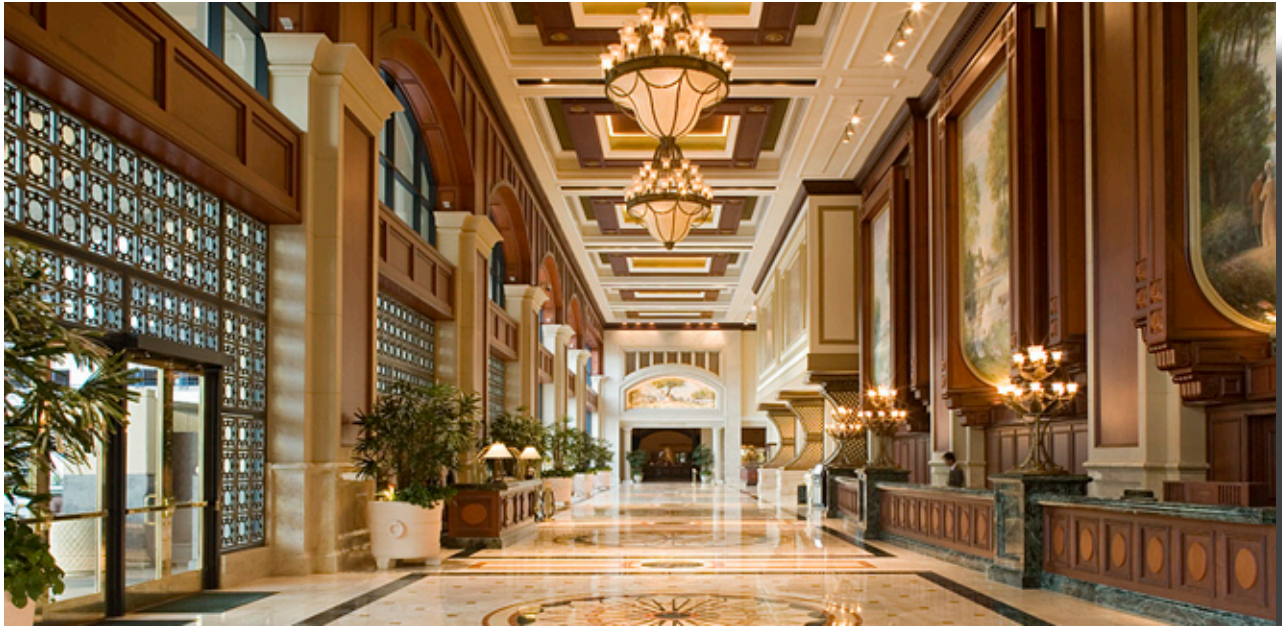


RAC READER

NEWSLETTER March 2009



We are excited to have the following Authors for this Quarterly Newsletter March, 2009

Linda Hawkins, Winkelmann Realty

Joseph Palumbo, Weichert Relocation

Tom Weber, RAC Member

James Gargano, RAC President

The next RAC Event

**Worldwide ERC's
National Relocation Conference
May 13-15
Manchester Grand Hyatt**

Join us for RAC TRAC



TABLE OF CONTENTS:

page 1.....Cover Page
 page 2.....Rac Sponsors
 page 3.....Join RAC Membership
 page 5.....”How Times Have Changed” by Linda Hawkins
 page 8..... The President’s Corner by James Gargano, Year in Review
 page 10.....”Analyze That Prior Sale...Please” by Joseph Palumbo
 page 13.....”Are There Two Markets in this Market” by Tom Weber
 page 14.....Editors Comments - Hank Fontes



THANKS TO THE ABOVE RAC SPONSORS...

JOIN RAC



MEMBERSHIP:

RAC members are specialists with a minimum of 4 years of experience and most have specialized in relocation appraising and consulting for a far more significant period of time. Additional criteria for **RAC** membership include, but is not limited to the following:

- Applicant should have attended a minimum of 3 relocation-related seminars within the last 5 years.
- Applicant must provide at least (2) Letters of Recommendation from current relocation clients.
- Applicant will need to provide (1) PDF file of a recent ERC appraisal to demonstrate the member's understanding of and ability to apply ERC appraisal guidelines, including forecasting.
- Applicant will be required to complete [Appraisal Log Form](#) of (25) recent ERC appraisals, of which additional samples may be required to be sent to Admissions Committee upon request.

Are you interested in becoming a member? We have updated our [Admission Requirements](#). Please review and print them if you like. Also, we have a new [Appraisal Log Sheet](#) and [Membership Application](#) for your use with our admission requirements. Please print as many copies as you need. If you have further questions, please direct them via E-Mail to:

membership@rac.net



CONTACT RAC:

RELOCATION APPRAISERS &CONSULTANTS.

P.O. Box 1000

Canton, Texas 75103

By Phone : (972) 658-9216

By Fax : (866) 388-5143

By E-Mail : RAC Executive Secretary





Linda Hawkins, SCRPGMS is President & Relocation Director for Winkelmann Realty headquartered in Fullerton, CA serving the Southern California real estate/relocation/REO market.

