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DEFINING THE ROLE OF VALUATIONS IN MORTGAGE LENDING

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ABSTRACT

In cases where property investment is financed, two important criteria apply in the determining of that finance. The first criteria is the ability of the investor to service the loan, the second and perhaps most crucial is the relativity of the purchase price of property to its value.

This paper is a critique of the valuation profession and the use of valuations to engineer the lending of money after the purchase price of property has been determined. This is in contrast to the use of valuations prior to the purchase of property, in which the valuation may influence the price paid for property. A survey of several professions has been undertaken in determining the importance of the valuation, alongside other advice in the property purchase process.

Further to demonstrating the potential use of valuations prior to purchase, this paper makes a contribution to expanding the role of the valuation profession, through the valuer being engaged by the borrower, rather than the long standing tradition of the valuation profession being the sole domain of the lender.

Keywords: Valuation, Property, Advice

INTRODUCTION

Residential property as a home and increasingly as an investment vehicle is an objective of many Australians in the pursuit of financial independence and self funded retirement. This objective has resulted in the proliferation of money lending and the systemic overpricing of property in some sectors of the residential investment market. The increase in debt for the funding of investment property has been aided through the use of mortgage brokers acting as retailers for banks and major lenders. Table 1 provides a snapshot of the increase in debt financing used to fund residential property investment in Australia. As noted, the debt to value ratio for owner occupied property increased by 28 percent, whilst increasing by 132 percent for investment property between 1992 and 2002, (Reserve Bank Australia 2003). These ratios have stabilised and remain unchanged through the later part of this decade (Reserve Bank of Australia 2011).

Table 1: Housing Gearing Percentages

	1992	2002	% Increase in debt to asset ratio
Owner occupied property	35.9	46.1	28.3
Investment property	15.6	36.1	132

Reserve Bank Australia 2003 and 2011

Fuelling the property market in the earlier part of this decade, particularly in the United States, was lending through the use of low doc loans. The bi-product of the increase of this form of lending has led to the evolution of Collateralised Debt Obligations (CDO), which the Reserve Bank of Australia (2007) refers to as the synthetic use of property through derivatives written on the debt raised on property, without the actual physical holding of the property itself. The primary issue with CDOs is that they are sold in groupings referred to as tranches. In many cases investors have purchased junior tranches of CDO's which are ranked behind senior tranches which have the first claim on the underlying assets.

Whilst low doc loans were used in Australia, the Reserve Bank of Australia (2007) highlights that as at June 2007, prior to the beginning of the Global Financial Crises (GFC), exposure to loc doc loans within Australia was 7 percent. In addition, Australian-owned bank's foreign exposure, particularly in the United States was low at $48.3Billion or 10.1 percent of its total foreign debt exposure as highlighted in Table 2.

Table 2: Australian-owned Bank's Foreign Exposure

Country	Level $billions	Share Percent
New Zealand	212.2	44.5
United Kingdom	116.6	24.5
United States	48.3	10.1
Other developed countries	64.3	13.5
Developing Countries	18.9	4
Offshore centres	15.7	3.3
Other	0.5	0.1
Total	**476.5**	**100**

Source: Reserve Bank of Australia 2007

In addition to Australia's low international debt and banking investment exposure, the use and reliance on valuations undertaken as part of the mortgage lending process is paramount to a robust mortgage lending industry in Australia, (Australian Prudential Regulation Authority 2005). A combination of Australia's strict guidelines and conservative approach to lending and the adherence to the use of valuation is an important part of its banking system being ranked among world's best practice (Senate Economics Reference Committee 2011)

Evolution of the problem

The concern for government, consumers and now banks and lending institutions in the investment and mortgage lending process, is the price paid for property which is largely financed by the major banks and lenders in Australia. Of specific concern, is the price paid for property and more importantly how that price is determined. Whilst banks and lenders have made use of valuations in the lending process, property investors have not. The absence of informed property investment and the price paid for property has resulted from practices such as 'Loaded Pricing' and 'Two Tier Marketing," which have been used in lending practices.

The case that follows demonstrates the problem, which is further addressed in the subsequent literature and highlights the potential use and importance of the valuation as part of the pre-property purchase process.

Case Facts

The Gleesons purchased a property on the Gold Coast in Queensland Australia for a sum of $164,900. The Commonwealth Bank (CBA) undertook a valuation of the property which showed the market value to be approximately $100,000. The Gleesons tendered additional security to secure the loan over the property as well as other loans. The bank did not disclose the valuation to the Gleesons and proceeded with the loan. The matter was challenged in the court and the bank was brought to account for not disclosing the valuation to the purchasers they had lent the money to. In reaching its conclusion, the court stated in ruling in favour of the bank:

> *The bank's terms and conditions should not be overlooked as unimportant. Clause 11.5 clearly advises the Gleesons that the bank would not be disclosing its valuation*
>
> *The Commission submitted that the bank might avoid a finding of unconscionable conduct by simply advising the Gleesons to seek advice. Mr & Mrs Gleeson were always able to obtain that advice, if not before their entry into contract, then afterwards. The only reasonable conclusion to be drawn from their continuing with the contract, in my view, was that Mr Gleeson wished to do so*

This case is of relevance as the plaintiff was the ACCC acting for nine parties, which included the Gleesons, of which the case was based on alleged breaches of the Trade Practices Act 1974. The ACCC asserted that the Bank, by remaining silent in view of the price being paid for the property being above market value, acted unconscionably by not informing the Gleeson's.

