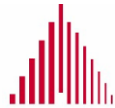


Sacramento Sierra Chapter



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APPRAISAL NEWS

& Review

April, 2009

SEDUCTION ARTICLE INSIDE!

Rob Weck, MAI, tells all!

PRESIDENT'S MESSAGE By Stephen Harrington, MAI

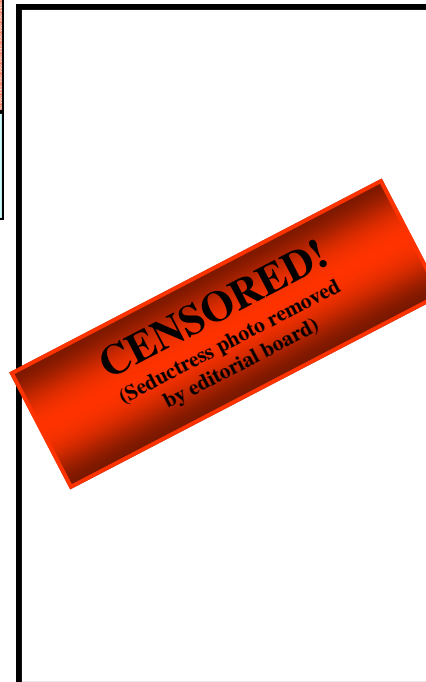


This year outstanding service provided by our started as ex- chapter Executive Director, **Emily Bernardis**, and her assistant, **Elaine Masi**. Emily and Elaine, thank you am pleased to for your determined efforts to keep announce that our chapter running smoothly!

Chapter members **Dave Wraa, MAI** and **Janet Holland, MAI** will be attending the Leadership Development & Advisory Council (LDAC) that will be held in Washington D.C. late in April. Dave is being sponsored for his second year at LDAC by our chapter; and my gratitude is extended to Region I for their sponsorship of our second member, Janet Holland. The two representatives will make a presentation of their LDAC experience at our upcoming "State of the Profession" meeting on May 14 at the Double Tree Hotel. The event will also include updates from the Director of OREA, the Appraisal Institute's California lobbyist, and the Chair of the California Government Relations Committee. **Chuck LaFlamme, MAI** and I will also address issues discussed at the

My special thanks go out to **Brent Christierson** and **Art Leck, MAI** for organizing the Economic Forecast; and to **John Ashworth, SRA** and **Michael Voors, SRA** for their input on the Residential Form Seminar. Of course none of these events would occur if it were not for the

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THE ECONOMIC UPDATE — ‘IT’S NOT THAT BAD!’

By Janet Holland, MAI, Education Chair



Again, I would like to thank our guests for speaking at our annual Economic Forecast event.

Suzanne O'Keefe, Ph.D. from California State Sacramento, **Garrick Brown** from Colliers International, **Greg Paquin** from the Gregory Group and **Christopher Thornburgh, Ph.D.** from Beacon Economics spoke to a large group of real estate professionals in January.

The speakers provided a wealth of information and delivered worthwhile continuing education hours. If you missed the event, you can visit the chapter's web site for a download of the handouts. Go to: www.sac-ai.org/dwnld.html.

Basically what I took away from the update is that things are going to get worse before they get better. Dr. O'Keefe provided that we should expect continued weakening of our region's economy but potential stabilization towards the end of 2009. Mr. Paquin told the group that housing demand will return once the economy returns and he expects growth in 2010. Since the six-county region had astronomical new home sales in 2004, the sales rates are now drastically less. At the same time the market has a five-year supply of lots available.

Garrick can give us a back cast to indicate how we got here. Unlike Reeses Peanut Butter Cups, the government's push for more home ownership mixed with decreased regulation and oversight of the financial markets were two great tastes that didn't go together. What does this mean for the commercial real estate market? Mr. Brown provided that there is cash on the sidelines. He introduced the return of the concepts of the "insult offer", the "last man standing" space user, and the "survival of the fittest". He indicated the Sacramento area could have a shortage of senior housing. Also, appraisers could be very busy around the second quarter of this year riding the wave of institutional appraisal demand until transactions return. We may be

only halfway through the foreclosure crisis and he expects four more years until recovery.

Dr. Thornberg reminded the audience that he knew we were in a recession in 2008. Even so, he wanted us to know that things are bad, but they are "not that bad" even though the public opinion meter has gone from denial right past reality and into hysteria. Recovery is a given, but the timing of it is not. He said the word on the street as far as investments are concerned is that there are only two positions – "cash and fetal" with the stock market acting like a 13-year-old girl - the ultimate drama queen. He suggested the country may have three to four million in excess housing units and the only thing that might save Florida's housing market would be Cuba.

Chris Thornberg went on to say that the economy is suffering from three big imbalances:

- the housing imbalance in the collapse of that pyramid scheme,
- the financial imbalance from the credit bubble; and,
- the consumer imbalance from too much spending.

He expects high foreclosure rates right into the next decade indicating that there are "shadow foreclosures". The shadowy ones are behind the ones you see. More foreclosures are just a function of time when lenders decide they can sell. That's when they'll foreclose. Oh, if only the widespread securitization of mortgages hadn't turned "garbage into gold". Dr. Thornburgh also indicated that the consumer began a "major hangover" from a 13-year frat party of racking up massive debt. The indication is that economists need to just forget the consumer who needs to pull back and reallocate. This can be a painful process, but the speaker indicated this could be helped along with a middle-class tax cut and lower debt costs, including mortgage rates.

Again all the speakers were great and we hope to have them all back next year. Thanks to **Art Leck, Dave Wraa, and Brent Christerson** for their help.

APPRAISERS TURN OUT IN FORCE FOR ECONOMIC FORECAST



Upper left: MAIs Greg Bach and David Lane. Upper right: Appraiser Susanna Burke and speaker Suzanne O'Keefe, PhD, CSUS. MAIs Tom Clark and Steve Rosenthal. Above: MAIs John Schrader and Art Leck. Right: President Steve Harrington, MAI with speakers Garrick Brown (Colliers International) and Christopher Thornberg, PhD (Beacon Economics). Below: Full house.



THE "SEDUCTIVENESS" OF REAL ESTATE DEVELOPMENT
By Rob Weck, MAI

Many of us who have been in the appraisal business for an extended period of time have likely toyed with the idea of becoming a real estate developer. The allure of big profits and/or the inherent satisfaction of taking an undeveloped parcel of land and improving it either through entitlement or ultimately vertical construction can be seductive. While as appraisers we get to stick our nose under the developer's tent to some degree, a little knowledge can be a dangerous thing. The old adage is still true that nothing teaches you as much as the school of hard knocks.

Developers and investors in my opinion are like gamblers, who like to talk at length about their successes or winnings, but fall short in describing the detail and extent of their losses. The latest real estate boom in many ways feels like a giant Ponzi scheme, where investors and developers parlayed their profits from early stage projects into larger and larger deals as the market boomed. Ultimately, when the music stopped there were few chairs, if any, on which to sit down. Furthermore, due to the length of the boom cycle, most developers were in the midst of funding and embarking upon the largest deals of their real estate careers. No longer content with building out a 10-lot infill development, many had moved on to hundred-acre parcels of land in the path of growth that could support hundreds of single-family homes... whoops.

My experience began with an unquenchable desire to be a developer. By the way, that desire has been so quenched I feel as though I have been drinking from a fire hydrant. I promise myself to never envy another developer or their profit for the rest of my life!

There are several rules in real estate that you are taught at a very young age. There are two that I have oft quoted, but only recently have I really understood their importance. They are "Location, Location, Loca-

tion" and "Timing is Everything".

What we are seeing unfold before our very eyes is a return to normalcy where marginal fringe properties that were constructed based on false demand are going into a death spiral as they head into real estate purgatory. The majority of these properties violated the first cardinal rule of real estate, which is the importance of location. Have you noticed how the decline in home prices has been far less dramatic in well established core areas? Home value declines in the Fab 40s, Curtis Park and American River Drive are more in the neighborhood of 15% to 20% in comparison to declines of 50% or more as in the case of North Natomas, Elk Grove, Rancho Cordova or Lincoln.



