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FACTORS INFLUENCING MORTGAGE FORECLOSURE OF COMMERCIAL BANKS IN IBADAN, NIGERIA

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Abstract

Mortgage foreclosure is a recovery tactic used by financial institutions especially in developing nations where institutional, legal, and economic issues frequently make it less successful and pose a threat to commercial banks' financial stability. This study examined factors influencing mortgage foreclosure of commercial banks in Ibadan, Nigeria and this was with a view to providing information that could enhance best lending practice. The study adopted survey method by administering questionnaire on the credit, account and loan officers of commercial banks in Ibadan using total enumeration of the 19 commercial banks operating in the study area and the data were analyzed using mean ranking and principal factor analysis. The study found that loan types, industry characteristics, prepackaged bankruptcy, traditional bankruptcy and out-of-court restructurings and macroeconomic conditions were the most prominent factors influencing mortgage foreclosure with mean scores of 4.067, 4.00, 4.00 and 4.00 respectively using 5-point Likert scale. The least factors influencing foreclosure were loan size and loss of job with mean values of 3.000 and 2.867 respectively. Through principal component analysis, four (4) factors were extracted and accounted for 78.598% of total variance explained. The study recommends the promoting ethical lending practices is essential, with regulatory bodies ensuring that banks adhere to standards that minimize conflicts of interest and ensure fair treatment of borrowers throughout the loan lifecycle and attention to the factors influencing foreclosure during loan application and assessment before disbursement will go a long way of mitigating the likelihood of default leading to foreclosure. Also Enhanced monitoring systems and rigorous client selection processes are vital for identifying high-risk borrowers early on, allowing banks to implement supportive measures that encourage repayment and reduce the likelihood of foreclosure.

Keywords: Factors, Mortgage, Foreclosure, Commercial banks, Ibadan

1.0 Introduction

Mortgage financing is a cornerstone of real estate and economic development. It enables individuals, businesses, and investors to acquire properties through long-term structured loan agreements and provides them with the financial leverage needed to do so (Nassar, Abuzekry, & Elmenshawy, 2023). The financial support is usually facilitated by commercial banks in Nigeria and serve as key intermediaries in mortgage lending by offering structured loan facility to be secured by real estate assets. As such, when borrowers default on their mortgage obligations, foreclosure becomes a legal mechanism through which lenders recover their investments. Wei and Rosli (2021) noted that banks act as financial intermediaries, connecting savers with borrowers while ensuring the sustainability of the housing finance system. Mortgage loans are typically secured by real estate assets and in the event of default, lenders have the legal right to repossess and sell the collateralised property through a foreclosure process. This mechanism ensures banks can recover their outstanding debts and sustain their lending operations. However, the foreclosure process is not always straightforward, as it is influenced by various legal, economic, and institutional factors that determine its effectiveness as a debt recovery strategy.

Again, Jannah and Badriyah (2023) opined that mortgage foreclosure involves the legal process of repossessing and selling a mortgaged property when the borrower fails to meet repayment obligations. The foreclosure is intended to mitigate financial losses for lenders particularly in developing economies where legal, economic, and institutional challenges often hinder efficient enforcement (Gurrea-Martinez & Elena, 2020). Furthermore, foreclosure has significant social and economic consequences, often leading to borrower resistance and public outcry. To mitigate these risks, some financial institutions explore alternatives to foreclosure, such as loan restructuring, mortgage refinancing, and negotiated settlements with borrowers. These approaches, while sometimes effective, can prolong loan recovery and increase operational costs for banks.

In loan assessments and disbursements, commercial banks need to be abreast of certain factors that could influence likelihood of borrowers' default and eventual mortgage foreclosure. The factors are enormous and ranging from asset tangibility and leverage, loan size, borrower's characteristics, job losses and firm size among others. Various studies have assessed factors influencing mortgage foreclosure globally. For instance, Nang, Neo and Ong (2003) in Singapore. The study is limited to

only macro-economic factors responsible for mortgage foreclosure while Foote and Willien (2018) study focused on the economics crisis emanated from mortgage foreclosure. Despite the critical role of foreclosure in mortgage finance and the available linted literature, gaps remain in Ibadan commercial nerve centre of Oyo State Capital where all commercial banks in Nigeria have their branches. This study seeks to bridge this gap by analyzing the factors influencing mortgage foreclosure. The findings will contribute to policy recommendations aimed at improving foreclosure efficiency and enhancing mortgage market stability.

