



# Realty & Valuation Newsletter

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Amerival

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## TAX FREE DAY—YEAH, RIGHT!!

*Albert M. Cerone, IFAS, FELLOW*

**TAX FREE DAY-** Somewhere in the past few days we reached that date in the year at which time we finished paying our income taxes. But the lead line says, “tax free day”. It doesn’t mean we’ve finished with our state and federal taxes we pay on all purchased items. That goes on ad infinitum nauseum. For New Jerseyans it appears to be getting worse. This past weekend my wife and I visited friends in Delaware who live in a beautiful new home on a large lot and pay just over \$800 a year in property taxes which is less than 1/10th my property taxes. They also don’t pay any sales tax. Sounds good to me.

New Jersey can’t provide the same level of cost of living. I don’t blame our new governor. I believe in a recent speech he advised he likely will be a one term governor as few will want to vote for him as he initiates savings cuts in spending necessary to close a rollover \$3 bil deficit from Corzine and a short fall of income for an already reduced state budget for 2010. No, I don’t suggest you run to Delaware because you’ll sacrifice needed cash from a reduced sale price for your properties here in New Jersey. For retiring seniors, however, it may be a good idea.

**NEED A LAUGH?-** From “Disorder in the American Courts” :

Attorney: This myasthenia gravis, does it affect your memory at all?

Witness: Yes

Attorney: And in what ways does it affect your memory?

Witness: I forget

Attorney: You forget? Can you give us an example of something you forgot?”

Attorney: Now doctor, isn’t it true that when a person dies in his sleep, he doesn’t know about it until the next morning?

Witness: Did you actually pass the bar exam?

**HAIL FHA!!-** Maybe you’ve heard the bru—ha— ha about AMC (Appraisal Management Companies). With the advent of the HVCC (Home Valuation Code of Conduct) imposed on appraisers nationally on May 1, 2009, the AMC’s were the barrier between appraisers and shady lenders and banks which pressured the appraisers. It opened the door to AMC’s who immediately sought desperate appraisers of which there became plenty to do work all over their respective states for many times as much as 1/2 the price they were earning prior to HVCC. According to the National Association of REALTORS this created many fall through deals because of the lack of geographical (CON’T)

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competence. There was definite proof of this in New Jersey. In fact it led to these very appraisers thinking they could expand their marketplace for other type appraisals, like tax appeals. Denise Siegel the tax assessor for Wall Township and Beachwood as well as a board member of the New Jersey Appraisal Board told a story of an out of area appraiser who challenged one of the municipalities in a tax appeal with one of the law firms that get sections of towns psyched to make mass tax appeals in a “law of large numbers” game. Needless to say the appraiser wasn’t prepared to handle the appeal and the case was lost.

The FHA recently set forth a mandate that all appraisers must be paid the fees that they earned prior to HVCC and if the management companies still wanted to handle the workload, they would have to put their fees on top and all clients must be advised of how much the appraiser is actually earning. Maybe that will put a stop to this AMC nonsense. The system simply put a profit grubbing middleman in between and for no other rational reason. This created financial havoc for honest appraisers. These laws and regulations from our lawmakers pander to the ignorance of the public in matters which they have very little or no understanding. It’s not that they’re ignorant but just to the workings of these matters. For example, we all know how to make a phone call, but do we really know how the contact to the person we are calling is technically made.

Many of these laws and regulations are put in place by politicians who are simply grandstanding to attract attention for their next election bid. So, congratulations FHA for proving there is still an agency that can think for itself.

A statistic published by the “Appraisal Press” cites that New Jersey is ranked 30th (low—high) with an average fee of \$361 with a range +/-1 standard deviation of \$266—\$456. Frankly, many of the appraisers with whom I speak are earning as little as \$195—\$250 per appraisal, so I don’t know where the numbers originate but all in all one should be aware that there are high fees tacked on by the AMC’s. So, it’s advice you want? Insist on an independent appraiser without a management company or insist the lender compensate you for the added cost of the management company.

**COMCAST CABLE SELLING HOMES-** You read that correctly. Comcast Cable on its Comcast Spotlight channel will be showing viewers homes for sales in 70 markets to start. Comcast is teaming with Next One who will be working with a tech company in producing scaled videos to provide the viewing public professional video of available home listings. The channel will be supported by advertising and REALTORS who wish to participate for a fee in the viewings. A viewer can actually make arrangements to see a property from the comfort of their favorite easy chair.

Actually, it may be an incredible breakthrough for REALTORS and public alike. Real Estate sales people expend an incredible amount of time showing properties and many of the selected properties are a thumbs down as soon as the sales person reaches the property. A wasted trip and a turned off potential buyer. It will be interesting to see. I can see the satellite TV companies following and creating a competitive market for this type viewing.

**SHORT SALE SAVINGS-** In 2007 George Bush signed into law the Mortgage Forgiveness Act which says you can be released of your obligation of paying the remaining balance on your mortgage via a short sale. However, there is a hitch. The money forgiven is taxable income for the former property owner which can put many in a higher tax bracket across the board. So, it gives new meaning to “give and take”, doesn’t it?

**NEW HOME SALES-** Spring has sprung and there is anticipation of renewed consumer confidence bringing a surge in new home sales. Well, it just may happen. It appears that the public has become numb with the scare of rising health care costs, rising taxes both property and income and uncertainty of job opportunities. This means they are looking for something to bolster their feeling of well being. New homes and change of scenery just may be the answer. However, the scary part of this is will a sufficient number of the public be able to get a mortgage. Credit scores are down and lending regulations may make it impossible for many Americans. Is there a solution? Yes, we need to get the feds out of the mortgage business and let enterprise and the capitalistic system work. Let the public watch out for itself. It’s learned a lesson and so have many of the lenders. Put in horrific penalties for wrongdoings and put teeth in them and we’re on our way!