Rob Weck, MAI



*The Real Estate Development Siren.
"The seductive (development) siren never ceases its call..."*

The second rule is like enjoying beautiful mountain scenery and the smell of fresh mountain air interrupted by a 300 foot drop off a cliff. The real estate market is like setting sail into a beautiful calm ocean towards a wonderful destination. The fact that you were delayed in getting started on your voyage doesn't seem to matter at first. You slept in a little longer, needed to

make one more trip to the store, or got caught in the rush of traffic that caused you to delay your departure until the next morning. As you set sail you look out onto the horizon and think only of your destination that lies ahead. Little do you know that you are destined for destruction upon the rocks as the sirens of real estate seduction beckon you to press onward. You see, just when that last coat of paint dries and you step back to admire your beautiful project do you realize that you are mostly alone and that the long list of ten-

(Continued on page 5)

(Continued from page 4) *SEDUCTIVENESS...*

ants or customers that had clamored to be first are nowhere to be found.

It is at this point that you are either very thankful or very grieved at the amount of money that you spent on the attorney that set up your LLC operating agreement. While you may not have paid too much attention when the document was being created as you were bored with the endless boiler plate and legalese, it sure has your attention at this moment. You cross your fingers as you read through the pages which describe in painful detail the actions and consequences that you are bound to as a result of bad timing, bad partner or bad project. If you are fortunate,

your attorney has protected you from about 98% of all the horrible things that befall you when your deal collapses. If you are less fortunate, you stand to lose not just your investment, but a large percentage of your wealth accumulation to date.

The scale and magnitude of the financial destruction is all relative - just look at Bernie Madoff. The following is a true story of a property in Southwest Florida. It all began when a local developer optioned a large parcel of land that this particular county agreed would be suitable for a master-planned golf-course development. Once the option is secured, the developer takes the property to Lennar, who willingly agrees to purchase all of the finished lots that can be produced on a rolling option basis. Lennar up to that point had successfully developed numbers of similar golf course residential communities. Lennar agrees to pass-through a few million dollars to secure the option to buy all of the 1,887 lots over the next several years. During this time, the developer finds a regional bank that is more than willing to fund an acquisition loan given Lennar's commitment to the deal. In January 2005, the loan funds and the developer spends his millions, Lennar's millions and the banks millions to ac-

quire the property and fund the entitlement and approval process. Once the project is approved, the developer obligates the property to a construction loan as well as a CFD that will pay for the majority of the backbone and even some of the in-tract improvements. The golf course is constructed as are the first 250 lots. Lennar takes down the first 40 lots, constructs its models and begins to build and sell homes. However,



But who is going to buy those lots?

several months into the project the bloom comes off the rose, buyers quit buying and eventually Lennar walks away from about \$12M, most of which was spent on the various model home complexes and the first lot takedown. In late 2007, the developer had been foreclosed out by the bank, which now had an outstanding loan of

±\$60M. To make matters worse, the property was obligated to an additional \$58M in bond debt, that of course is senior to the bank debt. The interest reserve on the bonds was set to expire in May 2008, which at that point the bank could either begin making interest payments on the bonds, or the bond district would begin the foreclosure process on the bank. In round numbers a total of about \$140M had been spent on acquiring and developing the property to date. As of a few months ago, the bondholders had taken back the property and were willing to accept around \$0.50 on the dollar, or \$30M for the outstanding bonds, which means \$110M of equity and debt has dissipated into money heaven never to be seen or heard from again. Lennar and others like them did these deals throughout the United States, but especially Florida, California and Arizona.

The problem with seduction and deception is that when you are the target you are either unaware or don't care. As for me, as I finish this essay my mind has already begun to wander and probe as I desperately try to determine where the next great opportunity is going to be. The seductive siren never ceases its call ... gotta go.

NEWS FROM NATIONAL
Compiled by Vicki Briggs, MAI

National accomplished some significant feats in March, including:

“Collateral Matters Congress” - March 8 – 10 in Washington DC.

The Appraisal Institute brought together nearly 90 leaders from the residential mortgage lending community in an industry-wide event dedicated to improving the quality of collateral valuation products in residential lending. A list of their recommendations will be shared with our Members, followed by regulatory authorities, other industry leaders and members of the public.

Testimony by President Jim Amarin

On March 11 Appraisal Institute President **Jim Amarin** testified before the US House of Representatives subcommittee on Financial Institutions and Consumer Credit, urging lawmakers to address the currently “feeble” industry oversight. In his testimony Mr. Amarin stressed the need to address structural weaknesses in mortgage industry regulation and asked congress to provide greater enforcement power, the lack of which has contributed significantly to mortgage fraud. Amarin provided Congress with the following list of recommendations:

- 1) Introduce and pass mortgage reform legislation addressing: inappropriate pressure on appraisers; the need for greater accountability of federal and state appraiser regulators, and; promotion of professionalism

among appraisers.

- 2) Establish a high-level agency Chief Appraiser position for collateral valuation review, with oversight of all appraisal and valuation issues across the financial spectrum, including the mortgage and secondary markets, and all financial, mortgage and real estate-related financial instruments.



President Jim Amarin, MAI

- 3) Undertake an immediate review of the new loan modification guidelines (Home Affordable Modification) recently released by the Treasury Department to ensure that consumers and neighborhoods are being protected and that property valuation is being utilized, including questioning the allowance of broker price opinions (BPOs) in lieu of appraisals.

Mr. Amarin identified automated valuation models (AVMs) and BPOs as unregulated methods of obtaining opinions of value that un-

dermine federally created appraisal standards and also cited the fact that lender’s use of these unregulated methods put both banks and consumers at risk of receiving inaccurate valuations.

Appraisal Institute Welcomes 4,000 New Members

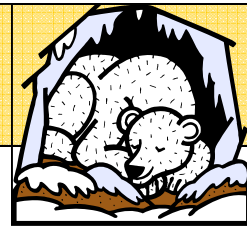
In 2008, the Appraisal Institute welcomed 4,000 new members, more new members than in any year since the former American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers merged to form AI in 1991. The new members who joined AI last year brings the membership total to more than 25,000 members, the most since 1995.

The record-breaking recruiting effort, which includes new Associate and Affiliate members added since the beginning of 2008, was brought on by special membership categories created for those just getting started in the profession. The Trainee Associate Membership category was established for individuals pursuing an appraisal career, while the Affiliate Membership category was expanded to include university and college students.

In addition to welcoming 4,000 new members, the Appraisal Institute also awarded a high number of MAI and SRA designations to members. Last year, 173 members were awarded the MAI designation and 146 members were awarded the SRA designation.

THE LOBBYIST DENBy **Richard Murphy, MAI, Chair**

California State Government Relations Subcommittee, Appraisal Institute



CSGRS - Spring Report. It was so refreshing to have OREA Director **Bob Clark** attend and participate in our semi-annual CSGRC at **Mike Belote's** office in Sacramento. For new members of our Chapter, Mike Belote is our lobbyist contracted to assist our efforts to protect appraiser's political interests. I am this year's Chapter - Government Relations Chair. Mr. Clark participated in many of our discussions and it was valuable to have his input representing the OREA.

Also in attendance was **Eileen Newhall**, Principal Consultant, Senate Banking Committee. Ms. Newhall is our liaison crafting the California version of proposed Appraisal Management Company legislation. Both Eileen and Mike have worked hard for our benefit and authored SB 237, introduced by Senator Calderon into the current session on February 24, 2009. Our statewide committee's focus this year and possibly next will be the successful passage of SB 237. I encourage all members to access our lobbyist's web site at http://www.caladvocates.com/client_only_services.htm. Scroll down to the longest client name on the list being California State Government Relations Subcommittee of the Appraisal Institute and click. The *user id* is "ai" and the *password* is "208." You will see many bills listed which may have some minor or major impact on appraisers individually or business-wise. I encourage a review of all the bills. The committee has identified three major bills out of 34 listed which will consume our work this year.

Priority for us is SB 237, which is nec-

essary to protect the interest of the consumer. Without rules and regulations for AMC's there is a potential the intended quality of appraisal service under the new HVCC will be jeopardized. We believe the provisions of the bill will be accepted as good common sense by ethical AMC operators.

However, without regulation, there are many loopholes, which if utilized by an AMC in the selection and payment for appraiser services will inherently result in the cheapest, quickest and lowest quality appraisal service possible. Disappointedly, we have vocal opposition to our bill from several of the largest bank owned AMCs. Surprisingly opposition is coming from all around the country, in addition to originating within California. No surprise! The opposition does not want to be regulated.