2.0 Review of Related Literature

The study categorized factors influencing loan recovery rate into four. These are loan characteristics, recovery process characteristics, borrower characteristics, and external factor (macroeconomic conditions and industry) characteristics. One of the factors influencing mortgage foreclosure of commercial banks is the size of loan which could impact recovery rates. However, evidences from existing literature are inconsistent and conflicting. For example, Algeri, Forgione and Migliardo (2023) found that loan size had a negative association with actual recovery rates following default in their study. The study claimed that banks will postpone foreclosure on loans with substantial amount because other banks' clients having business with defaulter would be harmfully affected by foreclosure and thus could default on their own loans. This proposition is termed "spill-over effect'' and could result in lower recovery rates when these loans ultimately enter foreclosure. On the other hand, Collier and Ellis (2024) found a positive association between recovery rates and loan size. Kärnä & Stephan (2022) studied small business bankruptcies in Sweden. The study found that loan size did not significantly influence recovery rate. Naili, and Lahrichi (2022) estimate a model for bank loan recoveries using variables reflecting loan and borrower characteristics, industry and macroeconomic conditions, and several recovery process variables. The study found that loan characteristics are more significant determinants of recovery rates than are borrower characteristics prior to default.

Another factor influencing mortgage foreclosure is loan terms and revolvers. Generally, the two types of loans are commercial credits. On one hand, a term loan is usually used to finance a long-term project, for example the purchase of fixed assets or building a manufacturing plant. On the other hand, a revolving credit is typically short term and smaller loan and often granted without collateral (Bartholdy & Olson, 2023). However, limited prior research examines whether alterations in loan type affect recovery rates. One distinctive feature distinguishing term loan from revolvers is maturity. Term loans are more likely to be secured than are revolvers, but their longer maturities could enhance prospects for

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deterioration in collateral value, thereby reducing recovery rates (Kuranova et al., 2020). The short duration of revolvers also triggers frequent requests for renewals, which allows banks to re-evaluate default and recovery prospects by limiting loan size or asking for more or better collateral. Collateral is another important factor degerming foreclosure. Finance theory proposes that recovery rates on secured should be higher than unsecured loans. This is because creditors have legal right to seize and sell certain designated assets in the event of default. Available literature showed collateral to be significantly related to recoveries (Matenda, et al., 2022). Bank loans tend to be more highly collateralized than bonds at origination. Prepackaged bankruptcy, traditional bankruptcy, and out-of-court restructurings is another factor influencing mortgage foreclosure in the literature. Hence, Heitz & Narayanamoorthy (2020) found that companies that pre-package seem to be more all-encompassing operationally than those that do not. Furthermore, Prasad et al. (2020) discovered that firms that use distressed exchanges are normally more solvent at the time of reorganization than bankrupt firms. As a result, Fanelli and Gonzalez-Eiras (2021) opined that creditors may not have to accept large discounts in the recovery process.