In summary, the court has ruled in favour of the bank and highlighted that each party to the transaction, has a duty to themselves in making an informed decision as to value. The court has determined that the purchasers did not undertake this exercise or measure of due diligence in their decision to purchase the property. A lender is not an adviser, but is in the business of lending money for a return in which it must take the necessary steps to protect its position and business.

The relevance of this case is to firstly demonstrate the necessity for the purchaser to determine the relativity of the price being paid for property against its value determined by independent valuation. Secondly, it demonstrates that the purchase price of property is not always its market value. In addition to this case, in Commonwealth Bank of Australia Limited v Amadio (1983) 151 CLR 447, the court ruled that in lending matters, some safeguards are extended to borrowers. Where the bank does provide information or advice, this advice must be complete and the lender cannot exercise unconscionable conduct, as was determined in the Amadio case.

Selling Property

Two-tier marketing is a process whereby uninformed purchasers buy property in a development at a higher price than informed purchasers. McDonald (1999) defines two-tier marketing as similar property exchanging at differing levels of market value. It involves inflated property prices to cover the additional cost of marketing and double commissions due to the large proportion of targeted investors coming from interstate and overseas (McDonald 1999).

Loaded-pricing or over pricing is the marketing of property based on depreciation and negative gearing benefits, rental income and capital growth. The selling price is loaded to cover an on-selling profit margin, broking and marketing costs over and above the market value, which many purchasers are typically unaware they are paying" (Australian Property Institute Victoria 2003:335).

Developers engage a mix of in-house marketers, financial planners and licensed agents to sell property (on completion and in some cases, off the plan). The MCCA (2004:16) state “property marketers have been primarily concerned to stimulate sales of real estate, especially of units in newly built or (more commonly) planned CBD apartment developments in, in particular, Melbourne, Sydney, Brisbane and Perth”. In some circumstances, the developer has in-house financiers and solicitors / conveyancers, which the purchaser may be compelled to use, (ASIC 2000). In other circumstances, the developer refers the purchaser to a panel of these professionals, who are promoted as being independent of the developer. In either case, these professionals are referred to as passive parties.

In each case, the in-house marketer, financial planner and agent are engaged and remunerated by the developer. These parties have no fiduciary obligation to the purchaser. In each case these parties act to sell property to the purchaser, using a variety of methods which include selling the merits of negative gearing, projected capital gains and the benefits of depreciation allowances. In some circumstances, valuations are provided by the developer, with some developers not permitting independent valuations to be undertaken by the purchaser.

Selling Money & Predatory Lending Practices

One of the areas of concern to regulators in Australia, following on from the lessons in the United States, is in the area of ‘equity stripping’ of people’s homes. This is of particular importance where existing property with no or little debt, is used as leverage against loans to purchase other property. As highlighted in the following, this is achieved through reverse mortgages, in which Gilber and Reed (2003:3) state,

> "Complete home ownership is often achieved in the middle to later years of the working life, when the mortgage is paid out. After retirement has commenced and a regular cash inflow has ceased, a reverse mortgage can commence. Over time, this will decrease the level of equity in the house, although the loan is structured so not all the equity is removed."

It is established in the United States that reverse mortgages were slow to commence; however, by 1999 more than 38,000 elderly homeowners had taken reverse mortgages. Whilst equity lending through reverse mortgages may be a useful way of funding retirement for some, a number of unconscionable practises have been identified. Smith (2003:450) highlights,

> "There is one breed of predator that doesn't prowl in the jungle. The predatory lender stalks consumers, seeking to seize their homes through high-cost, abusive lending practices. The elderly, people in low income brackets and those who are under financial pressure are often the targets" (CNN cited in Smith 2003:449)
>
> "When Citigroup, the parent of a regulated lender, bought the Associates First Capital Corp. last year, and then were charged with predatory lending by the Justice Department, the company agreed to pay a fine, rather than suffer the bad publicity of a trial. So, Citicorp wrote a cheque for 27 million and was then out of the news and back to business."

In New South Wales Australia, as part of the conveyance process, which entails a mortgage, is the requirement for the conveyancer to explain the mortgage document to the client prior to their signing it. This to some degree assists the purchaser provided the conveyancer is arms length to the seller or developer. What this measure does not provide for, is a summary of the value of property to the sum of money being lent.

In cases where alternate property is not available for use as leverage, the use of mortgage insurance allows the lender to cover any potential losses that may arise. This insurance is paid for by the borrower and protects the lender. As noted in Table 3, the lender will mitigate their potential loss through the use of mortgage insurance, after which loans are securitised, bundled then sold off as collateralised debt obligations (CDOs). Also of particular note in this table, is the risk exposure to the valuer who writes the valuation at a fraction of the cost of the mortgage insurance cover. The valuation is in effect the insurance policy and the valuer is litigated by the lender in the event the price of the property is proven to have been in excess of the market value of the property.