They (AMCs) feel the existing regulation of appraisers has been, and is, sufficient to protect the public's interest. Furthermore, they offer to police appraisers to weed out trainees (for which they blame the sub-prime mess on), as their model plan to insure quality. All the committee members, who represent each of you, disagree with their explanation of why they should be allowed to oversee themselves. We are trying to learn as much as possible about how AMCs operate. AMCs are here for now. The CSGRC and the Appraisal Institute believe as the first responders in the valuation of real property we have the right and duty to protect the interest of the public by making sure AMCs are properly regu-

(Continued on page 8)



**Messrs Murphy,
Clark, and Belote**

(Continued from page 7) **Lobbyist Den**

lated. As of the date of this article there is nowhere in the United States where a California borrower, lender, or appraiser can file a complaint against practices by an AMC operating in California.

We believe that the AMC industry will evolve and ethics will win the day as there are already changes in the solicitations and requirements to join an AMC over a few months ago. "We have a long fight ahead of us though," said Mike Belote.

We need to collect solicitations to join AMC organizations, as well as any other real life business dealings - which force an appraiser to violate USPAP and ultimately weaken the public trust. I would like to thank appraisers who are already aware of our campaign and have sent in information. However, we still need more evidence. I am asking for your help. Please send your information to sbill237@sbcglobal.net. Your comments are also welcome.

Looking back at SB 223, which is now law (California Code 1090.5. [a through d]), much of the information sent to us already is covered under SB 223. For example, a request of an appraiser to provide comp checks or the promise of an assignment if the appraiser agrees to a stated target range or value will result from the appraisal, is prohibited. To quote Scott DiBiasio, Vice President of Government Relations for the Appraisal Institute:

This should be reported to the Enforcement Division of the Department of Corporations, NOT OREA. The Department of Corpora-

tions has oversight over mortgage lenders and brokers under the California Residential Mortgage Lending Act.

At the top of the home page of the OREA web site www.orea.ca.gov is a list of instructions for making a complaint - and a list of agencies. If you are not sure which list the agency falls under (i.e., a licensed broker, lender, or government agency) then file the complaint with all those that might be applicable. In California, all complaints against a person or company licensed do to business regardless of what the business is, are subject to complaint enforcement.

In addition to SB 237, two other bills worth mentioning are AB 33 and SB 633. AB 33 proposes to merge all real estate and financing departments in the state into one "super agency". So far we have identified pros and cons. The pros are that OREA fees might go down, because we would come under oversight from an agency regulating hundreds of thousands of licensed financial service workers. However a problem might occur with the federal regulations from OTS, which requires appraisers to be regulated separately from real estate brokers and lenders. A State Director overseeing real estate agents will not be allowed to either set policy or met out compliancy issues against an appraiser according to federal statues.

SB 633 is very interesting in that it would directly regulate the property inspection process. The bill proposes that the "person making an appraisal in connection with a mortgage loan shall make at least

one personal visit to the property that he or she is appraising." Most of us on the committee already incorporate a site visit as a necessary part of the process. The language of this bill is vague; therefore, we are checking to find the author and learn of their intent or motivation for the bill. The intent may be to prevent a licensed trainee or lower level staff employee from performing the site inspection.

In closing, I'm sure that you have ALL been waiting for the really important news! *Just how many appraisers are still out their competing against me???*

Mr. Clark reported the number of licensees has declined from 20,164 as of January 2007, to 17,250 today - and that number is expected to continue to fall. Most of the decline is occurring amongst the ranks of the trainees. Although Mr. Clark did not have percentage statistics, the category which is increasing is certified licensees amongst the residential appraisers. This is a reaction to the FHA requirements going into effect later this year to require an AR or AG to get on their approved appraiser list. Therefore, most AL's are upgrading their licenses to the AR or AG. The pass rate on testing remains the same, about 30 percent. However, OREA expects that the pass rate will begin to improve as appraisers complete the new upper level education courses prior to taking the exam. *Appraisers who have taken all the required courses under the rules established in January 2008 have a much higher exam pass rate...*

I'll provide another report in the fall.

JEDEDIAH SMITH EXPLORES SACRAMENTO BEFORE IT IS THERE**Regional data you probably don't need to put in your appraisal, but so what...**

If you grew up in California (I did not), you probably learned something about the explorer, **Jedediah Strong Smith**, somewhere in your schooling. Born in 1799 in New York, he was probably, although not for certain, the first American to explore the Sacramento Valley, including some of the area that now comprises Sacramento. As a young man of 27 or 28 he already had a reputation as a fearless leader. Perhaps the fact that he had been seriously mauled by a grizzly bear, and scarred for life, contributed to this reputation.

Although a "mountain man," he rejected their typically unruly lifestyle, as he was always soft-spoken, frugal, hardworking, conscientious, Bible-quoting, and ruled by his stern Methodist beliefs. Reportedly he shaved daily and refused to drink, smoke, swear, or share his bedroll with attractive Indian maidens. A student at Yale once asked the distinguished Western historian Howard Lamar how Smith managed to shave each morning while trekking through waterless deserts of the West. Without skipping a beat, Professor Lamar retorted, "He worked his horse into a lather."

But we are off subject. In 1826 he partnered with several other men to lead trapping expeditions into California. He would employ 80 to 180 men every season, one-third of whom would be killed by Indians. In 1827 the company's employees collected 7,400 pounds of furs, 95 pounds of castoreum and 102 river otter skins, which earned the company \$22,000, a good sum in those days.

In 1826 Smith and 17 men crossed the Colorado River into California. This marked the first time that non-Spaniards had reached the Mexican province (remember, California was not then part of the United States) from the east, as well as the first whites to cross the Colorado since 1781. The party crossed the Mohave desert and arrived at the San Gabriel mission

on November 27th. Padre José Bernard Sánchez welcomed Smith and his band and provided them with beef, wine and cloth to replace their shirts. The good padre supplied the group with hospitality for two months, no doubt confusing the anti-papist Smith about the goodness of Catholics. Later Smith named the entire Sierra Nevada "Mount Joseph" in honor of his new "amigo."

**Jedediah Smith**

Next, Smith asked the Mexican governor, Echeandia, for permission to trap up and down the California coast. Echeandia suspected that Smith's group might be American spies, and he ordered them out of California. No matter; Smith and his band turned north and entered the San Joaquín Valley, trapping beaver all the way north to the King's River. This made them the first Americans to visit the interior of California. They harvested 1,500 pounds of beaver pelts.

Then, on another expedition in 1827, and again violating Echeandia's order, Smith trapped the rivers and streams of the Sacramento Valley, including the Sacramento and American rivers. In his diaries he referred to the American River as the "Wild River" because the Indians around it proved unfriendly, and "wild." It appears that he and his men camped on the American River, a few hundred feet from where the CSUS campus is now located. Because of Smith's activities, the Mexicans later referred to the river as "El Rio de los Americanos," and hence, the American River.

Smith then proceeded north to do additional trapping along the California coast. The Smith River is named after him. In later Indian attacks that occurred in this area, he lost a man who had been with him since 1826, Peter Ranney, who was an African-American. So, I guess Ranney was the first African-American to be at all the places where Smith was also "first." This is sort of ironic, when we reflect on what follows:

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(Continued from page 9) *Jedediah Smith*



Charles Goethe

Smith's historical reputation was greatly enhanced by the efforts in the 20th century of Charles Goethe (1875 -1966), a prominent Sacramento land developer and banker, and also a strong proponent of eugenics. Goethe resented all the popular acclamations about Father Serra and the Spanish missions. A "devout bigot," he set out to canonize Jed Smith as the Protestant, white antidote to Serra, and almost single-handedly promoted the cult of the "Knight in Buckskin," as he called Smith. He provided money for plaques to honor Smith (you can find one across J

Street near the Newman Center), dedicated a redwood forest that he purchased and then turned over to the State Parks system (Jedediah Smith Redwood State Park near Crescent City), and endowed the University of the Pacific to support the scholarly study of Smith (for which he received an honorary Ph.D).

For Goethe, Smith was a man of "superhuman courage," the first "white man" to cross the Sierra Nevada, and the harbinger of Manifest Destiny. As one of the founders of Sac State, Goethe insisted on naming the principal campus thoroughfare "Jedediah Smith Drive." It was relatively recently renamed "University Drive."

