation would be resumed upon owner's recovery.

**Lesson:**

Sensitivity and patience are important—but documentation of delays is essential.

### 🗒 Case Study 7: Overstatement of Market Value by Client

**Context:**

Client verbally insisted that properties in the area sold for Rs.8,000 per sq.ft., while registry data and portals showed Rs.6,200.

**Action Taken:**

Valuation adopted Rs.6,400/sq.ft. based on blended portal data and site feedback. Justification attached in annexure with screenshots.

**Lesson:**

Never accept inflated market rates without independent justification.

### 📄 Case Study 8: Common Roof and Shared Staircase

**Context:**

A two-storey house was physically connected to the adjacent sibling's house, with shared stairs and rooftop. No partition deed existed.

**Action Taken:**

Assignment was returned. Letter clearly explained that the property could not be valued independently without demarcation.

**Lesson:**

Physical and legal boundaries must both be respected in valuation.

### 📄 Case Study 9: Inconsistent Khatian and Mutation

**Context:**

Deed showed Dag and Khatian number different from those in Mutation Certificate. Owner could not explain the discrepancy.

**Action Taken:**

Valuation held pending clarification. Suggested that bank obtain a fresh Legal Search Report or rectified mutation.

**Lesson:**

Ownership ambiguity is a valuation red flag. Cross-verification is non-negotiable.

### 📄 Case Study 10: Flat Not Found as Per Agreement

**Context:**

Agreement claimed “Flat B, 3rd Floor, 1000 sq.ft.”. On inspection, Flat B was on 2nd floor and measured only 850 sq.ft.

**Action Taken:**

The above case shows that the property is situated at different floors than that provided in the agreement. So this is considered to be an issue concerning the identification of the property and valuation should not be considered until the ambiguity is resolved or rectified document is obtained.

**Lesson:**

Document what you see—not just what is claimed.

These real-life situations underscore the role of the valuer as not just a technical expert but a **custodian of truth and diligence**. Through these cases, one learns that valuation is not about paperwork alone—it is about professional courage, procedural clarity, and ethical consistency.

# Annexures

## Annexure I: Standard Negative Valuation Letter Templates

Below are sample formats drawn from your documented archive, structured for reuse across different scenarios:

- Template A: Construction Over Non-Converted Land

**To,**

The Manager

[Bank Name]

**Subject:** *Intimation About Returning the Valuation Assignment*

Dear Sir,

This is to inform you that as per our inspection and document verification, the construction on the property appears to extend beyond the portion of land legally converted for residential/commercial use. The Conversion Certificate covers only part of the total land, and as per the Sanction Plan and Amin Map, the built-up area exceeds the converted portion.

Hence, we are unable to proceed with the valuation in its current form. We may reconsider once updated conversion documents and revised plans are submitted.

**Thanking You,**

*[Name of the Valuer]*

● Template B: Client Unavailable / Refusing Visit

**To,**

The Branch Manager

[Bank Name]

**Subject:** *Site Visit Could Not Be Conducted*

Sir,

Despite multiple follow-ups, the borrower was unavailable for the scheduled site inspection. The visit was not possible due to [mention reason: client out of station / health issues / access denied].

Kindly advise whether the bank wishes to keep the assignment on hold or cancel the valuation request.

**Sincerely,**

*[Name of the Valuer]*

⬤ Template C: Document Mismatch (Deed vs Plan vs Area)

**To,**

The Manager

[Bank Name]

**Subject:** *Mismatch in Area / Ownership Records – Valuation Not Feasible*

Respected Sir,

During verification, we observed discrepancies between the Sanction Plan, Sale Deed, and Agreement for Sale with respect to Dag/Khatian numbers, area mentioned, and layout. Due to this inconsistency, we are unable to complete a legally reliable valuation at this stage.

Kindly advise after rectification or submission of updated records.

Regards,

*[Name of the Valuer]*

## Annexure II: Document Checklist for Valuation

| # | Document Name | Required For |
|---|---|---|
| 1 | Title Deed | Ownership proof |
| 2 | Agreement for Sale | Flat-specific info |
| 3 | Sanctioned Plan (Signed & Dated) | Legal construction approval |
| 4 | Conversion Certificate | Use permission for land |
| 5 | Mutation Certificate | Updated revenue record |
| 6 | Khatian / Porcha | Land classification |
| 7 | Amin Map or Site Sketch | Plot verification |
| 8 | Tax Receipts / Utility Bills | Active ownership validation |
| 9 | Completion Certificate (CC) | For completed buildings |
| 10 | RERA Certificate | For projects under RERA |
| 11 | LSR (Legal Search Report) | Title & encumbrance verification |
| 12 | Latest Photographs | Proof of site conditions |

## Annexure III: RBI Circulars and Bank Policy Excerpts Relevant to Property Valuation

### 1. RBI Master Circular on Wilful Defaulters

**Reference:** RBI/2014-15/73
DBOD.No.CID.BC.3/20.16.003/2014-15 (July 1, 2014)

**Relevance to Valuation:**

Scan this QR for the Entire Circular

- Banks are advised to ensure that properties offered as collateral are not overvalued.
- Valuers must not aid the borrower in overstatement of asset value.
- Role of third-party valuers is critical to prevent diversion or misuse of funds.