Table 3: Mortgage insurance : valuation cost ratio

Purchase price	Loan : price ratio	Insurance	Valuation fee	Valuation fee : insurance ratio
$500,000	90%	$6,600	$220	3.3%

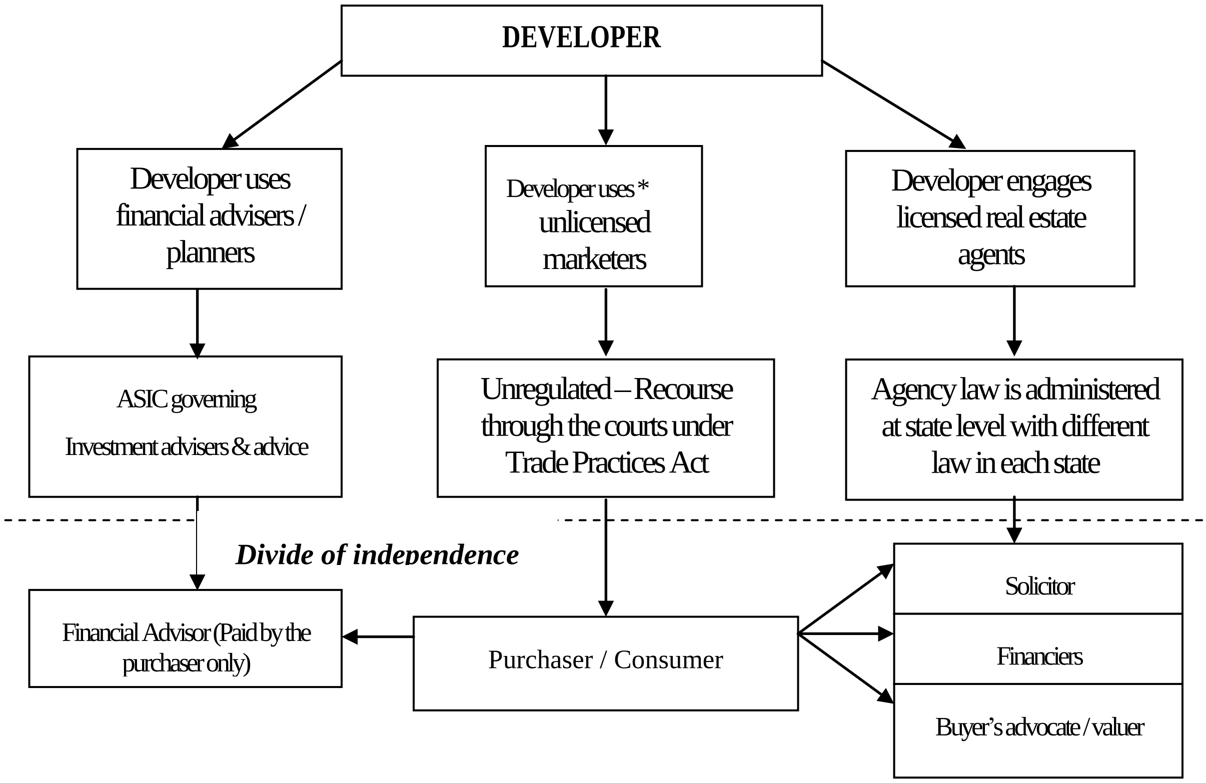
Source: Yourmortgage.com.au

Solution and alternate model

In addressing the issues identified in the earlier case reviewed, a level of awareness is needed in the advice and sources of that advice which is to be relied upon by investors. Of importance to an investor, particularly where finance is required for the purchase of property is the ability to understand the source, quality and most importantly the independence of advice.

Diagram 1 provides an additional layer of safety for the property purchaser which is shown as the ***divide of independence***. This divide is an important point of recognition where the investor seeks independent advice from professionals, including valuers who are paid by the purchaser for advice about the property and its value.