Hawkins has been a California Real Estate Broker since 1980, a Member, ERC Industry Advisory Council, Coalition Communications Committee, Certification Review Board, mentor National Relocation Conference, Membership Committee, Management Symposium Planning Committee, author MOBILITY, speaker National Relocation Conference, Past President of Southern California Relocation Council and Past President Fullerton Chamber of Commerce.

Hawkins has two sons and four wonderful grandchildren.

How Times Have Changed

Are you on the “right” trac? After relocating myself four times up & down the East Coast and across the ocean and back, I found myself in California purchasing a home from Gloria Winkelmann, SCRPGMS, CEO of Winkelmann Realty in Fullerton, CA and working my way up the Corporate ladder in a Woman Owned Business.

I remember my first ERC meeting in New Orleans; being introduced to Mary Murray, Hank Fontes, Sr., and Al Wagner and now the next generation of appraisers has taken over. Appraisers had such a viable presence at those earlier meetings and I’m glad to see that they are again embracing Worldwide ERC, The Work Force Mobility Association in San Diego in May 2009.



As a long time member of ERC, having served on various committees, receiving my GMS designation, and Meritorious Service Award in 2004, I know the importance of training/support the organization provides to its members.

Having been relocated five times in my previous life, I can appreciate the trauma that a transferee suffers in both the home sale and home purchase process. The reassurance that qualified relocation appraisers and relocation trained real estate brokers and agents can bring to the table is a necessity.

All of the Subprime loans, option ARM's, HELOC's, Short sales, zero-down, non-conforming, "pick-a-payment", SISA, SIVA, and more has added to the challenging real estate market that we are currently experiencing across the country and around the world.

This is my third time in this down market. Interest rates are different (much lower), unemployment is different (some areas lower, some areas higher), manufacturing plants are still closing (not different), transferees are upside down in their homes, third-party relocation companies have had to dust off their "loss-on-sale" policies (still not enough) and most of their neighbors are losing their homes to foreclosure. The other "F" word is back "Forecasting". This too shall pass and hopefully sooner rather than later.

The declining market that we are in, especially in California, Florida, Arizona and Nevada has proven that the dedicated relocation Brokers and Appraisers can survive. Gone are the previous few years of placing a sign on the property and having multiple offers – over list price – without even having time to print flyers or submit an ad to the newspaper, magazine or internet. Most REALTOR® Associations are experiencing a tremendous drop in membership, unlike a few years ago when new agents couldn't get their licenses fast enough. It is survival of the fittest and welcomed by most professionals. It is back to basics, where you actually have to have a marketing plan in place, know how to complete a CMA or BPO, discuss "staging", on-line marketing and the latest technology trends. E-mail, text messaging, Face Book, LinkedIn, Twitter & blogs are all the rage.

RAC Appraisers know how to go the extra mile. They understand they are the eyes and ears of the third-party and corporate client by painting a valuable picture with data analysis, communication skills, respect for the transferee and taking the extra time to make the relocating family feel that they are being given the care they deserve. Realizing that a picture is worth a thousand words and personalized rooms and upgrades may not appeal to the preponderance of buyers.

As Relocation Brokers, the RAC appraisers are the ones who make our job easier when their values are spot on and we can work together like a well oiled machine.

How do the appraisers get their information today? Most belong to the Multiple Listing Service, which is almost mandatory for the most current listing information. Should they obtain their comparable sales from the tax roles it would eliminate the extra step of having to contact a Broker to acquire more details on the sale.

Some of you will remember the days when you had to rely on the Broker to view their MLS books. We always partnered with the appraisers and had an appraisers room set up at our corporate office for their use. Otherwise, how else could they get the information they needed. Those were the days before local, regional and soon-to-be state-wide MLS data bases.

Some of us within the relocation industry presumed the appraisers would be out of a job because of the information available on the internet like Zillow.com and others such as Trullia.com, Cyberhome.com, etc. However, I am glad to see this was not the case. We really do need you in the process of selling homes.

We have a new administration in Washington, DC and I know that they are “dancing as fast as they can” to try to remedy the problems of the world.

With a “positive attitude” this shall pass and we will look back on this market as just another bump in the road while staying on the “right trac”.





The President's Corner

This has been another active year for RAC, highlighted by the successes of RAC Trac 2008 in San Antonio and our Mid-Year Meeting in New Jersey. In addition to these productive conferences/meetings, RAC has continued to represent the leader in client outreach for the relocation industry with appearances and involvement in a variety of projects and sessions for our third-party and corporate partners throughout the country.

The creation of a new Purpose Statement & Point of Differentiation spearheaded by the newly formed Past President's Council took place in late 2008. A new and more comprehensive budget system was established and approved by the Board of Directors as well. The RAC Website has continued to represent a valuable tool to our relocation partners throughout the industry. Our RAC Reader Newsletter continued to evolve and become more comprehensive and informative. RAC continued to produce its quarterly RAC Report and Trend-Line Report in an increasing number of regions throughout the country. RAC Leaders also continued to play a vital role within Worldwide ERC, with various members sitting on the Board of Directors, U.S. Advisory Council, Mobility Magazine Editorial Advisory Committee, and CRP Review Committee. The relationship with our valuable Executive Secretary - Jill Godwin was extended this year, which has been a pivotal reason for much of our success.