Time to Emergence also influence mortgage foreclosure. For instance, Fanelli and Gonzalez-Eiras (2021) pointed out that both secured and unsecured claimholders may not be paid interest during the workout period. Workout period is the period from the default date to the resolved date. So, neither would prefer a long, drawn-out path to resolution. This should imply lower recoveries as the time it takes to emerge from financial distress increases. Also, Bégin et al. (2023) discovered that US bond recovery rates are nonlinearly related to time in default. Particularly, the study found that bond recovery rates increase with time in default for the first one and a half years post-default but decrease afterward. Borrower characteristics are commonly included in research involving bond recoveries (Hattle, 2022; Mwirigi et al., 2024). However, existing loan recovery studies include only a limited number of firm characteristics. The following are borrower's characteristics that could influence loan recovery rate. Firm Size also influence mortgage foreclosure**.** For example, Demirgüç-Kunt (2020) remarked that the impact of firm size on recoveries is ambiguous ex ante. "Large firm size may proxy for high bankruptcy costs, which may in turn result in lower recovery rates". This suggests time the size of the firm could affect default recovery rare. Yet larger firms presumably present less severe information asymmetry problems to creditors. If so, the restructuring process is likely to occur more quickly for large firms than for small ones, which may in turn improve recoveries for lenders (Greenwood, 2020; Wan &

Watters, 2021) stressed that transparent information about firm value could make creditors more willing to accept loan restructuring plan.

Cash flows, asset tangibility, and leverage also influence mortgage foreclosure. Carnes et al. (2023) contend that more cash-rich firms can attract higher prices for their assets from potential buyers, holding other variables constant. In other words, higher asset tangibility should potentially increase recovery value for creditors. Ayaz (2021) maintained that debt-holders' recovery depends on the degree to which the borrower's assets are not designated to specific uses or are re-deployable." Put differently, this implies the recovery rate depend largely on asset specificity. An argument for a positive link claim that higher leverage prompts increased monitoring of managers' behavior, which in turn results in higher asset quality. Therefore, higher leverage should vary positively with recovery rates, when high-quality assets are liquidated". Yet, some previous studies find a significant negative association between leverage and recovery (Kalash, 2021; García-Gómez et al. 2021; & Kijkasiwat, et al. 2022) studied firm-level recovery and defaulting and found that recovery rates are reduced by approximately 5% when the median leverage ratio increases by one unit. Lobo et al., (2020) documented that loans to borrowers with a history of prior defaults may produce higher recovery rates, ceteris paribus. Such borrowers may be required to provide lenders with more collateral or be subject to greater scrutiny in the loan review process. Also, Martín-Legendre et al., (2024) found that loan purpose, annual income and indebtedness history affect recovery rate in Spain. The next section contained methodology employed for the study.

3.0 Methodology

The study population for this study is the credit, finance and account officers of commercial banks in Ibadan because they are the officers of banks that are directly involve in assessing and granting loan applications and their nomenclature differs depending on banks. In Ibadan, there were Nineteen (19) established commercial banks in Ibadan based on ventral bank of Nigeria publication 2024. Hence, the sampling frame for the study is 19. A total enumeration of the sampling frame was adopted since it is within a manageable number. Table 1 below contained the name of the commercial banks selected for the study.

Table 1: Name of Commercial Banks in Ibadan

S/n	Name of commercial banks	Sample
1	Access Bank	1

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2	Eco Bank	1
3	Fidelity Bank	1
4	First Bank	1
5	First City Monument Bank (FCMB)	1
6	Globus Bank	1
7	Guaranty Trust Bank (GTB)	1
8	Jaiz Bank	1
9	Keystone Bank	1
10	Lotus Bank	1
11	Polaris Bank	1
12	Premium Trust Bank	1
13	Stanbic IBTC Bank	1
14	Sterling Bank	1
15	Union Bank	1
16	Unity Bank	1
17	United Bank for Africa (UBA)	1
18	Wema Bank	1
19	Zenith Bank	1
Total		**19**

Source CBN, 2024

The data collected questionnaire administration were analyzed using frequency and percentage, mean rating and principal component analysis. The next section of the paper presents the result of the survey conducted for the study.

4.0 Data Presentation and Discussion of Findings

The data collected based on the objectives of the study were analysed and the socioeconomic characteristics of the respondents is presented in Table 2.