Also, two sites on the campus were named for Goethe himself, the Goethe Arboretum and the Goethe Science Building. The Science Building was thankfully renamed Shasta Hall before more recent era students and faculty might have torched it in protest of the Goethe name. Also, the Goethe Arboretum was quietly renamed the "University Arboretum" in 2005.

Finally, the "Goethe Mansion" on T Street, which Goethe donated to the university, has been renamed the "Morgan House" in honor of Julia Morgan, the country's first great female architect, who designed it. (Parenthetical thought: See, you are kidding yourself if you think money can buy you immortality...) It is listed on the National Historic Register.

So, the saga of the young Jedediah Smith (he was killed by Comanches back in Kansas in 1831 when he was only 32 years old) lives on, thanks in large part to Goethe, whose own name has been purged from most places of honor, and perhaps rightfully so. Goethe was a thorough bigot, but he seemed able to conveniently ignore that Smith had a trusted black man in his band for two years, and he had named a mountain range for a "papist" padre who befriended him. *(Editor's note: This article taken from material provided to CSUS students by Prof. Joseph Pitti in his course on California history. In many areas, his work is quoted outright.—SAR)*

JAMES SHAW, MAI, DIES

We regret to have to report that former chapter member James Shaw, MAI has passed away. We have been advised that he had moved to San Rafael, and subsequently died of a heart attack. While a member of the chapter he worked for the Bureau of Land Management, where he was the head appraiser.

Jim is survived by two children. He had a great interest in French culture. Unfortunately, we have no further information, and would appreciate further information from any chapter member who might have known him.

SIDEBAR FROM THE EDITOR...

As I was getting into my car in front of my house a few afternoons ago, who should be walking by but chapter members **Carole (SRA) and Pat McIntosh**. It took me a moment to recognize them, as I had not seen them for quite a long time. And there is a reason – they just recently moved into the neighborhood after spending **THREE YEARS** cruising all up and down the Mexican west coast and the Sea of Cortez in their 45-foot (I think, it might have been larger) sailboat! They had a great time, with many adventures. And who said appraisers weren't adventurous? Pat is retired and out of the appraisal business, but maybe Carole will be around to tell us some stories...

HOUSING: FROM THE BUBBLE, TO REALITY
A Sacramento Single Family Existing Housing Overview
By Atom Levi, MAI, SRA

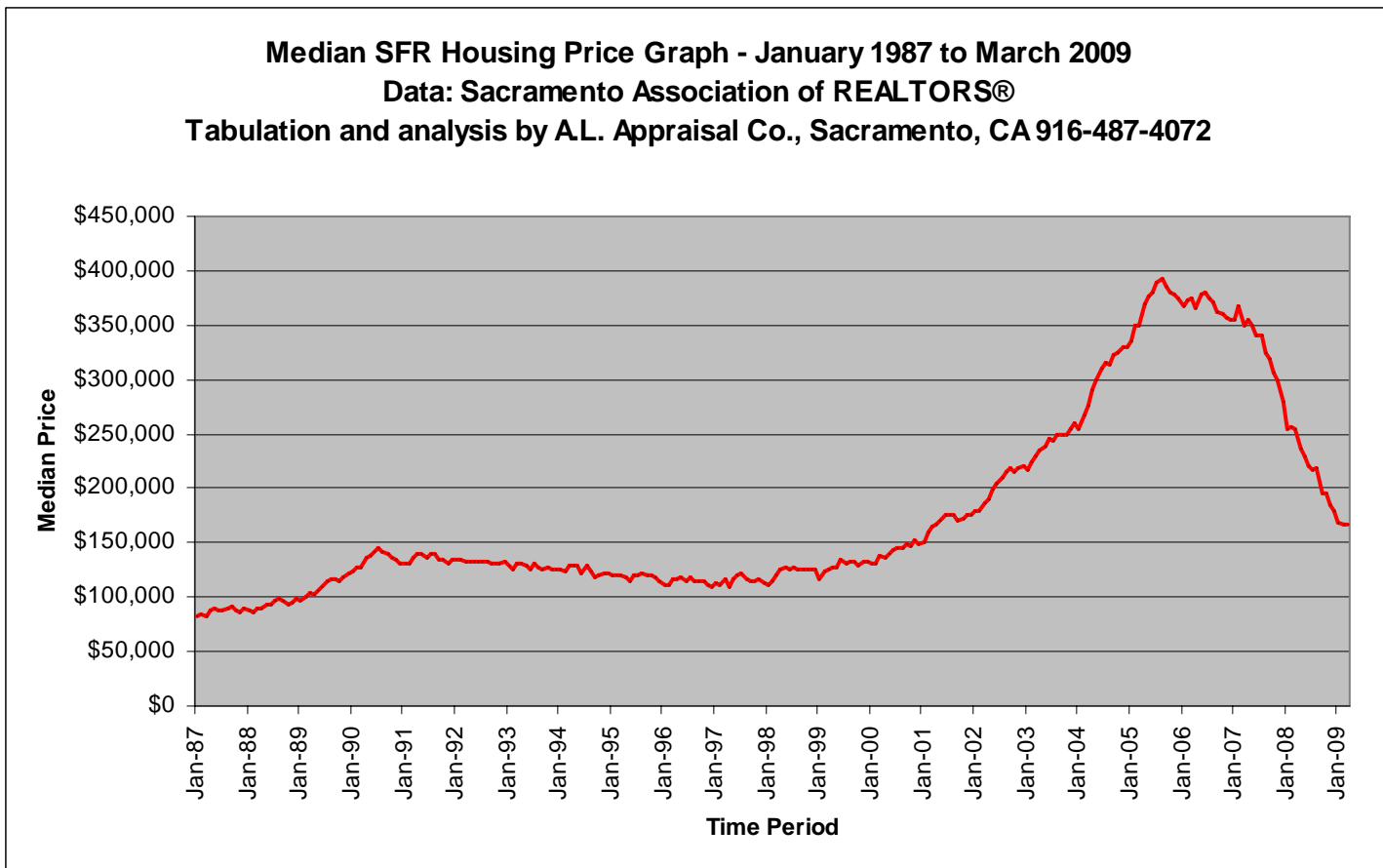
MEDIAN PRICING:

- As of **March 2009** the median price house in Sacramento (Sacramento County + the City of West Sacramento) was **\$167,500**.
- The height of the market occurred **August 2005** at which time the median price reached **\$392,750**.
- As of **March 2009** the median price had declined **57.35%** from the **August 2005** high.
- The **March 2009** median price is now nearly equal to the **\$167,000** median price of **April 2001**.
- The **March 2008** median price was **\$254,896**. The

March 2008 median price represents a **27.2%** decline compared to **March 2007**.

- As of **March 2009** there were reported to be **1,725** closed escrows, of which **1,216** or **70.5%** were reportedly REO properties.

Multiple sources report that REO's should increase during **2009**, thus impacting pricing. No telling what the politicians will do however. In any event, it should be interesting. What is taking place is regression to the mean, as ugly as the process is; it is what is required to stabilize the market.



AFFORDABILITY:

A main indicator of pricing is the relationship of income to price. Referred to as the affordability index, it is the median house price divided by the per capita income. The result is the number of times of per cap-

ita income required to purchase the median price house.

The affordability index simply measures the ability of

(Continued on page 12)

(Continued from page 11) **BUBBLE**

a person earning the median income to purchase a median-priced house. What it does not measure, however, is how easy (or difficult) it is to get approval for a loan. As a result, as housing prices continue to decline we can expect houses to get even more afford-

able, perhaps more affordable than ever. The problem is affordability is an expression of the potential to transact, not the desire to transact.

