



# Realty & Valuation Newsletter

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**AMERIVAL**

## Scary Year End

By

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**SCARY TIMES-** There is such confusion over the foreclosure debacle you've heard about in recent weeks. According to media reports, the FBI is investigating as well as the FHA, an administration task force, participants unknown, and the Federal Reserve. It's ironic that all this comes out now, just a week before the mid-term elections. What's more ironic is that foreclosures come under state law and regulations. So, one must ask just what can any of these federal agencies really do? It appears that nothing is the answer. Each state's attorney general would be responsible for launching an investigation and take any necessary action.

Just how serious is the foreclosure debacle. In just round numbers, 25% of home sales are foreclosed properties with the vast majority being sold at about 26% below market value. And, you know what that does to the remaining properties in the 'for sale' pipelines throughout the United States. This is causing a declination in property values which will come home to roost over the next few years; and, impact the municipal and county budgets creating a net effect of higher tax rates.

Need a solution.... you bet we do. How about we not worry about \$2 billion to Pakistan for its own security, and we subsidize some of the deficits of the homeowners and let them stay in their homes. Wow! Can you imagine? We'd actually be helping the everyday person! How about creating jobs for non-union people. You see the vast majority of the jobs via the "shovel ready" projects which have no real time to begin will be union jobs. And, the unions back.....! Clearly, jobs are the driving force in this economy, not housing. If we've learned nothing else with this economic disaster we've been undergoing, housing is a result of something, not the initial cause of the problem. When people have job security, they buy things and build things, like houses.

Once the job problem is solved, there must be some serious changes on credit for the public...like capping credit card interest at 2 % over prime. The banks caused much of the problem we face today so they should be responsible for spearheading the recovery. Some argue that this will hold economic growth back as it impairs the banks. We hold that it will have the reverse trend. It will reduce declining property values and put hope, yes, hope back in the American public. By the way, banks earn most of their money by charging the public.

Only tough decisions will get us through the economic problems we face today and provide for more reasonable and controlled growth for our future and that of our children. Is there a greater reason?

**SHORT SALES -** We've discussed short sales in this newsletter on several occasions. It's an opportunity for *underwater* property owners facing foreclosure to sell their properties for less than the mortgage amount. However, this well intended solution has turned into a nightmare. First, many unsuspecting property owners found that although the bank permitted the short sale by not enforcing the mortgage amount due at closing, they did not release the deficiency clause. Thus, unexpectedly, many homeowners, sellers, found that they still owed the difference between the sale price and the original mortgage balance. Most states mandate that a deficiency is enforceable for a period of six years. Thus, the differential can be held over a property owner's head for quite awhile and wreak havoc on credit.

Courtesy of

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This is a high rise “house” in Mumbai, India. It’s owned by the richest man in India. It is 27 floors and has 6 parking levels, lobby with 6 elevators, swimming pool, health club, salon and mini-theatre. It also has 3 heli-ports and its own air traffic control tower on the very top.

Mukesh Ambani is the owner and also owns Reliance Industries which is an oil and retail giant. He is the fourth richest man in the world with an estimated net worth of \$27 billion. Supposedly, he is a champion for the poor of India. I wonder how many houses \$13 billion would build for the poor?

This “house” was suppose to cost \$70 million but the recent estimates say it cost closer to \$1 billion and took 7 years to build. Watch for you house warming invitation in the mail.

**SHORT SALE SCAM-** In addition to the unexpected deficiency problem being experienced throughout the U. S. as discussed on page one, the unsuspecting public is being scammed once again, as are the banks. First, it’s necessary to say that many of the families finding themselves *underwater* are hardworking people who succumbed to fast credit and / or a devastated housing market decline in areas, like California, Nevada and Florida. They are not astute to the inner workings by the so-called professional real estate people, brokers, appraisers and attorneys. In short, they are easily scammed as complex business dealings are not their area of expertise. The banks in my opinion have no excuse but c’est la vie. In the latest scam, unscrupulous real estate brokers are convincing property owners to sell their homes for less than what they are really worth. They provide a straw buyer to sign the contract of purchase; and, then retain the services of a real estate appraiser who values the house for also less than it is worth. This package is presented to the bank who, allegedly, unsuspecting (*gotta wonder*) agrees to the short sale. When the sale is consummated, the real estate broker then sells the property to a legitimate buyer for somewhat less than market value, so the buyer has a legitimately good deal and the broker makes a killing, the appraiser is paid more than any reasonable appraisal fee and so goes the scam. This is going on in Southern California, Nevada and in and around Coral Gables, Florida. So, all property owners seeking a short sale, should have a reputable attorney, one not involved with any of the parties to the short sale arrangement, review the documents (also looking for the deficiency clause and determining if it is still in effect after the closing) to determine the legitimacy of same. It is also wise to pay for your own appraiser to value the property in a true objective manner to ascertain the real worth of your property.

**INSPIRATION OF THE DAY-** 3 things in life that once gone, never come back- Time, Words & Opportunity. 3 things in life that may never be lost- Peace, Hope & Charity. 3 things in life that are most valuable- Love, Self-confidence & Friends. 3 things in life that are never certain- Dreams, Success & Fortune. 3 things in life that make a person, Hard Work, Sincerity & Commitment.

**WITH THAT, HAVE A WONDERFUL AND SUCCESSFUL NOVEMBER?**