Table 2: Socioeconomic Characteristics of the Respondents

Characteristics	Classification	Frequency	Percent
Status of respondents	Credit Officer	10	66.7
	Relationship Officer	2	13.3
	Regional Education Finance Officer	1	6.7
	Head of Marketing	1	6.7
	Account Officer	1	6.7
	Total	**15**	**100.0**
Section of respondents	Credit Section	10	66.7
	Retail Sales	2	13.3
	Marketing	2	13.3
	Business Banking Group	1	6.7
	Total	**15**	**100.0**
Number of loan advancement in last 5 years	Less than 10	1	6.7
	21 – 30	5	33.3
	31 – 40	2	13.3
	41 – 50	5	33.3
	51 and above	2	13.3
	Total	**15**	**100.0**
Number of loan foreclosure in last 5 years	Less than 10	14	93.3
	51 and above	1	6.7
	Total	**15**	**100.0**

Source: Authors' Field work 2025

The survey data provides valuable insights into the practices surrounding mortgage foreclosure in commercial banks in Ibadan, Oyo State, offering a comprehensive view of how banking professionals handle loan management, advancements, and foreclosures. The status of the respondents reveals that a significant portion (66.7%) were credit officers, individuals who are directly involved in the loan approval process and the monitoring of repayments, making their perspectives highly relevant to the issue of foreclosures. In addition, the presence of relationship officers (13.3%), account officers (6.7%), regional education finance officers (6.7%), and heads of marketing (6.7%) further broadens the understanding of foreclosure practices by incorporating insights from professionals who manage client

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relationships, institutional finances, and marketing strategies that influence customer retention and loan acquisition. This mix of roles reflects a diverse set of viewpoints, all of which play integral roles in the bank's overall approach to handling loans and foreclosures. Similarly, the section of respondents shows that most respondents (66.7%) were drawn from the credit section, reinforcing the focus on loan management as central to the study's scope. Other sections, such as retail sales and marketing (each representing 13.3% of the sample), as well as the business banking group (6.7%), also contribute insights into how different banking divisions affect or influence foreclosure rates. The prominence of the credit section indicates that the participants primarily handle processes related to loan issuance, repayment tracking, and foreclosure, positioning them as key informants on the mechanics of mortgage foreclosure in the region.

In respect to loan advancements in the last five years, a wide distribution is evident. While one respondent reported advancing fewer than 10 loans, the majority reported advancing between 21 and 50 loans, with (33.3%) of respondents advancing between 21 and 30 loans, and another (33.3%) between 41 and 50 loans. The data indicates that many respondents have considerable experience in advancing loans, making their feedback critical to understanding patterns of mortgage defaults. This spread suggests that the respondents are well-versed in mortgage lending practices and have encountered a variety of outcomes, including successful repayments and defaults leading to foreclosure. The presence of respondents who have advanced over 50 loans provides further depth, indicating that a small but significant proportion of banking professionals are handling high volumes of loan activity.

In terms of foreclosures, the findings suggest that the incidence of foreclosure is relatively low, as 93.3% of respondents reported fewer than 10 foreclosure cases in the past five years. This could reflect the effectiveness of risk management strategies within the commercial banking sector or possibly favourable economic conditions during the study period. However, the fact that one respondent reported over 51 foreclosures (6.7%) highlights that some banks may still experience challenges with mortgage defaults, which could be indicative of systemic issues within certain segments of the market or borrower profiles. The low overall foreclosure rate might also point to cautious lending practices, where banks are more selective in approving loans, thereby reducing the likelihood of defaults.

Table 3: Factors Influencing Mortgage Foreclosure Process in Commercial Bank in Nigeria

S/N.	Factors	SI (5)	I (4)	N (3)	NI (2)	SNI (1)	Mean Score	Ranking
1.	Loan types	6	6	1	2	0	4.067	1st
2.	Industry characteristics	4	8	2	1	0	4.000	2nd
3.	Prepackaged bankruptcy, traditional bankruptcy and out-of-court restructurings	6	6	1	1	1	4.000	2rd
4.	Macroeconomic conditions	5	8	0	1	1	4.000	2th
5.	Cash flows	6	5	1	2	1	3.867	5th
6.	Time to emergence	5	6	1	3	0	3.867	5th
7.	Prior defaults	5	6	1	2	1	3.800	7th
8.	Nature of collateral	5	6	0	3	1	3.733	8th
9.	Firm size	4	6	1	4	0	3.667	9th
10.	Asset tangibility and leverage	3	6	2	4	0	3.533	10th
11.	Borrower characteristics	4	5	1	4	1	3.467	11th
12.	Probability of default	5	2	1	3	4	3.067	12th
13.	Loan size	0	4	8	2	1	3.000	13th
14.	Loss of job	3	3	1	5	3	2.867	14th