Presented below is a table showing the calculated affordability index along with other relevant statistics for the Sacramento housing market:

Yearly Based Statistics						Decade Based Statistics			
Year	Per Capita Income	Median House Price	Affordability Index	% Change In Median House Price	% Change In Per Capita Income	Decade	Affordability Index	% Change In Median House Price	% Change In Per Capita Income
1987	\$17,116	\$87,078	5.09	Base	Base				
1988	\$17,934	\$93,167	5.19	6.99%	4.78%				
1989	\$19,169	\$109,939	5.74	18.00%	6.89%	1980's	5.34	8.75%	4.00%
1990	\$19,718	\$135,050	6.85	22.84%	2.86%				
1991	\$19,865	\$135,783	6.84	0.54%	0.75%				
1992	\$20,579	\$132,292	6.43	-2.57%	3.59%				
1993	\$20,725	\$127,633	6.16	-3.52%	0.71%				
1994	\$21,608	\$124,554	5.76	-2.41%	4.26%				
1995	\$22,607	\$119,145	5.27	-4.34%	4.62%				
1996	\$22,983	\$114,523	4.98	-3.88%	1.66%				
1997	\$23,978	\$115,560	4.82	0.91%	4.33%				
1998	\$25,433	\$123,088	4.84	6.51%	6.07%				
1999	\$26,535	\$128,643	4.85	4.51%	4.33%	1990's	5.68	-0.47%	3.84%
2000	\$28,460	\$142,116	4.99	10.47%	7.25%				
2001	\$29,386	\$169,127	5.76	19.01%	3.25%				
2002	\$29,686	\$202,988	6.84	20.02%	1.02%				
2003	\$30,686	\$241,433	7.87	18.94%	3.37%				
2004	\$32,192	\$302,965	9.41	25.49%	4.91%				
2005	\$33,521	\$371,771	11.09	22.71%	4.13%				
2006	\$35,197	\$368,346	10.47	-0.92%	5.00%				
*2007	\$36,605	\$332,274	9.08	-9.79%	4.00%				
*2008	\$37,703	\$220,202	5.84	-33.73%	3.00%				
*03/2009	\$38,834	\$167,833	4.32	-23.78%	3.00%	2000's	7.57	1.81%	4.64%
Averages				4.18%	3.81%				

The obvious conclusion is that the affordability index had risen to an untenable level (11.09) in 2005. For 2008 the affordability index had fallen to an estimated 5.84. However, the 5.84 figure still appears high when compared to the decade averages of the 1980's and 1990's as well as the figures for the years 1999, 2000 and 2001. The March 2009 figure of 4.32 is considered reflective of current economic conditions. Based upon this information it is not unreasonable to conclude that the median house price could fall further,

particularly in light of the high unemployment, declining income levels and generally tough and uncertain economic times presently being experienced.

***Notes:**

2006 is the most current year of income data available.
 2007, 2008 and 2009 Per Capita Income are projections by A.L. Appraisal Co.
 The median house price uses the annual median price for a given year instead of a particular month. It is the median of pricing for the given year to date if not a complete year.

Source: U.S. Department of Commerce, Bureau of Economic Analysis
 (1) U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income at the county level.
 (Atom Levi, MAI, SRA, ASA is not, by presenting this information, offering advice. The information is presented for educational purposes only.)

WHAT HAS THE APPRAISAL INSTITUTE DONE FOR YOU LATELY???

By Kurt L. Reitman MAI/SRA, Region I Chair, Government Relations Committee



Kurt Reitman, MAI

Yes this is a fluid time in our profession. As Chair of Government Relations (for Region I), I have over the last two years been working with members throughout the United States on this national committee. I feel it is important for you to realize that we are representing YOU, the residential and commercial appraiser, in Washington D.C. and in every state in this country. Our professional staff in Washington has been working 24-7 (and I mean 24-7) to make sure your voice is being heard and truly represents the professionalism you want in this career you have chosen.

We have been in the forefront of making sure Congress and the government agencies understand our vision. It was Attorney General Cuomo of New York that asked for our input when the Freddie Mac and Fannie Mae debacle started. It is the FDIC, Treasury Department, FHA, and the Federal Reserve who hear our voice and our positions that affect your day to day profession. The Appraisal Institute was there with recommendations in the creation of the Home Valuation Code of Conduct (HVCC) and we are still there making sure they are not words but enforceable guidelines by creating the Independent Valuation Protection Institute (IVPI) that gives the appraiser a voice against undue pressure. It is the Appraisal Institute that is in the forefront protecting you from the Appraisal Management Companies (AMC) and making sure that there is transparency in mortgage loan documents.



CONGRATULATIONS TO NEW MAI—MARTY SHEARER!

By Bob Steed, Senior Appraiser, PGP Valuations



Marty Shearer, MAI

Marty Shearer is a busy guy. He and his wife have four children (ages 6 – 19), the oldest of which just left for college. He is one of our Managing Directors here at PGP and is a Team Leader as well. Between training, managing, and being a husband and father, Marty made the time to complete all the requirements to become one of the most recent MAI members here in our Sacramento Sierra Chapter.

Marty was born and raised in Seattle, Washington, with the exception of a few years when his father’s work took the family to Anchorage, Alaska. Marty returned to Seattle where he graduated from Washington State University with a Bachelors Degree in Business Management. His appraisal career began in 1993 with Schueler, McKown, and Keenan, located in Seattle. Marty and his family relocated to Sacramento in 1998 after he accepted a position with PGP Valuation Inc. He worked at PGP until 2005, when he began working for Cushman and Wakefield, also in Sacramento. Marty returned to PGP in 2007 and worked hard to form a new team. Marty’s appraisal experience includes retail, multi-family, and office. He has also appraised several marinas and golf courses (he really enjoys the inspections!). Though he has a wide variety of experience, Marty has built a specialty practice appraising industrial properties.

We are thankful that Marty has returned to PGP. We value his contributions and are very proud of his most recent accomplishment. Congratulations, Marty!

Our goal is to educate the legislatures and government agencies on state and federal levels that *licensed and designated appraisers are the way to go - not BPO’s*. No, we don’t always get what we want 100 percent, or even 70 percent of the time, but government knows we are there and I believe they do respect our input. I have heard members and guests at our meeting say “We don’t know what is going on”. The information is there, all you have to do is take a few minutes and read what the Appraisal Institute is doing for you.

Sacramento Sierra Chapter of the Appraisal Institute
Education/Event Schedule 2009 (as of 4/13/2009)

May 5-8	General Appraiser Highest and Best Use [SOLD OUT!]
May 14	7 Hour National USPAP Update
May 14	State of the Profession [RENO—SEE BELOW]
June 25-26	Uniform Appraisal Standards for Federal Land Acquisition [RENO-SEE BELOW]
August 13	2009 Annual Summer Conference
September	4th Annual Barbecue
September 17	Joint Appraisal Institute/IRWA Seminar/Chapter Meeting
September 18	4th Annual Barbecue
September 15-18	General Appraiser Report Writing and Case Studies
October 22	Getaway to Lake Tahoe – October 22 and 23, 2009 Forecasting Revenues
October 23	Appraising Distressed Commercial Real Estate: Here We Go Again
November 19	Installation Dinner
December 7, 8, 9	Condemnation Appraising: Principles and Applications

Registration Information is available at <http://www.sac-ai.org/event.html>
Or, contact the chapter office at 916-972-9700.

COURSES OFFERED IN RENO (Reg. through <http://www.sac-ai.org/event.html>)

May 14	7 Hour National USPAP Update Instructor(s): Stephanie Coleman, MAI, SRA Member Cost: \$155 Non-Member Cost: \$175 Reno Sparks Association of Realtors Bldg, Reno, NV
June 25-26	Uniform Appraisal Standards for Federal Land Acquisition Instructor(s): David Lennhoff, MAI, SRA Member Cost: \$350 Non-Member Cost: \$400 Reno Sparks Association of Realtors Bldg, Reno, NV

EDUCATION SURVEY

The Chapter office sent out an Education Survey early in April. Over 100 responses have been received to date! The more information we can collect the better we'll be able to plan wisely for the education needs of appraisers in our area. If you haven't yet responded to the survey, please take a few minutes to do so now!

RESIDENTIAL RAMBLINGS

John T. Ashworth, SRA

“The Evolving Appraisal Paradigm” was the name of an article written by the late Phillip S. Mitchell, MAI. It won the 1993 Armstrong/Kahn award for the most outstanding original article in the *Appraisal Journal*, published monthly by the Appraisal Institute.

Around that time I was working with Phil fairly regularly, assisting in litigation support when residential properties were involved for his title company client.

Before reading his article I wasn't even quite sure what a “*paradigm*” was. One of the online dictionaries defines it as “a set of assumptions, concepts, values, and practices that constitutes a way of viewing reality for the community that shares them, especially in an intellectual discipline.” If you're a residential appraiser, ***your paradigm is changing—again!***

Big changes have come - and more are on the way.....

