Realty & Valuation Newsletter

AMERIVAL

October1, 2010

Director:

Albert M. Cerone

Regional Appraisers

Dan Warthen, Jr.

Jay Jurasek

Russ Thompson

Dave Kaytes

Tim Hogan

CHANGE—GOOD OR BAD?

By

Albert M. Cerone, IFAS, FELLOW

CHANGE- The Principle of Change is one of several for real estate valuation. It is briefly summed as 'nothing remains static'. Each day our bodies change, our cars are older, some run better or worse, etc. Change is the expected unknown. For sure it will take place every day but we don't' know to what degree. So, we prepare for the inevitable. We plan for our demise, as it is certain, but we don't know when. No, I'm not selling insurance or cemetery plots, just letting us all become aware that life is comprised of two factors, that which we plan and that which happens.

The planned things are controllable the "happens" are not, but one can prepare for the impact of those reasonably with diligent and cognizant anticipatory planning. A brain storming session of worse case scenarios can bring about one or several plans to deal with a dilemma which may be devastating to your business if one does not have an emergency plan. Just some thoughts for all of us. Maybe this should be a monthly staff meeting or a professional's round table every quarter. Consider it.

1% TRANSACTION TAX- A friend who is an attorney sent an email outlining a new bill that apparently the administration is attempting to get through. This is not political. Each of us should interpret the intent and weigh the possible results. The conclusion should be expressed to your representatives as to your informed decision of pro or con. This is confirmed using Snopes.

An administration finance team is recommending a transaction tax. It appears that the plan is to somehow get in place after the November election. The timing is for each of us to decide. This is a 1% tax on all transactions at any financial institution, i. e. Banks, Credit Unions, etc.. Any deposit made, or funds moved within and between an individual's account or transferred will have a 1% tax charged. Pay checks, Social Security Checks or any direct deposit, shall incur a1% tax charge. If one hand carries a check into a bank for deposit, the 1% tax will be charged., If one deposits cash, the1% tax will be charged.

This type activity is one which we all must be certain of details and method of bringing it about. It is clear to this writer, that this looks and feels like a tax and not for just the incomes of $250,000. Again, each of us must delve into this to assure the best case scenario for the United States and insure fairness to the American public.

MORTGAGE FRAUD- For those of you who believe there really **was** mortgage fraud, you will find this interesting (tongue in cheek). The FBI announced at the Northeast Conference of Mortgage Brokers that any fraud claims issued today will likely take two years for the investigation to begin. Apparently they are so backed up with cases from 2005—2008 that they won't be able to clear the decks until at least 2013.

Well, so much for hiring freeze's. It is sad that the need for additional agents and support staff is for such a negative that can only move funds from one pocket in the scheme of things to the governments pocket and not one item will be produced.

Courtesy of

Amerival

Tel. 732-286-3000

FAX 732-612-1400

Email & Web
myapraiser@amerival.net

http://www.amerival.net

HOUSING PRICES- Bloomberg News states that housing prices are receding as the tax credit expiration is over. Without that credit sales have decreased dramatically. However, some reports, Case—Shiller indicate that in the top 20 U. S. cities housing prices rose albeit at a slower pace in July than July of 2009. but it was the smallest year—over—year gain since March. But one must remember that the data is predicated on the prior three months, thus the result is influenced by May and June data which were definitely influenced by the tax credit. This means that we can't really take any stock in the July results.

As for the housing market movement, it is not really positive contrary to the administration's spokespeople who are desperately trying to boost the public's interpretation of the market and economy. You think the November elections may be the reason? Gee!!

As stated several times before in this newsletter over the past couple of years, unemployment is conceivably the most important factor in this economic dilemma we deal with each day. The unemployment numbers are very nearly bordering a 26 year high to which we add the mounting foreclosure rate; and, the result is not very positive.

Unfortunately, the economists recognized nationally and, on whom major media depends are trying to relate to the national scenario; and, frankly, this is what is frustrating. Sub media and the public see the results of the national studies and pundits as localized. The truth is there is virtually no point of comparison. San Francisco experienced an 11 % rise in housing prices but Las Vegas had a loss of nearly 5%. The same economic and social factors in place in one city are not in place in another. However, the entire country believes the national responsorial to national data by the pundits is seen by the overall public as what is happening or will happen in their own backyard.
And, these *paid for crystal ball economist* are now telling us not to expect any real positive movement until 2012. And, two years ago they told us it would occur in 2010. It'll be interesting what 2012 brings. I'm not making fun of them. They are very bright and informed people trying to make sense out of the not so sensible. They are trying to tie all the pieces together and unfortunately it really can't be done. What *happens* is those things that we can't control, so we can only try to manage a response.

MORTGAGING— ON THE RIGHT TRACK? - Five years ago the FHA had a market share of mortgages of 3%. Today that number is 10 times, yes 30%. The reason, because people can't afford the 20% up front investment. Now with that said and to which must be agreed, the new Dodd-Frank bill may kill all but 30 year fixed mortgages. It's obvious the public can't afford that or FHA would be back to its 3% of market share.

The Dodd—Frank Bill will restrict the type mortgages that could be available to the public. The bill disallows adjustable mortgages, longer mortgage terms and varied amortization choices. Of all the industrial countries which encountered similar financial crisis over the past few years, the U. S. stands alone in restricted mortgage products. This country always had the most varied mortgage opportunities in the world. Those other countries which have maintained varied mortgage products have proved that there is no greater incidence of delinquency or foreclosure than that which the 30 year fixed rates experience. In 2009 the U.S. had only 5% of new loans that were other than fixed rates 30 year. Other successful industrial countries had from 38 % in Japan, 47% in U.K., 91 % in Ireland and 92% in Australia and Korea. That being said, it is proof that there is no truth to delinquency increasing because of more affordable mortgage products. It seems we just can't get out of our way.

ON THE LIGHTER SIDE-

I don't suffer from insanity, I enjoy every minute of it.

Some people are alive only because it's illegal to kill them.

Don't' take life too seriously; no one gets out alive.

I used to have a handle on life, but it broke.

My husband and I divorced over religious differences. He thought he was God and I didn't.