Diagram 1: Divide of independence

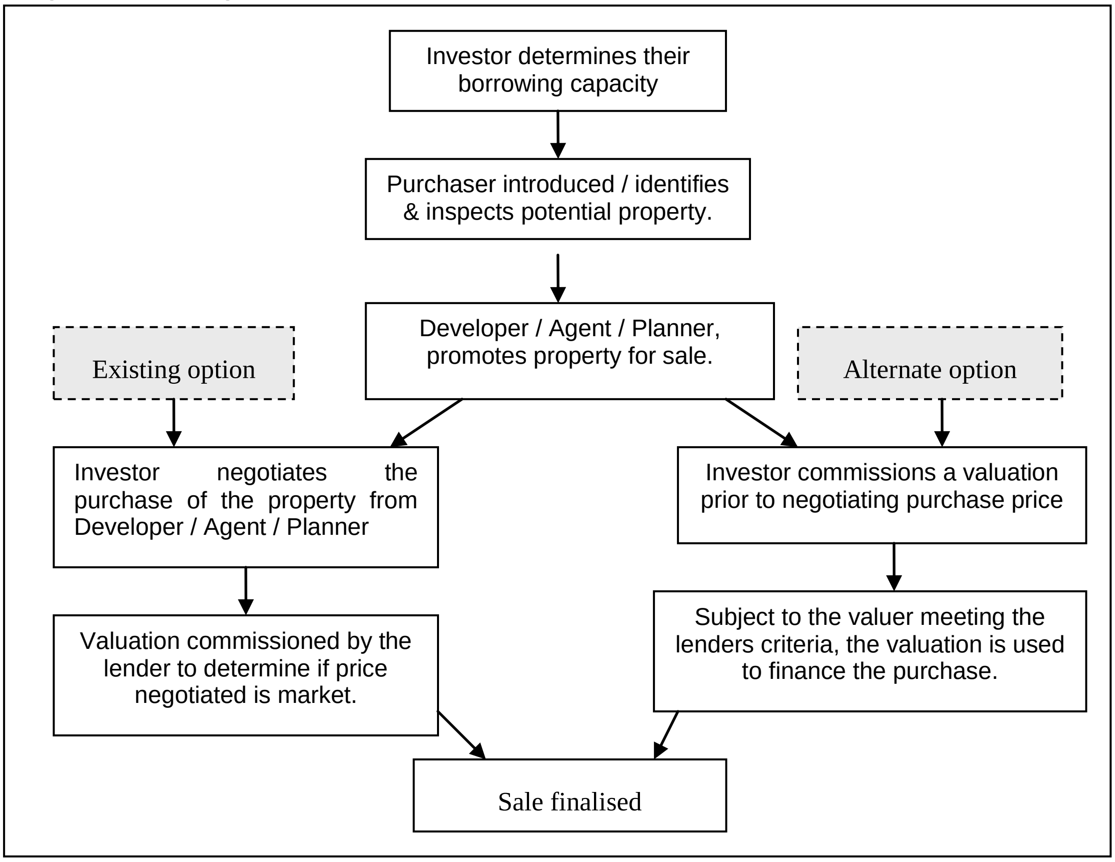


The overpricing of property is one issue that is the domain and concern of the valuer and valuation profession. At this point however, a segment of the residential valuation profession has not developed to establish itself as an independent viable alternative for property investors. Highly dependent on volume contract work, the valuation profession in this sector of the market is largely engaged by lending institutions, in which investors are financed to purchase property without independent advice of the property's value.

In Australia the traditional use of valuations for mortgage lending purposes are commissioned by the lender after the agreed price of the property has been determined. This results in the valuers coming under pressure to write the purchase price of property as its value, "Recent experience has shown that current major mortgage lending institutions are applying great pressure for valuers to place greater emphasis on the subject sale" (Rooke 2002:48). In contrast to the pre deregulation of the banking industry in 1992 when valuers were directly employed by the banks, Mangioni (2006) highlights that valuers are now engaged by lenders under contract to confirm the purchase price of property as its value for the lowest possible fee. This has in fact been a major contributor to lending on over priced property.

In addressing the issues arising from the above case, an alternate model for the investor is set out in Diagram 2. This process shows the investor obtaining their own valuation from an approved valuer before agreeing on the purchase price which is then submitted to the lender to formalise and complete the sale if successfully negotiated by the purchaser. Mangioni (2006) highlights the fact that far too often, the importance of this step is overlooked and becomes little more than a step in the buying process. In many cases investigations into the building condition, contract for the purchase and lending contract are investigated, with little or no real investigation into the price or value of the property to be purchased.

Diagram 2: Existing & alternate purchase & finance option model



Despite the existing and alternate option in the above model, the potential for conflict, where lenders allow borrower input in the valuation process, is highlighted by Crosby (2000) in referring to *Banque Bruxelles Lambert SA v Eagle Star Insurance Co [1995] 1 EGLR 129*. "The research issue is whether there is enough evidence of abuse in this process to prove that it impacts adversely on the efficiency of the lending process" (Crosby 2000:5). The example used is of the borrower or their broker seeking 'armchair valuations' from a succession of valuers and submitting the highest valuation to the lender. To elaborate on this, the practise of obtaining 'armchair valuations' is not necessarily confined to the borrower or their broker, as the lender may also choose to do the same in writing a loan.

RESEARCH METHOD AND RATIONALE

In assessing the response from property and associated professionals in the use of valuations by investors and home owners prior to purchase, a survey has been developed and used to measure this response. The survey includes real estate agents, buyer agents, valuers, financial planners, lenders, accountants and conveyancers. The survey determines the importance of the use of valuations prior to finalising the purchase price of property and ranks the use of valuations against other searches including building inspection reports, contracts for the sale of property, loan contracts and strata title reports.

Statistical analysis and test

A Likert Scale has been used to measure responses for the statements posed in the survey of which the scale comprises a range of 1 to 7 to measure responses on the following gradient:

1 - strongly agree

4 - unsure

7 - strongly disagree

The statistical test used comprises two analyses, the first being the mean distribution for each professional group in which the mean has been compared against each of the other professional groups. In addition, an analysis of the range distribution within each group has also been measured and plotted through the use of a mean distribution graph. These graphs are included as an annexure to this paper.

Survey and response

Response rates to surveys varied between the professions as shown in Table 4. Access to valuers, selling agents and lenders though professional bodies produced a higher return rate compared with other professionals. Surveys sent to Buyer's Agents were lowest due to their present numbers. A presentation of this research was made to the Buyer's Agent Committee of the REI to increase access to these professionals. It was confirmed by the Committee that there is presently a limited number of Buyer Agents in Australia. The specific number of buyer's agent in Australia could not be accurately determined, since any holder of a real estate agents license qualifies as an agent to act as either a buyer's or a seller's agent, but not dually in the same transaction. The buyer's agents surveyed in this study exclusively acted for buyers only.

Table 4: Survey summary

Participants	**Surveys Sent**	**Response**
Valuer	70	76%
Real Estate Agent (selling)	70	56%
Buyers Agent	40	33%
Financial Planner	70	27%
Accountant	70	27%
Solicitors / Conveyancer	70	29%
Lenders	70	47%
Totals	**460**	**43%**

Survey statements

Statement 1: A valuation would assist an investor when purchasing residential property.

Statement 2: A strata inspection report would assist an investor when purchasing residential property

Statement 3: A building and pest report would assist an investor when purchasing residential property

Statement 4: A legal opinion of the contract of sale would assist an investor when purchasing residential property

Statement 5: A legal opinion of the loan agreement would assist an investor when purchasing residential property

Summary of Statements 1 – 5

In confirming the relevance and benefits of valuations in the property purchase process, the professionals surveyed have ranked the importance of valuations among other documents obtained. Table 4 is a summary of Statements 1-5 of the survey which has resulted in the following ranking of documents that would assist investors purchase property. In compiling Table 4, the combined median for each statement by all professionals was used to determine an industry ranking of the importance of each document in the purchase process.