The way we do business and the way we view our roles as residential appraisers—and business owners—is evolving rapidly. Two of the biggest changes, the **HVCC** and the **1004MC**, are being implemented within one month of each other. In addition to these imposed requirements, which significantly affect most residential appraisers, other changes are unfolding due to market conditions.

Many lenders have gone away altogether (besides mortgage brokers as a whole, due to the HVCC). Surviving lenders have curtailed lend-

ing and have stricter reporting requirements - and new types of clients such as asset management companies (AMCs) have sprung up just to handle the fallout (i.e. REOs) from the credit and financial market meltdowns.

Review appraising used to be assigned sparingly for quality control or a rare problem (after all, rapidly rising values means no problems, right?). But now there are loads of reviews being done on appraisals made in 2005 through 2007, to determine just how reasonable they were...or not! And, for some reason, quality control is now being taken more seriously than ever.

In response to large losses, some lenders will now only accept work from certified appraisers. FHA, rapidly gaining market share, has the same requirement going into effect this fall.

The **1004MC** and the **HVCC** requirements are happening right now - and right in the middle of a new surge in traditional mortgage business. Demand for residential appraisals is up, the supply of appraisers has recently been contracting, and major changes and challenges are being thrown in. There are bound to be bumps in the road, with an oversupply of frustrated lenders, borrowers, and appraisers likely in the near term.

The following includes some information.....and my ramblings....on some of the factors shaping our ever changing residential appraisal

paradigm.

1004MC: I believe it is asking us to do something we should have been doing all along, at least since the market volatility started a 2-3 years ago. For several years I've run stats and summarized them in tables in the addendum. The new form will look nicer but take some getting used to... and will take a little more time. ***But it's not that big of a deal!*** Really, you have to be doing research anyway for market conditions. Blanket statements without support haven't passed muster from a review standpoint for some time.

By the way FNMA says the 1004MC is required for all forms including the 1004D; does that mean if you're doing a final inspection on new construction you have to research market conditions? I do REO work for FNMA, and, ironically, they're *not* requiring the 1004MC on their own REOs! I can't figure that out. They do of course use the REO Supplemental Addendum, which conveniently gives you two small lines to discuss market conditions. There is a 26 minute video produced by FNMA which goes over the new 1004MC; but it's very slow and very dry.

The 1004MC seminar put on by our chapter last month was *excellent*, and had a turnout of well over 100.

There is also some software available which helps facilitate gathering and exporting the data from MLS systems, some free and some

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(Continued from page 15) **RAMBLINGS**

for sale. Metrolist also offers a link to a free Excel based program for working with their data. Check out carefully any program you try to make sure you understand it and that it works correctly—a USPAP requirement is that you understand what your software does. You are responsible for its mistakes!

HVCC: Effective May 1st. The biggest thrust is that it affects our relationships with mortgage brokers; they won't be able to order appraisals any more. I only have a couple of mortgage broker clients. They're not a big part of my business, but they're clients nevertheless, and will be clients no more.

NAMB (National Association of Mortgage Brokers) actually filed a lawsuit against FNMA, and solicited the support of fellow appraisers at the time. They have since dropped the suit. The HVCC will end up hurting mortgage brokers as much as many appraisers. This imposition on our lending business is where I see the burden on everyone, including borrowers. Appraisers are/will be driven away, with downward pressure on fees, as AMCs begin to take a huge portion of market share. At the same time costs will often be higher to borrowers: they will be paying, for example, \$500 for their appraisal and the AMC will be paying the appraiser \$250, for what used to be a \$350 appraisal.

Another issue is disclosure to the borrower what their costs are, as at this point they will believe that an appraisal that used to be \$350 is

now \$500, not realizing that \$250 is for the middle man ("appraisal broker," if you will). Generally AMCs want quality (to the extent their product is acceptable to their client), speed, and low price. All three won't be happening—can you guess which one will go first? At the end of the day quality will suffer, as many competent, expert appraisers will not be willing to go the AMC route. Speed will eventually suffer in trying to coax less than capable appraisers to get reports up to some kind of minimum standard. A recent online survey reported that 57% of residential appraisers polled don't expect to be appraising in five years.

I think initially we may be educating mortgage brokers about HVCC for a while. I've heard that several brokers are unaware or only vaguely aware of the changes, which are only weeks away. It's possible that there could be a real bottleneck in residential lending if demand for appraisals continues to increase, and AMCs provide marginal quality and don't get enough takers for all the work. This, of course, will put upward pressure on fees. It might be necessary for some quick revisions or exceptions to the HVCC to allow the industry to function. After all, with government encouragement, we all need to be able to borrow more to fix all that's wrong with the economy... loans have to be made! Maybe if we work together, we can borrow our way out of debt! ***Stand by for interesting times...and opportunities!***

Fannie Mae's website has links to the latest FAQs regarding the

HVCC and the 1004MC, as well as the full text of the HVCC and the complete guide for lenders and appraisers. Use this link: <https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/appcode/> or go to www.efanniemae.com and start searching around.

A couple of new requirements have taken effect for FNMA lenders. From now on the lender is required to provide a fully executed contract to the appraiser. No more asking two or three parties for a copy of the contract, and piecing together partial contracts (or unsigned contracts, which are not contracts at all). FNMA has also stated that the appraiser signing the report has to inspect the property. Of course, this is in the certifications in the forms we use. But many shops began burying language that so-and-so provided professional assistance by inspecting the property, leaving doubts to whether the signing appraiser actually did - resulting in contradictory statements in the report (being vague and deceptive in my opinion). This new requirement seems to be just a silly rule that says you're supposed to follow the rules.

FHA is gaining market share. Some have said they will be the new sub-prime, as, in the words of instructor Dawn Molitor, they are now the "kindler, gentler FHA." They are no longer as picky about property condition any more, and they are insuring loans that conventional lenders have backed off on. Hey - if they insure the loan, someone will make the loan, and competition will probably lead to particularly

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MORE FROM THE EDUCATION CHAIR...

Janet Holland, MAI

Education Update—A Busy Schedule!

The Chapter had a big turnout for the FNMA Addendum seminar with 112 attendees. The price was attractive, the instructor is one of our best, and the topic was timely. We plan to continue react quickly in this manner as changes occur.

In this regard, we are in the process of adding the three litigation seminars for the AI Certification. Condemnation Appraisal, a brand new course, will be on the schedule for November with the other two courses required to obtain the new “Litigation Certificate of Completion” to follow in 2010 (*refer to the related article in this newsletter*).

Also, you should plan on joining us in May for the “*State of the Profession*” and Chapter Meeting to get an update from Bob Clark, Director of OREA and Mike Beloit. The *Summer Conference* in August has a great roster of speakers planned including Garrick Brown to update us on the economy and the market and Stephanie Coleman’s “Spotlight on Appraisal Review”. Please visit the Chapter web site to plan your education for the remainder of the year. Also, as a reminder let the Chapter know of any “needs and wants” for the 2010 schedule. ***We are planning for next year now!***

Litigation Certificate of Completion Program FAQs

In February 2009, the Appraisal Institute began offering a *Litigation Certificate of Completion*. This certificate completion will show potential clients and employers

that participants have completed education and passed related course exams in this topic. You must be an Appraisal Institute ***DESIGNATED MEMBER*** to earn the Litigation Certificate of Completion. (Note: Non-designated members can take the courses and will earn continuing education hours, but will not be placed on the Certificate Registry and will not receive the *Litigation Certificate of Completion*.)

Q. Which courses make up the *Litigation Certificate of Completion* program?

A. The Appraisal Institute has offered litigation courses for over 10 years, but recently revised the content in two courses and combined that content into one course. Consequently, there are two options to complete the program.

Option 1:

If you are a designated member, took the following courses, and passed the exams, you have earned the certificate.

The Appraiser as an Expert Witness: Preparation and Testimony (700) 2 days (15 hours + 1 hour exam)

Litigation Appraising: Specialized Topics and Applications (705) 2 days (15 hours + 1 hour exam)

Condemnation Appraising: Basic Principles & Applications (710)* 2 days (15 hours + 1 hour exam)

Condemnation Appraising: Advanced Principles & Applications(720)* 2 days (15 hours + 1 hour exam)

(* 710 and 720 were retired 1/1/09)

Option 2

If you are a designated member, take the following courses, and pass the exams, you will earn the certificate.

