



# In the Loop Realty Newsletter

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Valuation Center

## *SURFING SUMMER REAL ESTATE*

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**SURFS UP!!!-** Much of the economic condition of New Jersey residents is reflected in the Summer Jersey shore real estate. When the NJ economy is good there is a plethora of second home sales. This Summer market for which NJ is mostly known is robust during the 1st Qtr. of the year. When it's questionable that selling season is more towards the end of the 1st Qtr and beginning of the 3rd Qtr. When the economy and the NJ public is frightened, the Summer sales are down and the Summer rentals are up. Oddly, while riding through the lower 1/2 of Long Beach Township this week, I saw a good number rental signs many of which are by owner, not Realtors. I also noticed a fair number of "for sale" signs and some had "reduced" pasted across them. This is not a good sign.

Let's look at the elements of control of the market. Those who enjoy travel may look to a local Summer vacation as the Euro is over 30% greater in value than the US dollar.

The rash of cruise line illnesses and deaths and missing persons may also take its toll on vacationers. The price of gas may impact trips requiring driving several hours and then visiting sites within the destination. So, if all that is true, then there may be a strong Summer crowd spending money at the Jersey Shore. Of course competition enters into the picture. Presuming the rental owners, restaurants, motels, hotels, parks, etc. realize they may have a captive audience because of the international economics and travel fears, you can be assured that their prices will rise also. *Does the public ever win?*

### **APPRAISERS & THE SALES CONTRACT-**

Recently I read an article that responded to a question from the public which asked why do appraisers have the sales contract before they begin the appraisal. The answer was "wimpish" at best. Besides the ordinary that honest apprais-

-ers don't care and would do the assignment right, the writer offered that it was the only way to get a true legal description so the appraiser would know they would have the right property. Maybe that's true in the Tundra, but not throughout 99.9% of the US. Here's a reason which I personally challenged the 2nd in command of FNMA. The sales contract provides, allegedly (but believe me not always) the entire agreement. Should fraud be discovered after closing, the appraiser can easily be brought into the case as not having advised of what appeared problematic. The excuse FNMA and Freddie Mac and HUD use is the contract may provide information which could indicate to the appraiser that there is a possible fraud. What's wrong with this. This places the appraiser in jeopardy, as it may require a legal interpretation, and if the appraiser makes a wrong decision and there is financial damage to the mortgage applicant or the seller of

Seller of a property, the appraiser may have exposure for the decision. In addition, an appraiser does not ever need to know the "purpose" or "function" of an appraisal in order to do one. So, why does an appraiser need a sales contract. The appraisers mostly have E & O insurance and whatever added responsibility placed on them increases the exposure to their insurance coverage, hence, the many added inclusions in form appraisals beset upon appraisers effective March 2005.

### **ORAL APPRAISALS-**

This is not something the legal profession does, but the lending industry does far too often. The level of sophistication is quite different and attorneys are aware of liability exposure for themselves and many other professionals they represent.

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Mortgage companies and other lenders are facing some of the worst financial times of their existence. Unfortunately, loan officers are often ill trained and have lost sight of their true responsibilities. Why they bear the title, Loan Officer is somewhat of a mystery. At best it may be a means of portraying them as people of importance. Some are but most are not. They are really salespeople and should be so trained. Over the years I have heard quite often, that they are 1 step above used car salespeople. Unfortunately, this for many is a correct characterization. One cannot rationalize why loan officers want an appraiser to tell them what the property is worth without seeing it. I presume they don't want to waste their time. But they could care less that for an appraiser to offer a fairly good indication will likely take a 1/2 hour to 40 minutes to make the determination. According to the law, a response by the appraiser becomes an "appraisal" for which the appraiser is responsible. Odd, that loan officers are concerned of their income but not that of the appraisers. No, not really, "greed" is a well known concept which is the root of many evils. Just the amount of compensation

paid for each of their work indicates an inequity. One can become a loan officer in very little time while to become an appraiser one must invest at least two years and in January '08 will be required to have a 2 year college degree for basic appraising and a 4 year degree for the top license.

If loan officers realized that to have an applicant commit to an appraisal, they increase the odds of their company retaining the transaction it's a win—win situation. Times like these separate the "can do's" from the "won'ts".

#### **APPRAISER PRESSURE-**

A study termed The 2007 National Appraisal Survey completed in December 2006 cited that of 1,200 respondents 90% reported feeling lender pressure. In 2003 the respondents reported 55%. The statistics get worse. 71% of the appraisers reported that the pressure was direct from mortgage brokers and 56% reported such pressure from real estate brokers. For the scrupulous appraisers who refused to condescend to these illegal demands, 68% reported losing the client while 45% reported that they never got paid. A liability expert stated "show me an honest appraiser and I'll show you a (financially) poor one." I heard a statement of fact by an employer once, as we discussed one of the employees who was creating havoc with unscrupulous practices. The employer said, "If he spent as much

time finding ways to do things right as he does in finding ways to cheat he'd be a rich man." Ladies and gentlemen, rise above the stench of incompetence of the non-accomplishers; and, make yourself a force with whom to reckon.

#### **BANK AT WALMART -**

Congress nixed a bill (HR 698) to permit Walmart and Home Depot from buying state chartered ILC's (Industrial Lending Companies) and halted those presently owned by commercial entities from expanding into other states. Barney Frank, D-Mass. Said, "this bill will preserve the distinction between banking an commerce necessary to protect the integrity of the banking system". Heaven forbid the public bank at institutions run by streamlined profit oriented companies rather than the self serving banking institutions which created the havoc of the late 80's and the past several years.

**GOSSIP-** A former economist for the National Association of REALTORS accepted a VP position of Move Inc., an internet portal providing real estate listings. His genius is in his book titled, "Are You Missing The Real Estate Boom? The Boom Will Not Bust And Why Property Values Will Continue to Climb Through the End

**Decade-And How to Profit From Them" (I didn't make that up!) If he spent as much time delving into the topic as he did manufacturing the title, maybe it would have been a success.**

#### **UP REAL ESTATE**

**MARKETS-** Yes, there are a few. Houston, NYC, Salt Lake City, Seattle and some others. It seems that most need a constant reminder that although there are sliding house values in most of the U.S., there are sections or municipalities throughout each state that defy the trend. The public is trapped in the mode of real estate failure and in fact are creating a good portion of it by themselves. If we, the public, think positively, the result will be positive.

#### **QUIPS BY RONALD REGAN-**

*The most terrifying words in the English language, I'm from the government and I'm here to help.*

*I have wondered at times about what the Ten Commandments would have looked like if Moses had run them through the U.S. Congress.*

*The nearest thing to eternal life is a government program.*