



In the Loop Realty Newsletter

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REAL ESTATE MARKET ... COMING BACK??

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PARTS OF FLORIDA REBOUNDED? Of course. Parts of everywhere are either rebounding or will within the next 6 months. An example is Estero, Florida located north of Naples. It has a population of about 12,000 people. A developer, Lennar, sold 32 homes since June 1st this year. They don't tell you the price but they offer properties from \$100m to \$500m. Supposedly there is a clubhouse, pool, tot lot, fitness center and banquet room. Oh! Yeah! Also a bocce court! Whether they are in place or not is unknown. But they have over 500 more sites to sell. The town only has 12,000 people. Does something sound awry? Be careful about the sales hype. As told to you before, don't be quick to buy if the developer still holds more properties. For certain, they will undercut a resale price, if necessary or sell new against your resale. Either way

you lose. This doesn't mean don't buy, but know your future plan. If it's more long term, then don't get overly concerned. If there's a chance your locational needs may change or income scenario changes, will you have to sell. If there's a degree of uncertainty, then don't do it. Florida, Vegas, Southern California and Arizona are the highest risk areas for value stability. For the financially able, this is less a problem. So, just know where you are and be realistic with your interpretation.

DETROIT—AN INVESTMENT LOCATION- Yes, there are likely many properties that are seen as investment opportunities because of the over-abundance of foreclosed properties. The problem is they are better investment opportunities for those who have geographical competence in the specific areas of all of Michigan. For out of state investment money, it can become a financial catastrophe. I know of 3 self-professed realty investors who have already lost nearly everything or are on the verge.

Ladies and gentlemen, it's like swimming in unknown waters. Once while doing seminars in the US Virgin Islands, I went for a swim off a deserted beach. It was beautiful and I'm still here. The next day after telling one of the seminar participants, I was told that a man was killed by a shark at that very spot several days prior. It looked beautiful and was, but danger did lurk; and, it will for those who hold themselves in higher esteem as investors than they really are. By the way, it's like an appraiser who is obligated to have geographical competence in the areas in which she / he appraises. Because the appraiser knows how to get to the town and maybe did a few appraisals before in that town, that doesn't equate to geographical competence. It only means she / he can read a map.

APPRAISERS & GEOGRAPHICAL COMPETENCE- This is strictly for the appraisers who receive this newsletter. As many of you know, I specialize in appraiser liability cases and have for the past

20 years. Some of you read this newsletter and are aware of the various warnings and the position I take on many issues. Geographical competence is primary in so many cases.

As late as this past week, an appraiser I've been asked to assist by his insurance carrier, advised that as a NJ appraiser with also a NY license appraises in Staten Island. When I asked about his geographical competence he said, "I can get there in about 20 minutes". Well, that doesn't make you geographically competent. This appraiser didn't even know the local newspaper of the town in which the property for which he offered an appraisal. He didn't know what grades the town offered ***CON'T***

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for school children. As an appraiser, you are **legally** obligated to have geographical competence. It is unfortunate, that the vast majority of appraisers don't concern themselves with this issue, because the consequence always seems to happen to the other guy / gal. The standard answer from an appraiser being sued for whatever wrong doing, is "but everyone does it". My stock answer is, then call me tomorrow with the names and phone numbers of those who will come and testify to that with actual examples. Right! There is a deafening silence. So, this advice is free, if you become a client, it's no longer free.

HVCC- Appraisers are aware of this code imposed by Fannie Mae, Freddie Mac and FHFA (Federal Housing Finance Agency). The FHA does not require this. It is a code which supposedly was to guarantee appraiser independence. It precludes specifically loan originators from interacting with the appraiser in a loan application. This is all a result from the lawsuit instituted by the attorney general for New York State. The existing code is a compromise.

The code has been a boom to appraisal management companies who now act as the middle contact point between mortgage lenders and appraisers. All this so a mortgage banker / broker can't speak with an appraiser to influence the re-

sult of an appraisal. A selling point to the agencies was that it would be less costly and insure honest appraisals. Well, talk about the ignorant making the rules, this HVCC is living proof. The management companies are profit companies. So, in order to create the profit they "want" they are charging the public more than if the old system was in place. And some to widen the profit margin, seek less experienced appraisers who will travel to wherever they want them to go. That's right, geographical competence be damned. So, now we have people who should have mortgages being denied because inexperienced appraisers without geographical competence are providing these inaccurate appraisals. Fortunately, this has become known and is quickly slowing.

The code insures the obligation of lenders to provide the applicant with the appraisal within a 3 day period but is predicated on the lenders policies as to how and what constitutes notification. The lender also has a right to decide if an appraiser is black-listed based on their own policies. So, appraiser independence??? Loss of a management company account can be predicated on the decision of the lender to disallow the use of a particular appraiser. The management company must institute the removal based on its policy. But the management company is paid by the lender so, if they want to maintain their

base, they have to keep them happy. Now, how naïve can one be to think that pressure by advising an appraiser that their appraisals are not meeting the criteria the management company has as policy shall not be applied. The appraiser guaranteed will become "low value shy" because in these economic times, an appraiser can't afford to lose a client. All this idiotic HVCC accomplished was to provide appraiser pressure from a different source but by really the same source. Got that?

WHO'S DRIVING THE BUS? It's unfortunate that most appraisers don't realize that they are the bus driver in appraisal assignments and not a passenger along for the ride. In these economic times there is less appraisal work than one thinks. Appraisers with either no or less experience in the valuation of certain type properties, are seeking that work and believing that it is just "another appraisal". Unfortunately to them it is just another appraisal, but to the world depending on the report it is to be specific to an "end". That doesn't mean that there's pre-determined results expected, rather that the report satisfies those that are to rely upon that report for specific needs. Estate filing, eminent domain, redevelopment municipal programs, etc.

Many of the people with whom appraisers speak to arrange their assignment, do not know the specific competency an appraiser must possess in order to meet the requisites of a specialized assignment. Yes, the confusion and after assignment problems are often due to strictly "miscommunication"; and, why.... because the appraiser didn't know the right questions to ask and how to explain what she / he anticipates as necessary to competently complete the appraisal.

So, appraisers, don't enter the world of specialty appraising without prior knowledge and experience or without seeking the assistance of a professional appraiser who has the experience to drive your bus expertly.

HEADLINES FROM THE YEAR 2029

Castro finally dies @ 112. Cuban cigars can now be sold legally in the US, but smoking has been banned by President Michele Obama.

US stamps now @ \$17.98 with Wednesday deliveries only.

OUR LAST SIX APPRAISAL ASSIGNMENTS

Which of these has the greatest value?



#1: Can I send a cable from here?



#2: Truly Between a rock and a hard place.



#3: And elevated parking @ no extra cost!



#4: Now this is what I call a cliff hanger!



#5: So, Mr. Gore, about that global warming!



#6: Disney's original tree house.

ANSWER:

If you answered #1, you're correct. Why? Because it has both "feet" on the ground!