The Appraiser as an Expert Witness: Preparation and Testimony (700) 2 days (15 hours + 1 hour exam)

Litigation Appraising: Specialized Topics and Applications (705) 2 days (15 hours + 1 hour exam)

Condemnation Appraising: Principles & Applications (715)* 3 days (21 hours + 1 hour exam)

(*715 premiered 1/28/09; combined content from 710 and 720)

Q. What happens when I take the courses and pass the exams in the *Litigation Certificate of Completion* Program?

A. You will receive a Litigation Certificate of Completion, and you will be placed on the Certificate Registry (see <http://appraisalinstitute.org/findappraiser/>

certificate_registry.aspx. The Litigation Certificate Registry was posted in February 2009 after the premiere of the new 3-day *Condemnation Appraising: Principles & Applications* course.

Q. If I am a designated member, can I challenge the exams without taking the courses?

A. No. You must take the classroom courses and pass the exams.

Q. What happens if I took the courses in *Option 1*, but did not take or pass the exams?

A. If you are a designated member and you sat through the courses in Option 1, but did not take or pass one or all of the exams, you may challenge the 700, 705, and/or the 715 exams. If you pass the exams, you will get the certificate and be placed on the Certificate Registry. If you do not pass one or more of the exams, you may re-exam twice within one year. If you do not pass after two re-exams, you will need to retake the course(s) again and pass the exam(s). If you do not pass the 715 exam, you will need to take the 3-day *Condemnation Appraising: Principles & Applications* (715) course. (Note. The 710 and 720 exams were retired 1/1/09.)

Q. Three years ago, I took 700, 705, and 710. I passed the three exams. All I need is 720, but as of 1/1/09 it was retired.**What do I do now?**

You have two options.

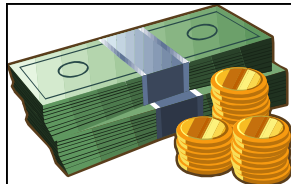
You may take the “new” 3-day course that has combined 710 and 720, *Condemnation Appraising: Principles & Applications* (715) and pass the exam.

You may simply challenge the 715 exam. Be aware that if you challenge the exam, additional content that was covered in 720 will be tested. We leave it to your discretion whether or not you feel you have the knowledge needed to pass the exam.

Q. Last year, I took 700, 705, and 720. I passed the three exams. All I need is

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RESULTS OF APPRAISER INCOME SURVEY



Survey Question: "For your most recently completed tax year, what was your approximate total personal income from real estate appraisal services only?"

An analysis of research data obtained by the Appraisal Institute from three large sample studies conducted in 2006 showed significant differences in annual income between designated member, associate member, and nonmember appraisers. The surveys had a margin of error range from +/- 1.8 to +/- 2.3 percentage points at the 95 percent confidence level, which means the data is *highly reliable*.

Summary of Findings

- A statistically significant higher proportion of designated members earn more than \$100,000 per year compared to associate members and nonmember appraisers. Comparatively, a statistically significant higher proportion of MAI designated members earn more than \$100,000 per year compared to SRA designated members.
- A statistically significant higher proportion of Appraisal Institute associate members earn more than \$100,000 per year compared to nonmember appraisers (regardless of designation pursued).
- There is no statistically significant difference in annual income amongst associate members, regardless of whether they are pursuing an MAI or SRA designation.
- There is a direct correlation between length of time in the profession and income level.
- A strong majority of designated members said that an Appraisal Institute designation has been beneficial to their careers. In addition to the perceived benefit of a designation on income, the higher earnings of designated members (especially MAIs) may be attributed to a higher proportion of designated appraisers are self-employed, are engaged in commercial appraising (presumably earning higher fees compared to residential appraisers), have more time in the profession, and have a higher level of education.

	MAI	SRA	Pursuing MAI	Pursuing SRA	N/A
Under \$100,000	35%	51%	69%	73%	81%
Over \$100,000	65%	49%	31%	27%	19%

(Continued from page 17) Education

710, but as of 1/1/09 it was retired.

What do I do now?

A. You have two options:

1) You may take the "new" 3-day course that has combined 710 and 720, *Condemnation Appraising: Principles & Applications (715)* and pass the exam.

2) You may simply challenge the 715 exam. Be aware that if you challenge the exam, additional content that was covered in 710 will be tested. We leave it to your discretion whether or not you feel you have the knowledge needed to pass the exam.

MORE FORECAST PHOTOS!



Speaker Greg Paquin of the Gregory Group. Jim Hardey, MAI and Elaine Masi

BUSINESS SURVEY RESULTS Our *“How’s Business”* survey was sent via e-mail to about 100 designated and associated members of the Sacramento-Sierra Chapter, with 30 members responding.

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HOW’S BUSINESS????? -Sole Practitioners (11 Responses)

	Area of Specialization	Work Load (compared to last year)	Fees (higher or lower than last year)	Comments
Appraiser 1	Litigation/Eminent Domain	Same	Same – but more time & effort in chasing accounts receivables	Collection efforts have resulted in a change in advance fee payment policies with some clients.
Appraiser 2	Commercial Lending & Estate appraisals	Less work – fewer calls. 2008 and January 2009 remained busy but February 2009 was slow	Slightly lower fees	New lender work is slow especially for new transactions. Other appraisers he’s talked to have reduced fees quite a bit.
Appraiser 3	Appraisal of Public Projects – Eminent Domain	Same work load (this appraiser notes he works only half-time)	Same Fees	N/A
Appraiser 4	General Appraisal + specialty corridor valuations	Workload is light & appraiser expects workload to remain slow thru late 2009/2010	Fees always vary – depends on client and assignment	N/A
Appraiser 5	Eminent Domain; Litigation Support & Estate	Feels slightly slower... Typically booked out at least one to two months but now only 2-3 weeks	So far, about the same fees	N/A
Appraiser 6	Attorney work	Same work load now – just now beginning to feel a slow-down	Who knows! I still work about two hours for every hour I can bill...	N/A
Appraiser 7	Specializes in land appraisals & expert witness/ consulting	Same Fees	So far, about the same as last year – but had work from last year that spilled over into 2009.	Requests for new assignments have definitely decreased during the first few months of 2009 – but around tax time the phone always stops ringing. This may be the start of a slowdown – but could just be a pause in the action before spring sets in.
Appraiser 8	Commercial Lender Work	Same work load	Lower than last year (to generate work)	Slow now...but expects appraisal work to become more active during the next 12 months
Appraiser 9	Mostly litigation & estate matters + eminent domain + commercial lending (both residential & commercial)	Notable drop in requests for services in Dec. – Feb. But some improvement in March	Appraiser reports that a significant number of potential assignments were lost in Jan-Feb due to confirmed lower fee quotes made by other appraisers. More than ever, clients are expecting (and shopping for) the lowest bids.	Has lost several assignments due to longer delivery quote vs. the competition.
Appraiser 10	Mostly Government work; estates; trusts; “Stuff that no one else wants to do” (Very little lending work)	About the same work load – but does not have the usual back-log that he had at this time last year.	Fees are about the same as last year	Short term prognosis is “slow but steady” Long-term is for some drastic changes in the profession that will be more work for those who stay well qualified. Expects that professional designations will regain their importance over simply meeting the minimal acceptable standard.
Appraiser 11	Litigation; Eminent Domain	Calls dropped off in late 2008 and the phone is still not ringing like it used to.	With the drop off in lending more appraisers are trying to do this type of work. Bids are more competitive.	Projects come on-line then are put on hold. Wasting a lot of time and it takes longer and is more difficult to get paid for work that’s been done.