Source: Authors Filed work 2025

Table 3 revealed that the top-ranked factor, loan types (mean = 4.067), highlights the importance of diverse mortgage products in shaping foreclosure outcomes, indicating that banks must tailor their offerings to mitigate risks associated with defaults. This finding is supported by previous studies like Görgen, Jacob and Nerlinger (2020) which found that different loan types, especially adjustable-rate loans, can significantly impact the likelihood of default, particularly during economic downturns. Another study by Adil, Oualid and Lahcen (2023) revealed that risky loan products such as subprime loans were major contributors to defaults during the financial crisis. Closely following are industry characteristics and the various forms of bankruptcy, both receiving mean scores of 4.000, underscoring the relevance of the banking sector's operational environment and the impact of restructuring options on borrower behaviour and default risk. These research outcomes mirror findings from and Omeje, Jideofor and Ugwu (2020) examination, of the impact of operational environments on foreclosure risk, which indicated that commercial real estate loans, particularly in volatile industries, are more

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susceptible to defaults. Additionally, macroeconomic conditions (mean = 4.000) are critical, as external economic factors like interest rates and inflation directly affect borrowers' repayment capacities. Moreover, the influence of macroeconomic conditions on foreclosure outcomes has been widely documented across literature such as Chakraborty (2020) which concludes that higher interest rates and inflation increase the likelihood of mortgage defaults, particularly for loans with higher risk profiles. The analysis also identifies cash flows (mean = 3.867) and time to emergence (mean = 3.867) as vital considerations, suggesting that a borrower's financial stability and the timely identification of at-risk loans are essential for effective foreclosure management. These findings align with Omeje, Jideofor and Ugwu (2020) studies that show financial fragility among borrowers as a critical predictor of default risk. Other significant factors include prior defaults (mean = 3.800), which serve as predictors of future performance, and the nature of collateral (mean = 3.733), emphasizing the necessity of quality collateral in risk assessment; contributing to the findings of Ejem, Okore, Samuel and Effe-Nnamdi (2023) that while collateral offers some protection against losses, loans with high loan-to-value ratios and lower quality collateral are more likely to default. Meanwhile, firm size (mean = 3.667) and asset tangibility (mean = 3.533) indicate that the financial health and resource availability of borrowing entities are relevant to repayment capabilities. While factors such as borrower characteristics (mean = 3.467) and probability of default (mean = 3.067) are acknowledged, they are perceived as less critical than others. Lastly, loan size (mean = 3.000) and loss of job (mean = 2.867) rank lower, suggesting a nuanced understanding of their roles in foreclosure risk. Overall, the findings underscore the necessity for commercial banks to adopt comprehensive risk management strategies that account for the interplay between loan characteristics, borrower behaviours, and broader economic conditions to effectively mitigate foreclosure risks. The analysis of factors influencing mortgage foreclosure practices among commercial banks in Ibadan underscores the importance of several key elements for lenders and policymakers. The prominence of loan types suggests that banks should diversify their mortgage offerings to better align with borrowers' financial circumstances, potentially reducing default rates. Additionally, the significance of industry characteristics and macroeconomic conditions emphasizes the need for banks to stay attuned to economic trends and implement proactive measures, such as flexible repayment options during downturns. Enhanced risk assessment mechanisms focusing on cash flows and prior defaults are crucial for identifying high-risk borrowers early on. Moreover, attention to the nature of collateral and firm size is vital for effective collateral management, ensuring that collateral

remains adequate and liquid. While factors like borrower characteristics and probability of default are seen as less critical, they still play a role, highlighting the need for improved training for loan officers in behavioural assessments and ethical lending practices.

