



# In the Loop Realty Newsletter

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## Amerival

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Valuation Center

## FINALLY, MERRY CHRISTMAS!!

BY: ALBERT M. CERONE, IFAS, FELLOW

**MERRY CHRISTMAS,  
HAPPY HANAKKAH,  
HAPPY RAMADAN,  
HAPPY KWANZAA-**

Finally, the government and private sectors listened to the people of the United States and decided to set aside the concept of "political correctness" (based on the small minds of the pseudo intellects); and allow the American public to feel comfortable in this special time of year. Odd, that our friends who are Jewish, Muslim and Black, had no problem with "Merry Christmas"; and, conversely we respected their religious and / or cultural heritage and beliefs and wished them health and happiness in their special time of year.

The other night at the beginning of Hanakkah we celebrated the holiday with long time wonderful friends. The husband being Jewish and wife being Catholic and Italian. Well, she makes one of the best Hanakkah dinners you can imagine; and, we shared in the blessing of the time and beauty of

love and respect among all good people demonstrated through the lives of these two beautiful people.

In short, the attitude of the wonderful people of the United States is... wish me whatever... as long as it is .*"HAPPY!!"* So, once again there is peace and love and respect.

This is via Kari Schneider, president of *The Entrepreneur's Source*, "Christmas is not a time nor a season, but a state of mind. To cherish peace and goodwill, to be plenteous in mercy, is to have the real spirit of Christmas"—*Calvin Coolidge*.

### CLIENT SPOTLIGHT

**Thomas A. Harley, Esq.**



Tom is with the firm of Wilson & Wilson in Newark, NJ and has been a client of ours for the past 18 + years.

Tom has cut out a relatively unknown specialty but very well known to the appraisal profession in

NJ. He represents major insurance companies in the defense of appraisers in liability cases. His reputation for success has brought him appraiser clients, as well as private clients with appraiser / appraisal problems. His low key demeanor is disarming to the unsuspecting adversary who quickly discovers that Tom has a better grasp of appraising and valuation than the vast majority of appraisers. His board appearance presentations and courtroom skills supported by his excellent knowledge of the law, ring up win after win. I'm glad he selected Amerival to be his expert as I wouldn't want to be on the other side.

**Solving The Subprime Mess**— The attorney general for Iowa, Tom Miller, a Democrat, began his fight against questionable lending practices about 6 years ago, long before the subprime mess we face today. He with officials from other states successfully negotiated over \$800 million of loans thus precluding foreclosures. He may stand alone as his thrust is to prevent foreclosures thru negotiations with lenders rather than thru prosecution. The attorneys general of NY, Ohio and Massachusetts believe prosecution is a better solution. Andrew Cuomo, attorney general for NY has filed suit against First American Corp. for overstating property appraisals to accommodate the lending needs of Washington Mutual; and, is promising to initiate more suits.

I believe that both approaches should be employed. We need to stop the bleeding first (*con't*)

Courtesy of

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second repair the problems; and, thirdly, prosecute the perpetrators of this horrendous situation. So, I agree with Miller. Let's start negotiating and those that won't negotiate then lets prosecute. I don't think this is "finger pointing time", as the government did during the late 1980's early '90's with the S & L debacle. At that time the government and private sector simply sought a "fall guy", the appraisal profession, as it was the least prepared to defend it's members. After billions spent on that; and, the ongoing expenditures forced on the appraisal profession, in the guise of licensing and continuing education, we once again face a devastating financial catastrophe for America which dwarfs the S & L scandal. I'm not exonerating the mortgage appraisers who cowered before their mortgage clients. They had a choice... Yes or No; and many made it in favor of caving to the demands of the lenders. Now, we can't make accusation that aren't provable, but we can help open a few eyes. Cuomo's legal action is against First American Corp., which touts itself as a full service corporation for lenders and other industries. One of their services is to provide valuations for lenders. One of their internet advertisements says, "Appraisals— .....provides the property valuation alternatives to meet the unique appraisal needs of each individual circumstance..". Wow, 30 years an appraiser, educator and writer and I don't understand that. We have unique properties, but all must undergo the same appraisal process. And, just what is "valuation alternatives"... there ain't none! An appraiser must know what techniques are available for special use or complex properties, but the process remains the same. And, if I may, the vast majority of problems

today have been created for the standard everyday house. Mr. Cuomo is looking at the pressure placed on appraisers to develop reports that allowed Wachovia to make the loans to keep the income stream coming.

It's been discussed here before, one must recognize that appraisers need to make money and keeping a client happy, is the way to accomplish that; thus, the *economic hostage* situation. Years ago, lenders contacted appraisal companies and worked out an arrangement for fees and the work was done. Many of the appraisal companies had sufficiently substantial client base to discontinue a business relationship that was counter to professional appraisal practice. Today, management companies and the likes of First American Corp., per Mr. Cuomo, act as a go between which collects fees for being the middle entity and presumably the "new finger" pressing the right buttons to satisfy the ultimate client. Solutions, yes, but none that would ever garner the support of lender associations to include banking organizations because as long as they can make political donations the elected government minions would never support any bill to bring true solution. Write this down, in the final analysis, there will be more licensing and course work. There will be more strict regulation which will be written in typical legalese that will leave the opportunity to be side stepped. Remember the movie of the '80's, *The Best Little Whorehouse in Texas*? Remember the governor doing his little dance about sidestepping the issues? Well, Congress does that so well they could win the trophy for the next *Dancing With The Stars*.

*Picture Ted Kennedy doing the Passa Doble!* So, in the final analysis, the American public will once again dig into its pockets and pay for yet another debacle. And, when recovery does come (late 2009—early 2010), the finessing of loan products and application "step overs" will begin again. Whatever administration is in power at that time and the seated Congress will just shut up and let it continue, because it makes the economy look good and it makes them reelectable. It reminds me of a corporate leader a couple of years ago who said, "remember there's no "I" in team; yeah, but there is a "me" if you look hard enough.

**Sale—Leaseback-** Recently, I heard of a successful attorney denied of a loan on his office building. Presuming that all financial conditions were in their proper place, the focus came to the lender. If this attorney was looking toward expansion which could fill both his and the banks coffers more than now, it would have made sense. However, restrictive lending practices today are actually slowing the economy down which is creating greater job loss.

A sale—leaseback may be the answer. For those seeking expansion either in place or in other markets, a sale—leaseback may very well be the answer. A manufacturer in Virginia was unable to free up the capital needed for expansion into another market. His banking affiliation was too localized and didn't see a loan as a safe investment. The owner sold the building for \$7.5 million, invested \$1.5 +/- million and acquired the out of area property and began the second operation which now supports itself. So, Sale—leaseback may very well be a small business blessing.