HOW'S BUSINESS???? Small to Mid-size Shops—2 to 10 Appraisers (14 Responses) Continued

	Area of Specialization	Work Load (compared to last year)	Fees (higher or lower than last year)	Comments
Appraiser 1	Litigation/Eminent Domain	Same	Same – but more time & effort in chasing accounts receivables	Collection efforts have resulted in a change in advance fee payment policies with some clients.
Appraiser 2	Commercial Lending & Estate appraisals	Less work – fewer calls. 2008 and January 2009 remained busy but February 2009 was slow	Slightly lower fees	New lender work is slow especially for new transactions. Other appraisers he's talked to have reduced fees quite a bit.
Appraiser 3	Appraisal of Public Projects – Eminent Domain	Same work load (this appraiser notes he works only half-time)	Same Fees	N/A
Appraiser 4	General Appraisal + specialty corridor valuations	Workload is light & appraiser expects workload to remain slow thru late 2009/2010	Fees always vary – depends on client and assignment	N/A
Appraiser 5	Eminent Domain; Litigation Support & Estate	Feels slightly slower... Typically booked out at least one to two months but now only 2-3 weeks	So far, about the same fees	N/A
Appraiser 6	Attorney work	Same work load now – just now beginning to feel a slowdown	Who knows! I still work about two hours for every hour I can bill...	N/A
Appraiser 7	Specializes in land appraisals & expert witness/ consulting	Same Fees	So far, about the same as last year – but had work from last year that spilled over into 2009.	Requests for new assignments have definitely decreased during the first few months of 2009 – but around tax time the phone always stops ringing. This may be the start of a slowdown – but could just be a pause in the action before spring sets in.
Appraiser 8	Commercial Lender Work	Same work load	Lower than last year (to generate work)	Slow now...but expects appraisal work to become more active during the next 12 months
Appraiser 9	Mostly litigation & estate matters + eminent domain + commercial lending (both residential & commercial)	Notable drop in requests for services in Dec. – Feb. But some improvement in March	Appraiser reports that a significant number of potential assignments were lost in Jan-Feb due to confirmed lower fee quotes made by other appraisers. More than ever, clients are expecting (and shopping for) the lowest bids.	Has lost several assignments due to longer delivery quote vs. the competition.
Appraiser 10	Mostly Government work; estates; trusts; “Stuff that no one else wants to do” (Very little lending work)	About the same work load – but does not have the usual back-log that he had at this time last year.	Fees are about the same as last year	Short term prognosis is “slow but steady” Long-term is for some drastic changes in the profession that will be more work for those who stay well qualified. Expects that professional designations will regain their importance over simply meeting the minimal acceptable standard.
Appraiser 11	Litigation; Eminent Domain	Calls dropped off in late 2008 and the phone is still not ringing like it used to.	With the drop off in lending more appraisers are trying to do this type of work. Bids are more competitive.	Projects come on-line then are put on hold. Wasting a lot of time and it takes longer and is more difficult to get paid for work that's been done.

HOW'S BUSINESS???? - Larger Shops - 11+ Appraisers (5 Responses) (Continued)

	Area of Specialization	Work Load (compared to last year)	Fees (higher or lower than last year)	Comments
Appraiser 1	Commercial Lender Work	About the same	Lower fees	N/A
Appraiser 2	Commercial & SFR Lender Work; estate + a little litigation	About the same work load – but its “UGLY STUFF” – bottom of the barrel (no new construction of course)	Fees are down probably 20% from last year (if anyone tells you different – they’re lying!)	Trying to find the balance between staying busy and fees...If we want to keep our appraisers busy we have to respond with 2 – 3 week turns maximum!
Appraiser 3	Right of Way work + some lender work	About the same work load as last year	Fees for lender work have definitely dropped. Other client fees are about the same.	NA
Appraiser 4	Lenders + Government Agencies	Dollar volume of booked worked is down 24% compared to last year	Fees are down 10-15% on average.	Large banks (except Wells Fargo) don’t seem to be making any loans. Most of the new loans are coming from the Community Banks. Typically quote turn-times of 3 – 4 weeks, but are loosing jobs now to appraisers that can do the jobs even faster!
Appraiser 5	Lender work (Commercial & Residential)	A little more work than last year	Fees are a little less than last year	N/A

(Continued from page 19) **SURVEY RESULTS**

With a few odd exceptions, most respondents report that *lender business* is way down, fees are down and turn-around times are getting even shorter. More and more of the appraisal requests involve odd properties – and ‘ugly’ assignments. Many appraisers noticed a real slow-down in calls for a three to four month period beginning late in 2008, although calls seemed to have picked up a bit in March (Survey data is as of mid-to-late March 2009).

THINGS TO DO WITH YOUR EXTRA TIME:

One optimistic appraiser suggests – rather than feeling **DESPERATE** about the prospect of a declining demand for services and the downward spiral of fees, **use your time wisely!** This is a great time for the following:

- Take your continuing education NOW...don’t wait until the last minute when you really are busy with work!
- Take additional education (new course work or studies) to advance your knowledge base and open up new assignment opportunities.
- Take time to market your services to both existing and new (potential) clients. (It’s easier to retain existing clients than secure new ones!)
- Take a vacation! There are a lot of great deals out there now via both airlines and hotels. Shop them via the internet. You will return from vacation refreshed and have a better perspective about work!
- Spend more quality time with your spouse and family – they will appreciate it and you will too!

Additional Appraiser Comments:

Until we have a bigger “gorilla” in the political scene we have to hold strong with our ethics and standards. Live classes and strict regulations will help keep our industry in line while the lending industry continues to be relatively unregulated. We’re going thru somewhat of a “natural selection” process right now, with the overall result hopefully being a cleaner real estate market.

WELCOME NEW MEMBERS

The chapter is pleased to introduce and welcome the following
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(Continued from page 16) *Ramblings*

good interest rates. And their loan limits are way up, to where almost all except the real upper end homes can qualify.

As mentioned earlier, effective October 1, 2009 FHA will only accept appraisals from state certified appraisers. So plan accordingly. The Appraisal Institute’s FHA seminar is a great overview of how the FHA appraisal process works and their reporting requirements.

FREE DATA: For years I paid close to a couple hundred dollars a month for unlimited access to tax assessor’s records in the areas I serve. Now, the need to pay for this data has unceremoniously disappeared, at least in this region. *Metrolist* offers a very complete version of “Realist” as part of their services. Other MLS services offer less enhanced access to assessor’s databases. In addition, more and more MLS boards have reciprocal agreements with boards all over the state. So, often you’re covered with MLS for that occasional out of the area assignment. There are always a few boards that stay completely independent, usually in smaller, distinct, or out of the way market areas.

I’m certain there will be plenty to write about by the time our next issue comes out. Please contact me at john@realestatevalue.com for comments, feedback or ideas.

MORE ECONOMIC FORECAST PHOTOGRAPHS

R: Appraisers Andy Krause and Stan Sako. Below: MAIs Chuck Bucaria and Jim Glickman. Also, Pres. Steve with Bruce Osterhaut, MAI. Bottom: MAIs Ray Smith, Jon Schrader, and Marshall Meager.



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NEXT NEWSLETTER DEADLINE JULY 10TH

(Continued from page 1) President's Message

Region I meeting that will be held the weekend prior to the State of the Profession meeting. It should be a very informative workshop/ chapter meeting that will include dinner – so be sure to mark your calendars and attend the May 14th meeting!

I have mentioned in the last two newsletters that the Appraisal Institute has been very busy in 2008 and 2009 providing input on all of the varying bills that make their way through the halls of congress. In addition to their national government relations person, the Appraisal Institute has considered hiring a lobbyist to assist in their efforts to educate our national leaders and related parties. The NorCal chapter volunteered \$15,000 to the lobbyist fund, Southern California gave \$10,000, and other chapters around the country are also beginning to contribute. Considering our chapter size and financial status, the board of directors approved a \$1,500 contribution to the Appraisal Institute for their Government Relations Committee Lobbyist Fund. I feel strongly that this is the least we can do to assist the Appraisal Institute in helping our profession.

If you have been reading your e-mail from the Appraisal Institute, you will know that the organization admitted more than 4,000 new members last year – bringing our total Appraisal Institute membership to 25,000. The Sacramento-Sierra Chapter currently has 342 members.

On another subject regarding the Appraisal Institute, I hope all of you are receiving your e-mails from the national headquarters and our chapter. If not, call Emily at our office or the national office to assist in getting you back on the e-mail lists. The Appraisal Institute President in 2008 started sending a letter to members on a frequent basis, and the 2009 President is carrying on with that policy. Additionally, there are weekly bulletins coming out with timely information that directly affects our profession. If you are not receiving Appraisal Institute e-mail traffic at least on a weekly basis, you need to get your account updated with the Appraisal Institute or our chapter.

In closing this column, I am proud to announce that Marty Shearer of PGP Valuations has received the MAI designation. Congratulations Marty! The official presentation ceremony will be held at the State of the Profession meeting on May 14 – another reason to attend the May 14th event. Come out and congratulate Marty!