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.594
Bartlett's Test of Sphericity	Approx. Chi-Square	138.060
	Df	91
	Sig.	.001

Source: Authors' fieldwork, 2025.

Table 4 shows results of the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity provide important insights into the suitability of the data for factor analysis in the context of mortgage foreclosure practices among commercial banks in Ibadan, Oyo State. The KMO measure of sampling adequacy was found to be 0.594, which indicates a moderate level of sampling adequacy, suggesting that the data may be suitable for factor analysis but may benefit from further collection or adjustment to strengthen the underlying structure. Furthermore, Bartlett's Test of Sphericity yielded an approximate chi-square value (138.060) with (91) degrees of freedom and a significance level of (0.001). This result indicates that the correlation matrix is significantly different from an identity matrix, affirming that the variables have sufficient correlation to warrant factor analysis. Together, these results support the appropriateness of proceeding with factor analysis in the investigation of factors contributing to mortgage foreclosure practices among commercial banks in the region.

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Table 5: Total Variance Explained of Factors Influencing Mortgage Foreclosure in Ibadan

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.264	44.746	44.746	6.264	44.746	44.746	4.695
2	2.360	16.859	61.605	2.360	16.859	61.605	4.085
3	1.336	9.544	71.149	1.336	9.544	71.149	3.630
4	1.043	7.449	78.598	1.043	7.449	78.598	1.691
5	.921	6.577	85.174				
6	.599	4.281	89.455				
7	.537	3.837	93.292				
8	.376	2.689	95.980				
9	.198	1.413	97.393				
10	.173	1.237	98.630				
11	.112	.800	99.430				
12	.039	.278	99.708				
13	.033	.236	99.944				
14	.008	.056	100.000				

Extraction Method: Principal Component Analysis.

Source: Authors' fieldwork, 2025

The Total Variance Explained Table 5 summarizes the results of a Principal Component Analysis (PCA) conducted to identify the underlying factors contributing to mortgage foreclosure practices among commercial banks in Ibadan, Oyo State. The analysis reveals key insights into the structure of the data and the significance of various components in explaining the variance observed in the dataset. The table lists the initial eigenvalues, which indicate the total variance explained by each component before extraction. The first component has an eigenvalue of 6.264, accounting for 44.746% of the total variance. This suggests that the first factor captures a significant portion of the variability in the data, indicating that it is a dominant contributor to the phenomenon under investigation. The cumulative percentage of variance explained by this component alone is also noteworthy, as it contributes substantially to understanding the overall dynamics of mortgage foreclosures.

The second component, with an eigenvalue of 2.360, accounts for an additional 16.859% of the variance, bringing the cumulative total to 61.605%. Together, the first two components explain over 61% of the variance, indicating that these factors are crucial in elucidating the complexities of mortgage foreclosure practices. The third component, with an eigenvalue of 1.336, explains 9.544% of the variance, reinforcing the importance of these three components as key drivers in the dataset. Further analysis reveals that components four through six continue to contribute to the overall variance, albeit to a lesser extent, with eigenvalues of 1.043 (7.449%), 0.921 (6.577%), and 0.599 (4.281%) respectively. Collectively, these components explain up to 89.455% of the variance, emphasizing the relevance of these underlying factors in understanding mortgage foreclosure practices. Notably, components seven through fourteen show diminishing returns in terms of variance explained, with eigenvalues dropping below 0.537, suggesting that while these components may still hold some importance, they are less significant in capturing the variance associated with mortgage foreclosures. The rotation sums of squared loadings indicate the variance accounted for after the extraction process and provide a clearer picture of the underlying structure. The first three components maintain their significance after rotation, reflecting their capacity to explain variance in a more interpretable manner. Overall, the total variance explained Table 5 provides critical insights into the factors that underlie mortgage foreclosure practices in Ibadan. The prominence of the first two components highlights the necessity for commercial banks to focus their risk assessment strategies on the most influential factors identified. By understanding which components capture the most variance, banks can better align their lending practices and policies to mitigate risks associated with mortgage defaults and foreclosures.

