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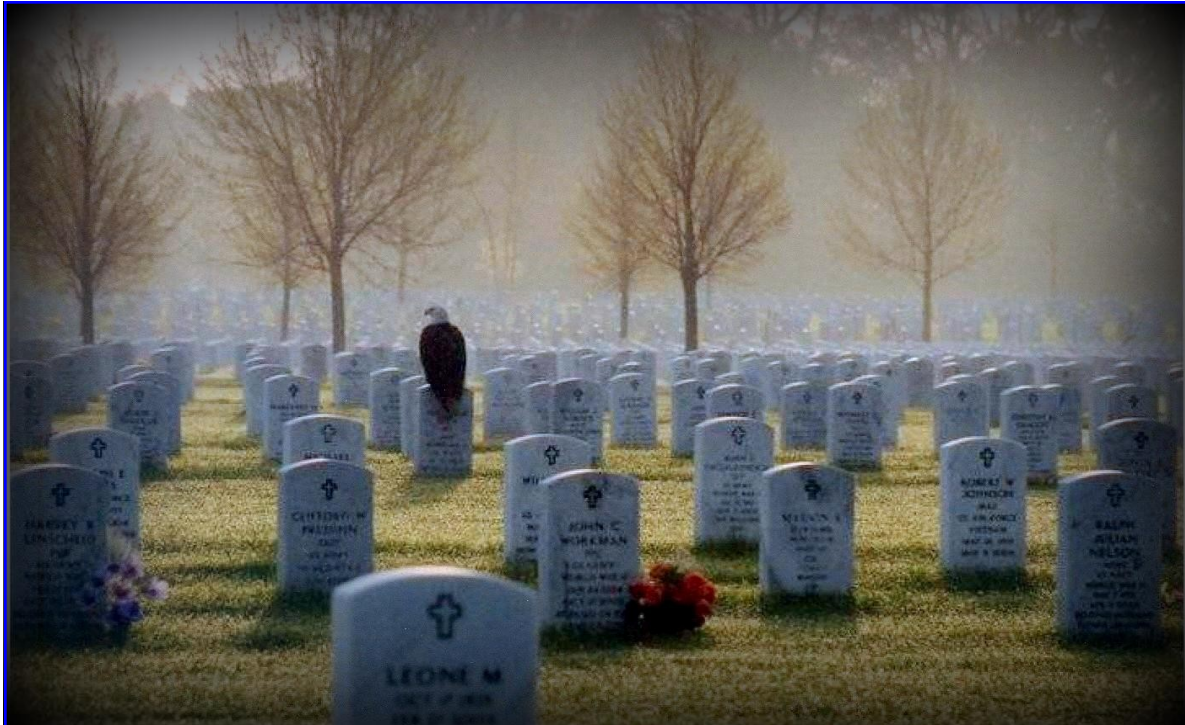
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HERE COMES REAL ESTATE!

Albert M. Cerone, IFAS, FELLOW, CTA

AND THESE FALLEN HEROES PAID FOR THE REAL ESTATE WE ALL CHERISH BUT COMPLAIN ABOUT FLUCTUATING VALUES AND TAXES. SAY THANK YOU AND ENJOY THE RIGHT OF OWNERSHIP THEY PROVIDED FOR ALL OF US. A RIGHT THEY NO LONGER HAVE!



APPRAISAL REGULATIONS- This is a serious point of contention for me, as I deal with professional liability matters on a weekly basis. Congress had yet another hearing on appraisal regulations. The House Committee on Financial Oversight's subcommittee on Insurance, Housing and Community Opportunity held the hearing. The two major participants were one of the directors of the GAO and the president of the Appraisal Institute.

The focus of the hearing was the Appraisal Management Companies (AMC's) impacts on the appraisal industry and consumer safety. I'd like to cite all of what was stated but it is sophomoric and repeat rhetoric. In short the intent of the Dodd—Frank Act set forth the need to insure that appraisers are not (CON'T)

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coerced. Well, the lenders latched onto this quickly and some genius decided that AMC's will act as the intermediary. That was bright! Yes... for the lenders not the appraisers or the public. The lenders removed themselves from the line of fire and responsibilities in dealing with the appraisers. More importantly it removed them from direct liability for whatever goes wrong using the appraisers as the "fall guys". It placed the AMC's in that spot but when all this was concocted there was little control the feds had over these new intermediary companies.

Somehow, everyone neglected to think about or simply chose to remain quiet that the AMC's are a business; and businesses need to make profits. So, now we have a money grabbing enterprise that caused the increase of fees to the public and reduced fees to the appraisers. Let's see! How many people want to do the same job this week as they did last week but for 30—40% less in fees? And, for relationships (lender, AMC & appraiser) that took less from the appraiser's fees they increased the fees to the public which is now getting lower quality appraisals at a greater cost. Fannie, Freddie and FHA no longer require the Cost Approach which is one of the approaches to value; and, the general appraisal industry is thrilled as it is one less time consuming effort. Of course that makes one rely upon the Sales Comparison Approach which Congress thinks is great and so do the yes people involved in the hearing. Unfortunately, the economic times of the past few years resulted in very few good Market Value sales on which appraisers can rely, so the SCA quite often results in a non-supportable value opinion. There are many more rentals today for obvious reasons but rarely is an Income Approach seen for a residential property. So, the American public is relying upon disgruntled appraisers cutting time and satisfying ridiculous requirements on providing them with a supportable and defensible appraisal predicated on an approach that far too often has *non-comparable* sales on which the final value opinion is based.

It is my understanding, but I don't have proof that some of the lenders actually own some of the AMC's which in my mind is a conflict of interest. It was better having the lenders deal directly with the appraisers. By the way, there are lenders out there that only used certain appraisers but not because they could coerce them but because they wanted the best. Those best are now doing appraisals for other reasons because they can't tolerate the new arrangements.

One must be naïve to believe that there isn't coercion yet. AMC's need to have loans close in order for their clients, the lenders to continue to use them. So, with the lack of true comparables appraisers are watching the sale prices and try to stay very close but often somewhat less because they are afraid of their liability exposure. Appraisers are easily removed from an AMC's accepted list if too many of their appraisals preclude the closing of a loan. We're right back where we started.

There's more but for another time. In the mean time, may all of you have a Happy 4th of July.

AND ON THE LIGHTER SIDE- From Steven Wright, an erudite comic scientist and forwarded to me by a wonderful friend and educator....

1. *I'd kill for a Nobel Peace Prize*
2. *Borrow money from pessimists—they don't expect it back*
3. *99% of lawyers give the rest a bad name*
4. *A clear conscience is usually the sign of a bad memory*
5. *The early bird may get the worm, but the second mouse gets the cheese*
6. *O<, so what's the speed of dark?*
7. *Depression is anger without enthusiasm*
8. *Experience is something you get until just after you need it*
9. *To steal ideas from one person is plagiarism; to steal from many is research*
10. *The problem with the gene pool is that there is no lifeguard*