



# In the Loop Realty Newsletter

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## **GOVERNMENT TO THE RESCUE??**

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**BUSH ON HIS WHITE TEXAS HORSE**– Let's not get into politics but this is interesting. Bush set forth a mandate to the Treasury Dept. and HUD to work along with mortgage lenders and non-profit housing groups to provide counseling and loan modifications to assist those struggling homeowners facing financial crisis due to their mortgage situations. The Prez said, "I strongly urge lenders to work with homeowners to adjust their mortgages. I believe lenders have a responsibility to help these good people to renegotiate so they can stay in their homes."

He pledged to work with Congress to facilitate writedowns via a temporary amendment to the tax code to remove the burden of additional taxes should a lender forgive part of the principal owed. Bush continued, "When your home is losing value and your family is under stress, the last thing you need is to be hit with higher taxes." Unfortunately, or maybe fortunately (I'm not a political

analyst), the ball is now in Congress's court. Do the Dem's stall to make the economy and consumer confidence worsen; or do they lead the charge and manipulate the language to make it appear they did all this? I don't know, but I think any group trying to recognizeably abort any efforts, will likely pay the price next October.

But the reality is that *last* week HUD gave the green light to lenders to begin refinancing delinquent subprime borrowers into Fed. Housing Admin. Loans. The program allows certain subprime borrowers with adjustable mortgage a refinancing option to avoid foreclosures. *Get It??* Is there anything government says or does, that is definitive. Why the word, "*certain*"? That means there's a catch or a caveat that likely will preclude many if not most of the impacted public from garnering any assistance whatsoever. The only certainty from our government is it will vote

For a bill that ostensibly looks like they did a good thing but it will have enough loop holes to create more litigation for most of the former firms to which the members were associated.

**GOVERNMENT BASHING**– You all have received emails denigrating congressional members and senators for receiving Social Security although they didn't contribute.; and that they receive a pension in addition. Well, I hate to admit this, as it feels better holding them in disdain, but members of congress and the senate contribute 6.2 % of their salary into the Social Security System and also contribute 1.3% into the Federal Employees Retirement System (FERS). Want to fee worse? They did not vote themselves a raise for this year, although there is still an opportunity.

Also, they are not entitled to medical benefits or a pension unless they have minimally 5 years of service. So, the ignorance of some of us created misgivings about them.

**MARKET VALUE**– Recently, I had the misfortune to have reason to speak with an attorney, who albeit not a real estate specialist, has had a fair amount of experience with real estate; and had no clue what market value is. It was very disturbing because it makes one wonder just how much damage is inadvertently done to the public due to ignorance. This scenario involved an office building which is scheduled for use but to include special services which are not real estate related. Brilliant concept, but the purchasing decision was predicated on including the business income portion as a consideration of the property value. Yes, positive cash flow from a service is real money and will add incentive to overpay for a property (i.e., similar to oil companies overpaying dramatically for a specific site on a major artery), but it does not equate to Market Value.

Courtesy of

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**DREAM OR NIGHTMARE-** First on a brighter side, we were retained this past week for a matrimonial action by an attorney located in northern New Jersey. This attorney deals with some high profile cases. It was a real pleasure speaking with her. It was a simple understanding: You came highly recommended because you meet my requisites, which are, a supportable valuation professionally prepared and to which you can confidently and successfully defend; and, I only want an honest valuation. WOW! I want to have her cloned. Most of the law firms with which we work do *not* ask for predetermined answers, but fewer than most upon reading a report that is not in favor with their client's needs, start back pedaling. An appraiser that capitulates to rage or crying is playing with dynamite. Many appraisers say that if they don't capitulate they'll lose that client. My answer is you're not losing a client your avoiding a law suit; and, be certain that the same attorney will never remember the crying or cajoling. So, there are lessons to be learned for appraisers and attorneys. A report not bearing an honest valuation will most likely result in embarrassment for both the attorney and the appraiser, if not worse, ethics charges and / or a law suit. Neither of the professionals can claim ignorance because their licenses preclude that escape. The client may not be happy but will be far less happy, realizing the the preconceived objective was unattainable and the attempt will most likely be perceived as an

attempt to build a fee and in so doing create a fraud.

#### **APPRAISERS' MARKETING-**

Appraisers should realize that attorneys and accountants are wonderful clients and the vast majority are astute and do not want to be a part of any activity that is less than ethical and professional. There is less and less valuation work for appraisers due to the scarcity of mortgage work. You can look to work with attorneys and accountants but the marketing is the key. The approach to these professionals is much different than seeking work from mortgage companies and banks. These professionals for the most part are not concerned about turn around time or even the fee. They want to win a case or not find oneself in an embarrassing situation because of a "stinted" appraisal. If you opt to pursue this type clientele, then be prepared to write....well! Also, be prepared to show why you considered what you did; how you went about it; and, be able to testify capably. If you can do the first two and not the last, then align yourself with an accomplished litigation appraiser. You can earn and learn.

**THINGS ARE GREAT BUT THEY SUCK-** Your really don't know what to believe. The feds this past Friday said that employers cut 4,000 jobs in August. Odd, if Countrywide Mortgage cut 719, then the remainder of the companies in the U.S. only cut about 3,300 jobs. Countrywide just announced that they will cut about 12,000 jobs or 20% of its current workforce, but CEO Angelo Mozilo says things are great. He doesn't know why the media is making such a negative out of simply re-aligning. Angelo, WAKE UP! You just hit your lines of credit for \$12 Billion on top of the \$2 Billion from BoA last week or so; and, after borrowing 11.5 Billion the week before so that you

could pay operating expenses. In addition you have been selling stock in Countrywide for the last month. Now if you really had confidence in your company, selling is the wrong thing to be doing. I'd suggest you start buying so you can exude the confidence the company employees and stockholders need to want to stay the course. Oh, yeah! It would also give some impetus to the economy, but I guess that's not your worry.

This past week Mozilo blamed the people who took out these loans for creating the problem. He chastised them for spending too much and using their homes as their bank. You know, he's not wrong, but it skirts the issue of responsibility. Everyone, I mean everyone who knew something about real estate and mortgaging, knew these loans were going to be big trouble. Own up to it, Angelo, the money was great, wasn't it? But placing blame is not the direction the entire country needs to go. It must find ways to keep the people in their homes. CNN this past Friday reflected that about 4.5 million mortgages will come due by the beginning of 2009; and, they stated it is anticipated that over 50% of them will end in foreclosure.

#### **REAL ESTATE BROKERS**

**SMARTEN UP-** Please, stop being part of the problem. Here's a simple little thing you can do. Stop putting for sale signs on properties. First, it'll force prospective buyers to come to you because you proved to someone else that you're good at what you do. But the best reason is that, as I'm sure you know, prospective buyers drive around a neighborhood. Would you buy a house in a neighborhood where there is a lot of inventory? Stop making it look like fire sale time!!!