Table 6: Component Correlation Matrix of Factors Influencing Mortgage Foreclosure

Component	1	2	3	4
Prior defaults, Nature of collateral and cash flows	1.000	.338	.345	.219
Categorization of loans and the size of borrowing firms	.338	1.000	.147	.169
Time to emergence and Asset tangibility and leverage	.345	.147	1.000	.029

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Loss of job	.219	.169	.029	1.000

Source: Authors' fieldwork, 2025.

The Component Correlation Matrix from the Principal Component Analysis (PCA) offers insights into the interrelationships among the four extracted components influencing mortgage foreclosure practices among commercial banks in Ibadan, Oyo State. The correlation values indicate varying degrees of relationships among the components. Notably, Component 1 and Component 2 exhibit a moderate positive correlation (r = 0.338), suggesting that the factors associated with borrower creditworthiness may be related to those influencing loan types and firm size. Similarly, Component 1 shows a moderate correlation with Component 3 (r = 0.345), indicating that creditworthiness factors may also be connected to timing and asset tangibility considerations. Component 4, which is primarily associated with employment stability, demonstrates weaker correlations with the other components, particularly with Component 3 (r = 0.029), suggesting that factors related to job loss are somewhat distinct from the influences of borrower characteristics, loan types, and timing in the foreclosure process. Overall, these correlations highlight the complex relationships among the various factors affecting mortgage foreclosure practices, underscoring the need for a multifaceted approach to understanding these dynamics in the context of commercial banks in Ibadan. In conclusion, the results of this PCA offer valuable guidance for commercial banks in Ibadan, allowing them to focus on the key factors that significantly influence mortgage foreclosure dynamics. This understanding can inform more effective risk management strategies, ultimately leading to enhanced financial stability within the banking sector and a reduction in foreclosure rates.

5.0 Conclusion and Recommendations

This study examined factors influencing mortgage foreclosure of commercial banks in Ibadan Oyo State and it revealed a complex interplay of loan characteristics, borrower behaviours, and broader economic conditions that significantly shape foreclosure outcomes. The top-ranked factor, loan types, emphasizes the necessity for banks to offer diverse mortgage products tailored to different borrower profiles. Previous studies confirm that certain loan types, particularly those with adjustable rates or subprime characteristics, can heighten default risks, especially during economic downturns. This finding highlights the need for banks to develop more resilient mortgage offerings that can mitigate the risks associated with varying economic conditions.

Industry characteristics and bankruptcy are also critical factors, each receiving high scores. These underscore the importance of the banking sector's operational environment, including the types of industries that borrowers operate within and their potential exposure to market volatility. The influence of macroeconomic conditions such as inflation and interest rates are equally prominent, confirming the significant impact external economic factors have on borrowers' ability to meet their repayment obligations.

Additionally, the analysis highlights the importance of cash flows and time to emergence in determining foreclosure outcomes. This finding suggests that both a borrower's financial stability and the prompt identification of at-risk loans are key to preventing defaults. Factors such as prior defaults and the nature of collateral also play vital roles, reinforcing the need for banks to incorporate rigorous risk assessment measures. Firm size and asset tangibility further demonstrate that the financial health and resources available to borrowers influence their repayment capabilities.

Lower-ranked factors, including loan size and loss of job, suggest that while these elements contribute to foreclosure risks, they are not as central as borrower behaviour or the structure of the loan itself. However, they still offer insights into the multidimensional nature of default risk, where personal financial shocks, such as job loss, have varying impacts depending on other contributing factors. Additionally, ensuring the adequacy and quality of collateral, along with greater attention to the operational sectors of borrowers, will enable better mitigation of foreclosure risks. The credit management of banks should not underestimate any of the factors influencing mortgage foreclosure because any attempt to do that may lead to debilitating consequence on the bank operations.

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