Table 5: Professionals ranking of property related documents (e = equal)

	Valuer	Selling Agent	Buyer Agent	Financial Planner	Solicitor/ Conveyancer	Accountant	Lender	**Rank**
Valuation	2	1.7	1.4	2.2	2.6	1.3	1.9	**3e**
Strata report	2	1.6	1.2	2.2	1.7	1.2	1.9	**2**
Building & pest	1.9	1.6	1.5	2	1.7	1.1	1.6	**1**
Sale contract	2	1.9	1.8	2.4	2	1.1	1.9	**3e**
Loan contract	2.3	2	2.7	2.5	2.1	1.4	2.4	**4**

Response commentary

The above table confirms that valuations do have a place among the information to be considered by purchasers, which is ranked equal third with advice on the contract of sale. In relation to each of these documents, a brief summary is provided. ***A statistical analysis of the results for each statement is provided as an annexure.***

It is shown in Table 5, that valuation advice ranks equal third with the sale contract as important advice in the property purchase process. It is the Building and pest report followed by the strata report, which ranks above valuation advice. This result highlights the importance of built environment attributes among professionals, however also highlights that valuation advice does have a place in the advice sought by purchasers in the property purchase process.

Statement 1: Valuation report

In contrast to all the professions surveyed, conveyancer's appeared to be only marginally in agreement with the statement. Discussions with conveyancers provided some basis for the result. Overall valuations are seen to be based on another person's view of value, even though a valuer is a recognised professional. The conveyance of property is seen as a process of imparting information on to buyers. It is an integral part of the buying process. The valuation is seen to go beyond the scope of providing information, due to the fact that a valuation is an opinion of value, not a definitive statement of fact. In many ways, whilst it is recognised that a valuation may assist an investor not to pay beyond the value for a property, a trade-off is made between this and the potential for a valuation to provide an additional issue that may thwart or impact on the purchase. Traditionally, the valuation has not been a recommendation made by conveyancers and at present has been met with some resistance by this profession.

Of particular note is the comparison between the selling agent, who acts for the seller, and the valuer, who at present can be identified as acting for the lender as most valuations at present would be commissioned by the lender rather than the investor. In the present case, the mean of the valuer's range is very similar to the mean of the selling agent. In the present valuation process, the valuer will contact the selling agent to discuss the method of sale and bona fides of the transaction and parties to it. This primarily occurs as the valuer is traditionally engaged post-purchase to analyse the transaction and confirm value within the context of what the purchaser has paid for the subject property. This is in contrast to the valuer determining the relativity of the value of the property against other property sold prior to purchase.

Statement 2: Strata report

The relevance of the strata inspection report is of lower relevance in the present study, as this work is primarily looking at new residential property, of which there would be little or no information relating to the history in the case of residential strata units and townhouse development. Despite this fact, overall, the strata inspection report provides a wealth of information in relation to the financial, physical and personality of the property, where a history does exist. An additional aspect that is relevant to the new residential development exists where the property is sold new with a sinking fund included with the scheme. Ultimately, the purchaser would pay for this, but may be comforted in knowing that the provision for capital expenditure has been considered from the outset of the development.

Statement 3: Building & pest report

The results of the benefits of the building and pest reports provide an interesting variety of responses, particularly from buyer agents, valuers and conveyancers. The confidence interval of buyer agents and conveyancers, whilst generally affirming the benefits of these reports, have a variety of opinions within the professional group, compared with selling agents who have the equal second lowest confidence interval with lenders. Selling agents are also noted for having the second lowest mean distribution behind accountants.

The last profession for comment are valuers, who registered the second highest mean of all professions. In many valuations undertaken by valuers, the use of disclaimers for structural and building defects is a requirement of professional indemnity insurers. Whilst valuers will note obvious building defects, these are outside their scope of expertise, which in part is reflected in their survey responses when compared with other professionals.

Statement 4: Sale contract

The contract of sale and terms and conditions of sale, whilst important, impact on the transaction and the implications for the purchaser more specifically. This is due to the contract of sale being prepared by the seller. In the case of new residential property, the contract of sale is crucial in articulating whether the sale price of the property is GST inclusive or exclusive. The contract of sale may also provide penalty provisions for non-performance and late settlement provisions, which may also be prohibitive. Adjustments for land tax and payments of land tax for property purchased off the plan may also be accrued and charged to the purchaser. These matters, among others, need to be considered when assessing the purchase price for a property.

Statement 5: Loan contract

The implications of the mortgage agreement may impact on the borrower for the term of the loan. One particular issue of note is the proliferation of mortgage brokers over the past 5 – 10 years. With brokers tapping into sources for lending, real estate and real estate practitioners are of interest to mortgage lenders and brokers, particularly professionals involved with investors and purchasers who may require finance to purchase investment property.

In this survey, it is noted that all professionals had mean distributions on the affirmative side and agreed with the statement to varying degrees. Buyer agents and financial planners have broad mean distributions within their groups, with the upper limit of the distribution close to 4 being unsure. The mean of each group is between 2.5 and 3. As highlighted earlier, the provision of finance is a service in which remuneration for referrals are common. In cases where referrals are made and fees are paid for such referrals, regardless of the disclosures to the purchaser of that fee or commission, unless the referring party has access to all lenders and are paid equal fees or commissions from each, it is important that all mortgage lending agreements are commented on by an independent source to the agreement.

