



Realty & Valuation Newsletter

MAY 1, 2014

Issue # 176

AMERIVAL

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CHANGE—A FEARED COMMODITY

Albert M. Cerone, IFAS, FELLOW, CTA

HOW IS THE U. S. FARING?- This isn't a question of perception or political posturing. This is hard facts. The latest measurements of how well the middle class is doing in the United States isn't flattering at all. For the first time in history the middle class of the United States is no longer number "1" the measurement of the "richest" in the world. This year, Canada holds that honor; and it is not likely to lose it back to the U.S. Here's a frightening statistic. In 2008 the middle class was 53% of the population. Today only 44 % of the population fit into that category. Simply math reflects we lost 9% of the middle class group and be certain they weren't lost to the upper-middle class or any upper class segment. That 9% are now at or near the poverty level. Congratulations to the federal administration and congress. Yes, stand up and receive your applause for you truly did make a dramatic change in our country.

The US dollar is incredibly weak and the talk of removing our currency as the focal point of the world exchange is about ready to occur. In 2013 the United States was ranked 79 of 203 countries for unemployment rate. Employment growth in the United States in the past year was at 0.3% while in Ireland it was just above 16% and some of the other notables were between 17 & 21%. Yeah, we're doing just great!

The pundits or experts, your choice, bring the problem back to the housing debacle we suffered throughout 2008 to last year. There is a resurgence but it is geographical. The politicians love to spout national averages because the wealthy locales hide, yes hide, the plight being faced by the other areas of the country; and, yes hide the dangerous economic position of the dwindling middle class. By the way, the reference to "middle class" is because that is how the media recognizes economic strata in the United States. I prefer and in my seminars and writings refer to this group as "middle income group". In the 1980's + many established a nine "class" system. Lower- lower, middle lower and upper lower and again through "middle" and "upper" segments. Again, I reference this as *group*, not *class*.

The countries which have not had the downward economic trends are those that did not foster the housing boom that swept the United States. Germany is the best example. It has likely the strongest economy in Europe and maybe throughout the world. There are stronger economies but in many of these primarily oil rich countries the wealth is kept at the very top and not distributed via any viable means to the working group of that country. In the United States it was President Clinton who forced Fannie May and Freddie Mac and major banking institutions to open the flood gates. He knew it would spur an economy that would foster his legacy. Sorry, Bill, that's what you did! And foolish Americans and greed of the private sector created the mass economic chaos from which we are still digging out.

Courtesy of

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The following is from a blog and addresses the question of “reasonable and customary fees”; and, has any agency or company established what they are. I offer this because of our newsletter of April 1, 2014, in which the attitude of fees and appraisers was addressed. AMC’s are much to blame for the “turn and burn” appraisers. Under the guise of satisfying federal demands of treating the public fairly, the AMC’s now in full control of apportionment of lending appraisals to the appraisers clearly satisfy their insatiable need for profit at the expense of the very group of people, the American public, that their right of final choice of appraisers was meant to protect which should mean be entitled to supportable and defensible appraisals not those that can be completed in 48 hours and not have any inclusions which take time to read or explain anomalies (because they don’t accept anomalies in appraisals).

As the demand for “turn and burn” appraisers has diminished at least for the moment, these appraisers (?) are seeking other avenues of income in which they can still ply their “trade”, not profession. These are the mechanics in the appraisal profession, not the true professionals. However, far too many attorneys have the impression that all appraisers are alike and I have it in writing from some of them and through direct conversation with others, that if I use or have my “unsuspecting” client use a licensed appraiser then that appraiser is an expert and has to be prepared to defend their work. Well, they are right and yet so horribly wrong. The leading factors for the “turn and burn” appraisers is that there is no time to do good research, or expand the analysis time or utilize the methodology that the professional appraisers use. If you read all the comments the reference to this level of appraiser is far worse than any you will find here. The professional appraiser is far more capable and experienced in completing supportable and defensible appraisals and will be prepared to testify at a very professional level, while the mechanics will fail. To this day I have not encountered one mechanic that was capable of supporting let alone testifying successfully to an appraisal report. And in the words of a venerable man, “buy cheap, get cheap”.

One of our Amerival members has reported on several occasions of losing an appraisal assignment for a matrimonial because a mechanic took the assignment at a price that no professional would consider. And, after the attorney is horribly embarrassed in court, returns to our appraiser and says we’re filing an appeal; and what do we need to send as your retainer. Hard lesson and quite late and quite expensive.

Following is the writing of Mr. Tom Molinari of Thomas Molinari & Associates Residential Valuation and Consulting. I applaud him for a hard hitting expose on that which is harming the American public.

Mr. Tom Molinari of: *Thomas Molinari & Associates Residential Valuation and Consulting*

No matter what any survey says, there is no AMC (or lender for that matter) is willing to pay a reasonable fee for a well researched and reported residential appraisal assignment. As Roy has noted above, its a churn and burn world. Why do you think that many experienced appraisers are leaving the business? It is because it is nearly impossible to earn a decent living while properly researching, analyzing, and reporting at the level that it should be done. The thoroughly thought out and reported appraisal business model is no longer financially feasible if one is doing AMC/lender work. The only financially feasible model in the AMC based appraisal world is the churn and burn model. See as many properties as you can in a day, throw in 3 comps, kick it out the door, and move on to your next property. Thus, the overall quality level suffers tremendously as the most experienced appraisers move out of lending based appraisal business. Years ago I was a staff appraiser for the residential appraisal division of one of the large lender's (rhymes with cargo). They did not reward their appraisers for well documented and thought out reports. They rewarded based upon production levels. The appraiser that produced the highest volume of revenue to the appraisal division received the highest honors at an annual meeting. They were sales based - not quality based. This is exactly the way that the AMC/Lender based appraisal business works. Dodd Frank and the numerous other regs that were supposed to insure that the most experienced and qualified residential appraisers be chosen simply are not working. Appraisers willing to play the game are still getting the bulk of the assignments. Why? Because when all is said and done, at the end of the day the LOs are still in control.

TAKING RESERVATIONS FOR NEW SEMINAR - Ladies and Gentlemen the new seminar, which we are heading as **“PLAN YOUR POINT, MAKE YOUR POINT, WIN YOU POINT”** which is approved by the New Jersey Appraisal Board as *Winning Tax Appeals and other Litigation*. . The reason for the change is whether you are preparing to go before a county tax board or tax court or Superior Court for any other valuation matter, preparation and proofs and the ability to successfully present your work is the same.

The seminar is approved for five (5) CEU’s. The one for Jersey Shore Area, New Jersey is scheduled for :

Date: Saturday, June 28, 2014

Place: La Bove Grande Banquet Hall

800 Route 70 (@ the circle)

Lakehurst, NJ 08733

Time: 8 am - 1 pm

Contact: Pat : 732-286-3000 or pcerone@amerival.net

Contents:

The contents is not found in other seminars and is based on years of court preparation and success. The goal is to prepare the attendees to not just survive a court case or a hearing but to win it even when against a good case. Learn how to be wrong and still be credible. Learn how to develop adjustments in the real world and how to arrive at an un-subjective value indication. Now is the time to use it. Last year we sold out each of our four (4) seminars. And they were all great groups. Hope to see you all this year for this very exciting one of a kind seminar filled with hands on methodology.

A date is being established for Edison and Cape May. We will keep you advised.