



# *Amerival*

## *Realty & Valuation Newsletter*

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***AND TIME MARCHES ON***

***BY***

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***FALLACY OF MARKET ADJUSTMENTS-*** For the appraisers among our readers this is an important topic. For our readers who avail themselves of appraisers this is also an important topic. And, there are those that encounter appraisers every day who know who they are, pay attention. You ain't perfect either.

Over the years there have been more articles and chapters in valuation books of how to arrive at the various adjustments one expects to see in an appraisal. It is safe to say that the vast majority of the so called educators and various users of appraisals want to see appraisal reports that have a mass of proofs to support appraisers' findings. Not in jest... we live in an imperfect world with imperfect people and pseudo-sophisticated academics and holier than thou alleged experts. Right! That is a mixture of the impossible measured by the improbability of meeting the impossibly measurable. Now that's a mouthful! Unfortunately, it is the forced truth which appraisers face every day; and it doesn't work. I just read an article dealing with this topic and was taken aback by a statement. In a section dealing with market influences, it said, "If the data do not appear correct when applied, then the appraisers simply have to use his / her best judgment and then explain it." That was refreshing as it is what some of us have been preaching for many years.

There are data structures that can be very helpful in valuation, but they must be considered and have the proper weight given based on the size of the data field. In addition, one can take a data sampling from California and then distribute it based on substantial data input as revealing conclusions from a large sampling. Of course there will be some reliability but it should be minimally considered in anyone's proof outside of California. You have substantially different markets and resulting market places throughout the United States. There are a myriad of variables in any test via sampling that would make the result much less applicable in any other parts of the country.

Simply, when there are substantial data within the confines of a marketplace for an appropriate market, then that result is very telling of the value conclusion that one can reach with the inclusion of the sampling result.

***NATIONAL FORECLOSURE RATES-*** According to CoreLogic there is a 1.2% drop of all mortgaged homes in foreclosure inventory from August of this year to that of 2014. The numbers are 470,000 down from 629,000 which equated to 1.6% of all mortgaged properties. Year over year the number of foreclosures sunk 22% from 46,000 to 36,000. For the number of mortgages in serious delinquency there was a decline of 3.5% from last year. This is the lowest figure since January 2008.

Overall foreclosure inventory fell 25.2 %, and completed foreclosures dropped 20.1% which is good except there are unreported bank held properties.

*Courtesy of*

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**ZOMBIE FORECLOSURES-** Who knew the classic 1930's horror films would come home to roost. Zombie's do exist. Zombie foreclosures are properties that are in the foreclosure process, but not yet bank-owned and are vacant. This is according to RealtyTrac. The national rate is 5%. Here are some statistics of the impact this problem has made. Flint, Mich., has the highest rate of empty homes at 7.5% followed by metro Detroit at 5.5%. Then Peoria, Ill., has the highest zombie foreclosure rate at 14.8%, and Trenton, NJ has the biggest share of empty homes that are also underwater at 21.4%. The national rate of empty homes and still underwater is 6.2%, thus Trenton is over 3 times the national.

It seems like this isn't a problem if the banks just get these properties foreclosed and then sold. But there is a greater problem. The banks will solve their problems but once again on the backs of the consumer, you and me. To drop these properties on the market will drive the sale prices down dramatically, thereby, cheating the working public out of the equity position they had albeit less than what it was prior to the housing bust. Well, the banks could cooperate and not dump these houses on the market in a short period of time. That would be the best thing that could happen to the public. But, will they do that? Very possible, but not likely probable. You see, if the banks don't dump the properties and hold them to assist the general public, they will do what their stockholders demand, charge higher interest rates and increase closing costs and lower CD return rates, etc. So, one way or the other the public will pay for this debacle. This is when government should step in to resolve the issue. But, then we would need a government body that can think and tackle real problems. Where the hell do you go to find one of those? Rhetorical of course!

To give you some perspective on all this. RealtyTrac estimates that There are 85 million houses that are vacant in the United States.

**FANNIE MAE NPL'S SALE-** Fannie Mae is trying to re-capitalize by selling \$1.2 Billion of Non-Performing Loans (NPL's). It is intended to reduce the number of severely delinquent loans and provide borrowers with additional options to avoid the impending foreclosure. In these sought sales from Fannie Mae, there is a requirement that the purchasers will first attempt to create affordable means of allowing the pending foreclosed property owner to remain in the house and be able to make payments. The next option is to attempt to sell to nonprofit companies or entities before offering it to private investors for resale. Can you imagine that they had to wait this long to realize that there really may be other ways to help these foreclosed people out. Frightening, isn't it.

## **ON THE LIGHTER SIDE-**

Whose cruel idea was it for the word "LISP" to have an "S" in it.

Does the Little Mermaid wear an Algebra?

If you spin an oriental man in a circle 3 times, does he become disoriented?

## **MY FAVORITE-**

Can an Atheist get insurance against acts of God?

**I STILL SAY WHOEVER MAKES UP THIS STUFF?? THEY HAVE TOO MUCH TIME ON THEIR HANDS!!**

**UPCOMING NEW JERSEY NAIFA 50TH ANNIVERSARY APPRAISAL CONFERENCE-**

**Dates:** *April 12 & 13, 2016*

**Place:** *Harrah's Hotel in Atlantic City, NJ (777Harrah's Blvd.; Tel. 844-619-0667)*

The 1st day will have the 2016 & 2017 required 7 hour USPAP seminar. So don't miss the first opportunity of a professionally presented USPAP seminar being conducted by a highly recognized and sought after national instructor from Tennessee.

The next day will have several offerings of which one is a Land Use Seminar which will have 2 highly recognized land use attorneys and a New Jersey land use expert with years of successful experience and published in the specialty. This will be followed by a mock land use hearing featuring the two attorneys from the seminar and the expert who shall be chairman of the board accompanied by a partner from a New York law firm with high powered experience. They will present a land use case which will be decided by the board and then decided by the audience. Don't miss this!! Ask those who attended last years conference in which there was a mock tax board hearing that 150 people were absolutely thrilled. This will be at least as good.

Also scheduled is a 5 hour special FHA seminar to be conducted by Tom Munizzo, a former NAIFA national president. Mr. Munizzo, a highly recognized speaker throughout the U.S. with an exciting flair.

There is also a new real estate law seminar required for NJ appraisers which will be presented by Joseph Palumbo, a member of the NJ Appraisal Board. He was responsible for some of the success our 2015 conference enjoyed with the NJ board update.

And, an exciting and novel 2 hour "*edge of your seat*" seminar entitled "Weird and Unusual Assignments" which will be presented jointly by Chuck Blau, Esq, IFAS, Carl Mucciolo, IFAS and John Marrazzo, IFAS, all past NJ State Directors.

Keep watching for updates. Go to the NJNAIFA website for up to the minute updates for the seminar. The website is <http://NJNAIFA.COM>.