Summary

In the case of legal practitioners, in each states legislation, legal rules, insurance obligations and practices, generally mean that a solicitor does *not* act for both the seller and the buyer; or buyer and the lender. For example in Queensland, this is because the solicitor is obligated by the Section 8.2 of the *Legal Profession (Solicitor) Rule 2007* to *"avoid any conflict of interest between two or more clients"*. This position generally operates throughout Australia for legal advisers. No such amendments have yet been introduced via changes to the Corporations Act 2001 for investment advisors however, proposed changes are under consideration by the Commonwealth as follows:

> A prospective ban on soft dollar benefits, where a benefit is $300 or more (per benefit) from 1 July 2012. (Commonwealth of Australia 2011:5)

This provision, if enacted, would prohibit investment advisors from taking a fee or commission from both the property developer and the investor they are recommending the property too.

Conclusion

The causes contributing too and the responses needed for averting the problems currently embracing world financial markets are diverse and complex. In the case of property and its financing, a contribution can be made in a number of ways in which the valuer and valuation profession are key contributors to this response. At the micro level, property investors have the option of better informing themselves about property and the market in which it exists through the use of valuers. Given that many property purchases involving finance are the subject of valuations by lenders, the purpose of this practise should be more evident to investors prior to determining the purchase price of property. This has yet to become a mainstream approach, however in view of the present market turmoil, there is no better time for this approach to be adopted.

The contribution that valuations offer in assisting property investors are evident in the survey findings reported in this paper. It is clear that all professions endorse the use of valuations by investors prior to purchase and the benefits this affords cannot be underestimated. It is important that the valuation profession assist investors in understanding the use and importance of their profession. In the regulatory safeguards and governance of mortgage lending, regulators cannot solely be responsible for poor consumer decisions in property investment and the price paid for property. This objective needs to be achieved through better financial literacy which includes the benefits of understanding property and how this may be achieved through the use of valuations.

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Statement 1 - A valuation would assist an investor when purchasing residential property.

Mean Analysis

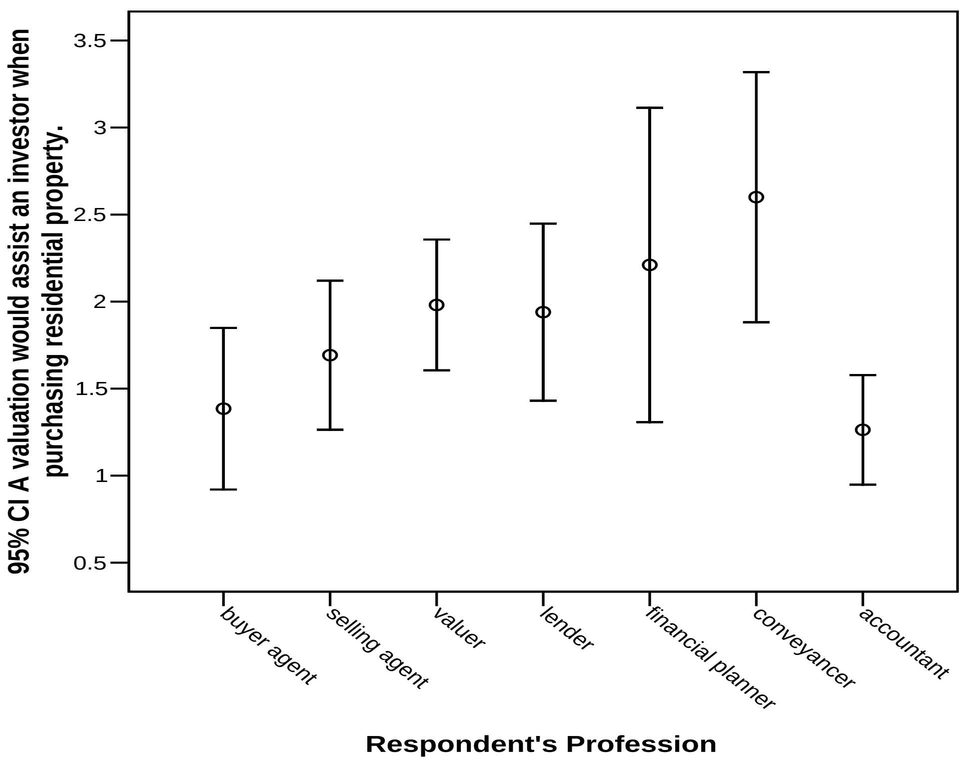
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
					Lower Bound	Upper Bound		
Buyer agent	13	1.38	.768	.213	.92	1.85	1	3
Selling agent	39	1.69	1.321	.212	1.26	2.12	1	7
Valuer	52	1.98	1.350	.187	1.60	2.36	1	7
Lender	33	1.94	1.435	.250	1.43	2.45	1	7
Financial planner	19	2.21	1.873	.430	1.31	3.11	1	7
Conveyancer	20	2.60	1.536	.343	1.88	3.32	1	7
Accountant	19	1.26	.653	.150	.95	1.58	1	3
Total	195	1.89	1.386	.099	1.70	2.09	1	7

ANOVA Result

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	24.852	6	4.142	2.238	.041
Within Groups	347.886	188	1.850		
Total	372.738	194			

Graph – Mean Distribution

1=Strongly Agree, 4=Unsure, 7=Strongly Disagree



Statement 2 - A strata inspection report would assist an investor when purchasing residential property.

