



Realty & Valuation Newsletter

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REAL ESTATE TAXES

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TAX DAY- Well, this time of year is a double hit on the American Public. April 1st is the deadline at least in New Jersey for filing tax appeals. April 15 is the deadline for filing income tax for the state and federal governments. This year both dates have something in common. Both dates fell on a Sunday and thus the filing date was extended to the following Monday. However, April 16 is also Emancipation Day and a federal holiday, so I've been told. Hence, the filing date is now extended to April 17th. Obviously, the emancipation wasn't of the American public from filing its income taxes.

Unfortunately, the public can't do anything about freeing itself from paying taxes to taxing authorities that can only balance their budgets by increasing the amount of tax the public pays. I'd love to be able to handle my finances by just spending whatever I want; and, then charge more to those who pay me in order to cover my over-extension of debt. Wow! Wouldn't we all sign up for that?

The other tax is real property tax and New Jersey is a real property tax state. All government entities eat from our real estate holdings. The economic times has wreaked havoc on the public and the taxing districts. In the golden years, when money was rampant to all, the taxing districts, counties and state over spent just like the public. Now they all most pay for those mistakes. However, the public believes their housing values have declined. And, some have but not with regard to Market Value in many areas. Yes, not necessarily *all!* In order to have a true understanding of Market Value there has to be sufficient sales of properties which meet the criteria of Market Value. There are five (5) criterion for it. (1) Buyers and sellers are under no duress— *Meaning*, a foreclosure or pending one, divorce, estate sell-out, etc; (2) Both parties are well informed or well advised and acting in what they consider their own best interests— *Meaning*, having an objective determination as with a competent appraiser advising; (3) A reasonable time is allowed for exposure in the open market— *Meaning*, when a property sells very quickly there is always a reason, like asking less than Market Value or result of another type transaction involving the real estate; (4) Payment is made in cash or its equivalent—

Meaning, a normal currency exchange is simple, there's no intricacy to the true value of another means of equating sale price to the other medium; (5) Financing is normal or that which is typically relied upon in the area and under present time— *Meaning*, financing, if any, is not an inducement to pay more or less for a property. Once financing is uncharacteristic of normal circumstances, the sale value is quite questionable. Both from a tax appeal scenario and basic good appraisal practice, adherence to the criteria of Market Value is critical. When the public and appraisers recognize the import of the Market Value reality, the less money will be wasted and there will be far fewer lawsuits against appraisers and far fewer tax appeals filed which is costing the municipalities even more money.

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NEW HOME SALES- As often said, don't pay any attention to the stock market. It is a skewed reflection of the economy. It is pure and simple piracy by the corporations and investors or should we say gamblers. The new home sales for the two weeks of this April are down 3 points according to The National Association of Home Builders / Wells Fargo housing market index. The Economists in their usual infinite wisdom anticipated a steady pace at a 28 reading which would preserve the past seven months stability and "hopes". Being at 50 on a 0—100 scale is considered good and that was last seen in 2006. To deepen the concern there are also less people looking at new housing. Not a good scenario particular in an election year.

For the new buyers a new house is probably the right answer now. It sounds like there can be better pricing and extra deals. This would help the buyers and the builders. So, if you are financially able and willing to change, now may be the time for a new house.

GOOD HOME SALE NEWS- As written here over 6 months ago, statistics now reveal that there was an enormous increase in investment home sales. They were up in 2011 by 64.5%. WOW! Of course the sales are at the expense of many people who lost those properties and REO properties by lenders. But any movement of sales is always good. It increases home goods and renovation product and service sales which keeps the economy moving. As seen here, there are still good deals out there for the investor. Now, this is a real investment, because, if history does talk, a purchase now of an investment property will return a 25 to 50% profit in about 3—5 years on sale which doesn't include the income the property will produce in the interim. Those who lost their homes will be back in the market about then; and, the investment properties will once again be the homeowners dream.

FORECLOSURES- Foreclosures were down in February according to CoreLogic. The clearing ratio and inventory were both down. However, lender owned properties (REO's) and delinquencies were dramatically up in January which indicates that there will be an increase in foreclosures in a few months. So, here we go again on the see—saw.

WHO'S DRIVING THE BUS?- It has been said by many of us that the only relief in the real estate market and the economy is to go back to making loans with less regard for qualifications and restrictive lending requirements. It is apparent that much of the problem lies with the appraisers. They have been so frightened by the management companies for whom they work, that they automatically arrive at the lowest possible value indication. Yes, the management companies were to be the saving factor to insure "good" loans. Loan officers are no longer allowed to speak with an appraiser because they were the ones pressuring the appraisers for higher values. Yeah, right! It's no different now with the management companies manipulating the appraisers because they want to keep their accounts. So there are still threats, just talk to the appraisers and you'll hear it. The feds and Fannie and Freddie are still creating havoc but it works in the political scheme of things in Washington apparently.

The truly good professional appraisers no longer do or will do mortgage work because it means compromising ones professional being and recognition. That leaves the lower end of the appraisal people. I have had the misfortune of having my house appraised for a re-finance and have received one of the worst appraisals I have ever encountered in my 22 years as a professional liability expert. It is so bad that it borders funny. I actually feel sorry for the appraiser who admittedly has only taken online appraisal classes. That's pathetic. Even a bad teacher is better than online courses. At least one can meet others and hopefully together may help each other learn. As said earlier, the concept of Market Value totally escaped this appraiser. Comparability was even worse. The loan officer called and was condemning the report for a host of reasons. Fortunately, it is not impacting my refinancing, but someone has to put a stop to this type appraisal practice. There are appraisers who ordinarily have done residential assignments who are finding it difficult to get assignments because they wouldn't succumb to the ranting of the management company representatives. So, the country is now in the hands of the least qualified appraisers; and, just ask Congress and the banking industry and they'll tell you they have all the necessary stop gaps in place to assure the best treatment for the public. The problem is none of these people know the American public. What can we do? We must continue to bring these unacceptable damaging appraisals to the foreground and do everything to end these practices which are creating horror for the American public.