The Enter Circular can be viewed Online @

https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9044

(Link verified on 10-7-2025)

### 2. RBI Guidelines on Fair Practices Code for Lenders

Scan this QR for the Entire Circular

**Reference:** RBI/2006-07/138
DNBS (PD) CC No. 80 / 03.10.042 / 2005-06

**Key Relevance:**

- Valuation must be **free from borrower influence**.

- Borrower must be **informed of discrepancies or shortfalls in value**.

The Enter Circular can be viewed Online @ https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/73029.PDF

(Link verified on 10-7-2025)

**3. RBI Master Circular – Housing Finance**

**Reference:** RBI/2015-16/46 DBR.No.DIR.BC.13/08.12.001/2015-16

**Key Relevance:**

Scan this QR for the Entire Circular

- Property must have a sanctioned plan, completion certificate, and proper land-use approvals for valuation and bank finance.
- Valuation must be done by independent, qualified professionals based on current market price (excluding stamp duty/registration, unless under Rs.10 lakh).
- Loans are disallowed for unauthorized constructions, speculative land deals, or residential properties used commercially.
- Loan disbursements must be linked to construction stages, not given upfront, except in certain government-backed projects.
- Developers must disclose mortgage status in all publications and obtain NOCs from banks before property sales.

The Enter Circular can be viewed Online @ https://www.rbi.org.in/commonman/Upload/English/Notification/PDFs/46MS250915FA.pdf

(Link verified on 10-7-2025)

**4. IBA Guidance Notes for Valuers**

Scan this QR for the Entire Document

**Source:** IBA Standardization-of-Procedures-for-Empanelment

**Core Points:**

- Legal compliance is critical—valuation must rely on sanctioned plans, completion certificates, and clear land titles.
- Valuation must be objective, independent, and as per current market rates, excluding speculative or unauthorized properties.
- Empanelment requires prescribed qualifications, professional memberships, and relevant experience, with categorization based on valuation capacity.
- Valuers must comply with SARFAESI, IBA, and RBI norms, and maintain regular performance reviews and continuing education.
- Reports must be based on on-site verification, professional standards, and must avoid conflicts of interest or influence from clients.

The Enter Circular can be viewed Online @ https://www.iivindia.org/assets/pdf/Standardization-of-Procedures-for-Empanelment-IBA.pdf

(Link verified on 10-7-2025)

## 5. Common Bank-Level Internal Policy Highlights

- Does not accept valuation of properties built on **non-converted or vested land**.
- Requires **RERA registration** for properties under construction.
- For proposals above Rs1 crore, two separate valuations must be obtained.
- Will not consider properties without **road access or legal demarcation**.
- FSV must be used for NPA provisioning and asset classification.
- Mandates valuation within **3 months of report submission**.
- Revaluation frequency: **Once every 3 years** or at restructuring stage.
- Accept only **digitally submitted valuation reports** via portal.
- Strict compliance on **photographic evidence with geotagging**.

Not all Banks of Financial Institutions follow all above Guidelines at the same time. So valuers should the bank policies for each banks separately.

📌 **Valuation Frequency Guidelines (RBI & Banks):**

| **Loan Type** | **Valuation Frequency** |
|---|---|
| Retail Home Loan | Once at sanction |
| Commercial / LAP | At sanction + every 3 years |
| NPA Cases | Immediately at classification + annually thereafter |
| Restructuring | Fresh valuation required |

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📌 **Valuer Code of Conduct (Excerpt from RBI/IBA)**

- Must disclose any **conflict of interest**.
- Must not take assignments where **borrower influence is suspected**.
- Should **avoid undervaluation or overvaluation** to fit credit limits or expectations.

## Annexure IV: Glossary of Terms

| Term | Definition |
|---|---|
| **Valuation** | The process of determining the fair market value of a property based on legal, physical, and market conditions. |
| **FMV (Fair Market Value)** | The estimated price at which the property would exchange hands in an arm's length transaction between a willing buyer and willing seller in an open market. |
| **FSV (Forced Sale Value)** | The likely sale value of a property if sold urgently or under distressed circumstances. |
| **LTV (Loan-to-Value Ratio)** | A risk assessment ratio that compares the loan amount to the appraised value of the property. |
| **Sanction Plan** | The building plan approved by a local municipal or panchayat authority, permitting construction within legal parameters. |
| **Dag Number** | A plot number assigned in the land records by the revenue department; used to uniquely identify a parcel of land. |
| **Khatian Number** | Also called *Record of Rights* (RoR); it denotes ownership details, |

| Term | Definition |
|---|---|
| | classification, and history of land in revenue records. |
| **Mutation Certificate** | A legal record that reflects the transfer of ownership of property in land revenue records after sale, gift, or inheritance. |
| **Conversion Certificate** | Government approval certifying the legal change in land use. |
| **Porcha** | A land record extract (mostly used in West Bengal) showing land details such as classification, area, and ownership. |
| **Amin Map / Mouza Map** | Government-drawn land maps that indicate plot boundaries, Dag numbers, roads, and adjoining lands. |
| **Super Built-up Area** | Total area including carpet area plus proportionate share of common areas like staircases, lift, lobby, etc. |
| **Built-up Area** | The sum of carpet area and wall thickness (includes balconies and utility spaces within the apartment unit). |
| **Carpet Area** | The usable floor area within the walls of a flat, excluding thickness of walls, balconies, and common spaces. |

