



THE LAMPPOST

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Volume 8, Number 3

September/October 2009

My Home is Worth How Much?!

On May 1, new national guidelines were put into place by mortgage giants, Fannie Mae and Freddie Mac, that took away the option for mortgage lenders to choose individual appraisers for conventional loans. This action was spawned by a 2007 lawsuit, put forth by New York Attorney General Andrew Cuomo, to curb undue pressure put on appraisers by mortgage lenders. His accusation was that mortgage lenders were coercing appraisers to obtain certain values for real estate transactions. The lawsuit claimed that home values in New York were artificially inflated and damaged the real estate market.

While much of this may be true, the new rules have had an unintended consequence in the national real estate market by causing home values to plummet. According to a recent survey from the National Association of Realtors (NAR), over 35% of the respondents reported that they had lost at least one transaction due to the implementation of this new code. Also noted in the survey was that 69% of the respondents reported that transactions had been delayed at least 1 week.

This new national guideline is called the Home Valuation Code of Conduct (HVCC). The code states that mortgage lenders must now implement a process that chooses a random appraiser from a "pool" of appraisers rather than choosing the individuals or companies they normally use. The mortgage originator, or any member of his or her staff, may not have any communication or influence with the appraiser during the appraisal process. While the intent is admirable, the results have caused quite a stir.

Because of the new rules, appraisal management companies have popped up to form and manage these "pools" - forcing smaller appraisal companies to "join or die". In order to join these pools, appraisers reluctantly agreed to reduce their fees (while the management companies added their profit to the cost of the appraisal). In return, appraisers don't get squeezed out of the conventional appraisal market. Many lenders have voiced their concern that there is now a lack of accountability for appraisers since they only answer to the management pools.

Several news sources have exposed the consequences of such an arrangement. A recent Wall Street Journal article (*Reappraising Home Appraisers* - 8/18/2009), shared that many appraisers are not required to be familiar with the areas they are working and, in many reported cases, appraisers are relying on foreclosed properties for comparable values, without making appropriate adjustments to reflect a property's condition or geographic location.

Within weeks after its implementation, the consequences of this new ruling caused the NAR and National Association of Home Builders to urge Congress to put an 18 month moratorium on the HVCC rules so that many of the unintended consequences can be fixed.

Not only have real estate professionals been affected by the HVCC, but many homeowners attempting to refinance have been stunned by finding out their home has supposedly lost over 40% of its value over the last several years. While some of this loss may be accurate in certain metropolitan areas across the country, homeowner in the Twin Cities have been shocked to find out that foreclosures in their neighborhood have dramatically dragged down values. In some cases, the values lost were more than what seemed to be reasonable. There is no doubt that home values have fallen due to the lack of demand, but many appraisers have been using distressed properties for appraisals and not making the proper adjustments.

While housing sales have actually improved in the last few months, the numbers are deceiving. Values are still declining. Most economists acknowledge that the new homebuyers tax credit has artificially increased real estate sales as the December 1st deadline looms. If Congress, or another regulatory force, does not step in to require common sense adjustments to this new appraisal process, the real estate market will impede full economic recovery for quite some time.

Surviving the Teen “Adult Gene”

Mark Twain said,

When I was a boy of fourteen, my father was so ignorant I could hardly stand to have the old man around. But when I got to be twenty-one, I was astonished at how much he had learned in seven years.

"Old Times on the Mississippi"
Atlantic Monthly, 1874

My father-in-law has quoted this famous saying many times over the last 25 years I have known him. I didn't get it – my kids worshipped the ground I walked on. I came to discover it was a coded dire warning. He raised four teenage daughters and knew well of the impending doom Eloise and I were facing.

The modern day teens in our household didn't discover mom and dad were complete idiots until age 17, but nevertheless, the “truth” hit hard when each of our children turned 17 (three so far, two to go...).



At some juncture, when our teens turned 17, we no longer understood them. They couldn't talk to us, they didn't want us around their friends and we weren't needed anymore – unless they wanted something.

I have a theory. I believe at this point in life, the “adult gene” begins to emerge and the realization that freedom, independence and lack of parental control grips the minds of these young adults - and it won't let go.

The adult gene causes them to awkwardly parade this new attitude like a rooster in a hen house. It's hard to watch, hard to experience, hard to parent, it's just plain hard. As I evaluate all the stages of our parenting, I think it's the toughest.

As parents, Eloise and I have tried to gradually and responsibly transition our teens into young adulthood. We monitor and discuss their maturity and growth. We evaluate where they are at in their character, where they need to be and make plans to get them there.

Unfortunately, there is a final prolonged battle in the land of teenagedom. We parents must gather all of our parental weapons, all of our courage, all of



Young Godzilla

our energy and fight the good fight to conquer the last bastion of attitude and irresponsibility that lingers in our teens. We have been bloodied, beat down and bruised, but not defeated.

Fortunately, as Mr. Twain observes, when young adults reach 21, we are no longer the adversary. Our most powerful weapon is letting them live on their own and experience life. The new adult emerges like a beautiful butterfly hatching from a cocoon. They have had a chance to see and hear about other families – the good, the bad and the ugly. Our two oldest children realized that mom and dad truly love them, appreciate them, care for them and we really did have their best in mind. We went from evil oppressors to encouraging advocates in just a few short years!

The part that gets Eloise and I through all this is knowing that this is just a phase. It's our job to love our children, listen to them, understand them, set firm boundaries for communication and respect, pray a lot and to stay in unity with each other.

It's amazing what we learn in seven years – teenager after teenager.