Mean Analysis

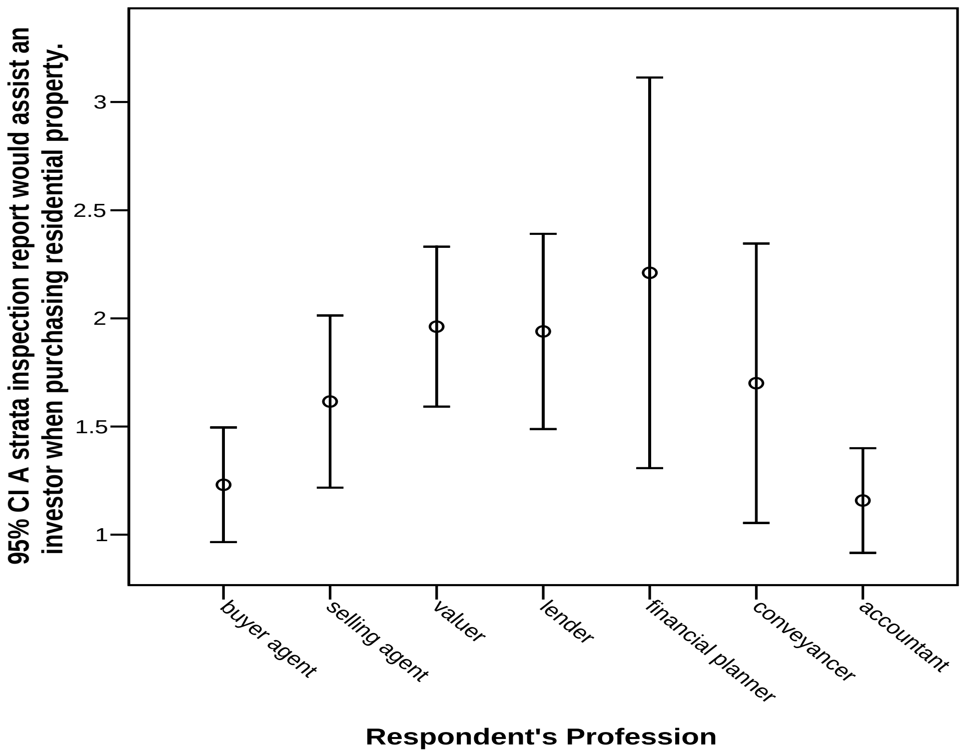
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Maximum
					Lower Bound	Upper Bound		
Buyer agent	13	1.23	.439	.122	.97	1.50	1	2
Selling agent	39	1.62	1.227	.197	1.22	2.01	1	7
Valuer	52	1.96	1.328	.184	1.59	2.33	1	7
Lender	33	1.94	1.273	.222	1.49	2.39	1	7
Financial planner	19	2.21	1.873	.430	1.31	3.11	1	7
Conveyancer	20	1.70	1.380	.309	1.05	2.35	1	7
Accountant	19	1.16	.501	.115	.92	1.40	1	3
Total	195	1.76	1.292	.092	1.58	1.94	1	7

ANOVA Result

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	18.447	6	3.075	1.894	.084
Within Groups	305.225	188	1.624		
Total	323.672	194			

Graph – Mean Distribution

1=Strongly Agree, 4=Unsure, 7=Strongly Disagree



Question 3 - A building and pest report would assist an investor when purchasing residential property.

Mean Analysis

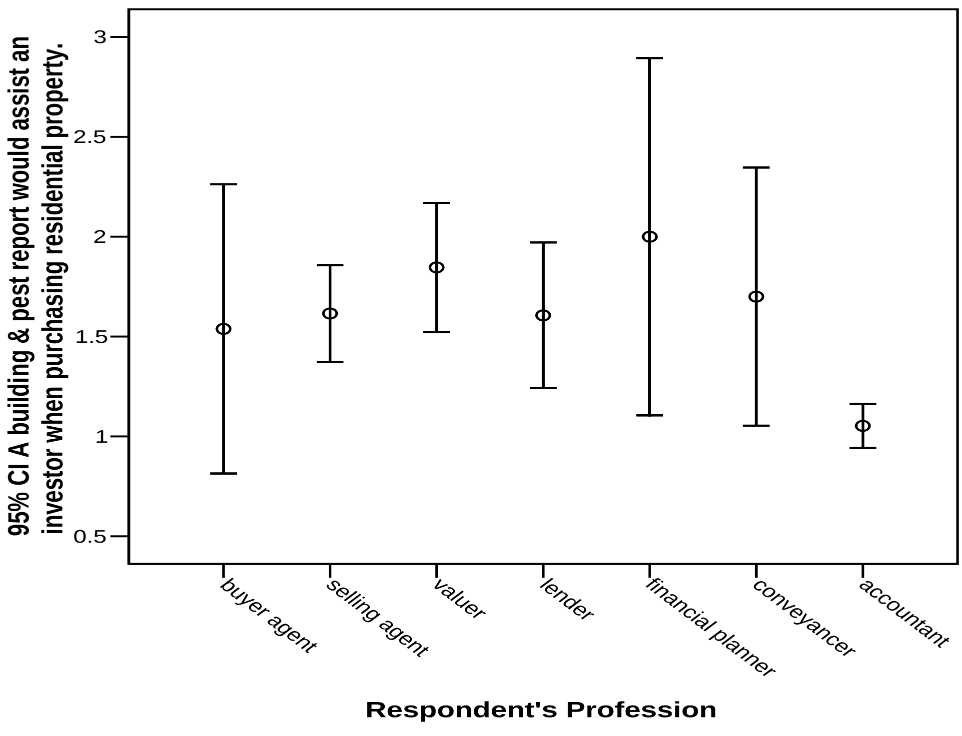
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
					Lower Bound	Upper Bound		
Buyer agent	13	1.54	1.198	.332	.81	2.26	1	5
Selling agent	39	1.62	.747	.120	1.37	1.86	1	3
Valuer	52	1.85	1.161	.161	1.52	2.17	1	7
Lender	33	1.61	1.029	.179	1.24	1.97	1	6
Financial Planner	19	2.00	1.856	.426	1.11	2.89	1	7
Conveyancer	20	1.70	1.380	.309	1.05	2.35	1	7
Accountant	19	1.05	.229	.053	.94	1.16	1	2
Total	195	1.66	1.139	.082	1.50	1.82	1	7