| Term | Definition |
|---|---|
| **NOC (No Objection Certificate)** | Legal document issued by competent authority or society to confirm that there is no objection to a certain transaction or construction. |
| **Encumbrance Certificate (EC)** | Legal record that shows whether the property is free from mortgages, litigation, or legal dues. |
| **Legal Search Report (LSR)** | A document issued by an advocate confirming the legal status, ownership, and encumbrance history of a property. |
| **RERA (Real Estate Regulatory Authority)** | Regulatory authority under the RERA Act, 2016 that governs real estate projects for transparency and consumer protection. |
| **Occupancy Certificate (OC)** | Certificate issued by municipal authorities after construction completion, confirming the building is fit for occupation. |
| **Completion Certificate (CC)** | Document issued by the local authority confirming that the construction complies with sanctioned plans and building codes. |
| **Landlocked Property** | A property that does not have direct access to a public or private motorable road. |

| Term | Definition |
|---|---|
| **Site Sketch / Layout Plan** | A drawing showing the position and boundaries of the property in relation to nearby plots or roads. |
| **Deviation** | A variance between the actual built structure and the approved Sanction Plan. |
| **Common Wall / Attached Building** | A structure sharing a wall with another, without a legal separation of ownership. |
| **Distress Value** | The expected sale value of a property under urgent or non-voluntary sale conditions (similar to FSV). |
| **Demarcation** | The physical or legal definition of boundary lines of a plot, usually done by an Amin or government surveyor. |
| **Registry Rate / Government Rate** | The rate per square foot of land/building determined by the government for registration and stamp duty purposes. |
| **Market Rate** | The prevailing open market value of similar properties in the same locality. |
| **Audit Trail** | A documented record of all communications, site visits, letters, and versions associated with the valuation process. |

| Term | Definition |
|---|---|
| **Hold Letter** | A formal communication issued by the valuer to the bank indicating temporary inability to proceed with valuation. |
| **Negative Letter** | A formal communication issued to decline valuation due to document, legal, or site-related deficiencies. |

## Annexure V: VALUATION FIELD VISIT SHEET FORMAT

Bank Name / Branch Name:

___________________________________________

Visit Date:

___________________________________________

Name of Owner:

___________________________________________

Name of Borrower:

___________________________________________

Person(s) Present:

___________________________________________

Mobile No:

___________________________________________

Type of Property (Tick whichever applicable):

[ ] Flat    [ ] Land Building    [ ] Vacant Land

[ ] Factory

Boundaries of The Property:

North : ______________________

South : _______________________

East : ________________________

West : ________________________

Lift Facility:  [ ] Yes   [ ] No

Boundaries of The Flat:

North : _______________________

South : ______________________

East : _______________________

West : ______________________

Flat No: ___________________

Block No: ___________________

Floor on Which Flat Is Located: _______________

Total Number of Floors in The Building:

________________________________________

Side (e.g., Road-facing):

________________________________________

Number of Dwelling Units In Building:

______________________

Location of Property: [ ] Rural [ ] Semi-Urban

[ ] Urban

Year of Construction (Approx.):

________________________________________

Type of Construction: [ ] RCC [ ] Masonry

Nature of Building: [ ] Residential [ ] Commercial

Occupied by: [ ] Owner [ ] Tenant

[ ] Vacant

Specifications of Flooring:

[ ] Marble [ ] Tiles [ ] Mosaic [ ] Neat Cement

Door & Window type:

[ ] Wood [ ] Sliding [ ] Iron Grill [ ] Sattar

Plot Demarcated: [ ] Yes [ ] No

Internal Rooms (tick and fill count where applicable):

Bedroom(s): _____ Dining: _____ Living: _____

Open Kitchen: _____ Kitchen: _____ Toilet: _____

WC Toilet: _____ Balcony: _____ Car Parking: _____

Puja Room: _____ Store Room: _____

Servant Room: _____ Living Cum Drawing: _____

Land area:

Katha: _______ Decimal: _______

Area of Respective Floor:

________________________________________

(Mention Built-up / Super built-up / Covered area)

Market Rate (as per site visit): Rs. ____ to Rs. ____ per sq.ft. (approx.)

Present value (for under-construction): % completion: ___________%

Nearest Landmarks (with distance):

Landmark(s):

_________________________________________

Railway Station: _________________________
Distance: ______ km

Bus Stand: ______________________________

Distance: ______ km

Property Address with Apartment Name:_______________

Road Name: ____________________

Road Width (ft): ______________

Demarcation of Property: [ ] Yes [ ] No

Pin Code: _____P.S: _____ Latitude (N): _____

Longitude (E): _________

P.O: ___________Ward No: _________

Village / Locality: ______________