ANOVA Result

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	11.405	6	1.901	1.487	.185
Within Groups	240.257	188	1.278		
Total	251.662	194			

Graph – Mean Distribution

1=Strongly Agree, 4=Unsure, 7=Strongly Disagree



Statement 4 - A legal opinion of the contract of sale would assist an investor when purchasing residential property.

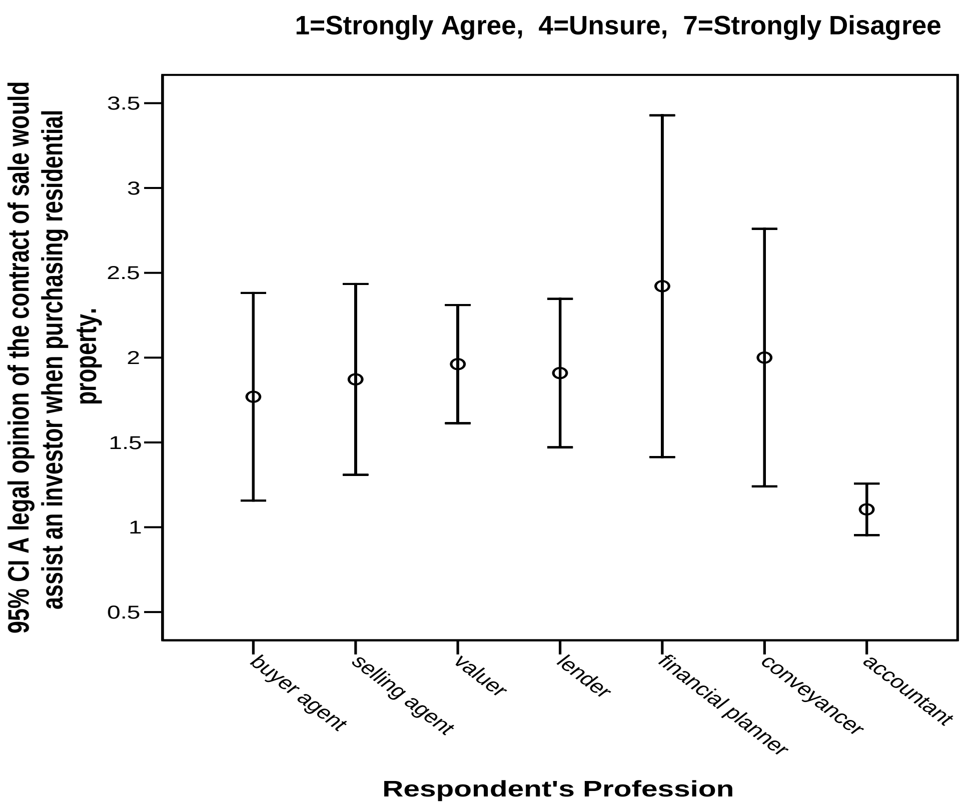
Mean Analysis

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
					Lower Bound	Upper Bound		
Buyer agent	13	1.77	1.013	.281	1.16	2.38	1	4
Selling agent	39	1.87	1.735	.278	1.31	2.43	1	7
Valuer	52	1.96	1.252	.174	1.61	2.31	1	7
Lender	33	1.91	1.234	.215	1.47	2.35	1	7
Financial planner	19	2.42	2.090	.479	1.41	3.43	1	7
Conveyancer	20	2.00	1.622	.363	1.24	2.76	1	7
Accountant	19	1.11	.315	.072	.95	1.26	1	2
Total	195	1.89	1.442	.103	1.68	2.09	1	7

ANOVA Result

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.780	6	2.963	1.444	.200
Within Groups	385.738	188	2.052		
Total	403.518	194			

Graph – Mean Distribution



Statement 5 - A legal opinion of the loan agreement would assist an investor when purchasing residential property.

Mean Analysis

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
					Lower Bound	Upper Bound		
Buyer agent	13	2.69	1.601	.444	1.72	3.66	1	6
Selling agent	39	2.03	1.709	.274	1.47	2.58	1	7
Valuer	52	2.27	1.430	.198	1.87	2.67	1	6
Lender	33	2.42	1.458	.254	1.91	2.94	1	6
Financial planner	19	2.53	2.144	.492	1.49	3.56	1	7
Conveyancer	20	2.10	1.651	.369	1.33	2.87	1	7
Accountant	19	1.42	.769	.176	1.05	1.79	1	3
Total	195	2.20	1.572	.113	1.98	2.42	1	7

ANOVA Result

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	19.997	6	3.333	1.364	.231
Within Groups	459.203	188	2.443		
Total	479.200	194			

Graph – Mean Distribution