In addition to all of these and other year, of great significance was the White Paper I. The support by our cli-

noteworthy accomplishments throughout the creation and publication of the RAC ents and other relocation profession-



als throughout the industry for this project was astounding. As an organization, we are deeply humbled by the reaction we have received from this project. I have great respect and praise for the committee members who each contributed to this great project.

This year has been somewhat of a "whirl-wind" for me, as original plans had me taking the RAC office of President over in Spring 2009. With no choice but an "on the fly" approach, I feel we have accomplished several important things during my tenure, however, as the saying goes: "We Still have Miles to Go". So with that adage, I approach the final three months of my tenure with the goal of accomplishing several items on the agenda.

These include the formation of the New Member Council in February, and its subsequent project in concert with Worldwide ERC and Mobility Magazine to publish A Regional Report Spot Light using portions of the RAC Report on a monthly basis.

The Past President's Council will convene for its second meeting and discuss the formation of the RAC Hall of Distinction - a forum to recognize our most influential members and link the proud past of our organization to the future leaders.

RAC will also have a booth at the Spring Conference in San Diego in the main exhibit hall for the first time in many years. We are hard at work, preparing our sessions for the upcoming RAC Trac Conference.

Moving forward, Part II of the RAC White Paper is in the final stages of creation, and is anticipated to be published prior to the Spring Conference in May. This second phase of the White Paper project will focus on additional problems inherent in the relocation appraisal industry - with an eye toward providing potential solution to better the overall industry.

In closing I say thank you to all the members of RAC, especially the many who have made significant contributions to our organization and the relocation industry over the past year. A volunteer organization is only as good as its volunteers. This year we not only had many members step up to the plate - we hit it out of the park more times than not.

The Pride, Passion, and Professionalism was on great display this year, and for that I am very grateful!

Sincerely,
Jim Gargano
RAC 2008-2009 President



SR 1-5 (b) Analyze that Prior Sale.... please??

If there is one thing that is NOT debatable about USPAP, it is that everyone knows (and agrees) that sales **that occur 3 years or less from the effective date of the appraisal** need some “**attention and addressing**”. That is the easy part. Now for the hard part: SR 1-5 (b) indicates that such sales need to be “**analyzed**”. At a minimum, that translates to “making sense out of the prior sale with whatever information is available in the normal course of business” and **beyond** if you seek a higher standard of quality.

Analyze like many other words used in USPAP is not defined but is taken as the “normally used context in the English language.

ANALYZE: *to study or determine the nature and relationship of the parts of by analysis. synonyms [analyze](#) , [dissect](#) , [break down](#) mean to divide a complex whole into its parts or elements. [analyze](#) suggests separating or distinguishing the component parts of something (as a substance, a process, a situation) so as to discover its true nature or inner relationships <analyzed the collected data>. [dissect](#) suggests a searching analysis by laying bare parts or pieces for individual scrutiny <commentators dissected every word of the speech>. [break down](#) implies a reducing to simpler parts or divisions <break down the budget>. analyze. (2009). In Merriam-Webster Online Dictionary. Retrieved February 5, 2009, from <http://www.merriam-webster.com/dictionary/analyze>*

I realize appraisers are always under the gun when it comes to the search for critical info. Sometimes information conflicts with fact, is available in bits and pieces, does not make sense, is sometimes wrong, and sometimes even raises more questions. When all is said and **EVEN beyond the course of normal business** when extra efforts are made there is very little to be found. In those cases where a effort has been made, narrative commentary would likely suffice for the reader to ensure the report contains sufficient information (2-2 (b)) for the users to understand the report. Problem is most times appraisers do a great job of



STATING sale prices and dates and doing little if anything to “dissect” these sales (if they do, they do not tell me in the report). There is a whole advisory opinion (AO-1) on what the language can be used as it relates to the normal course of business and prior sale information. In keeping with my previous articles mantra (thou shall not be boring), I will not recite the AO or even aggregate. Maybe there is nothing to say on a prior sale maybe there is? In today’s environment one would be prudent to investigate concessions (they are giving away vacations and 4-wheelers with homes these days people). Some sales have limited exposure to the market and may not be arm’s length some sales take MONTHS to close and some are not even in line with “market prices” (my wife to me for \$1). Here is the point: an appraisal is like a story and the reader (often a client) is seeking to connect the dots. In relocation appraisal both past and future price trends are part of the analysis; in a market value (mortgage appraisal) the historical trend is inherent in the (dated) sales if they exist. When you present your conclusion, and the analysis unfolds, there should be **some consistency** with the market trends, or the story you told. If Mr. X paid \$100,000 10 months ago and you have indicated the market has been stable for the past 12 months and conclude \$80,000 I need to understand **more about that \$100,000**...to make a business decision. And by the way....NO, I am not asking for two appraisals (someone accused me of that once) just the info THIS one is supposed to have. Sadly the last discussion I had that spurned this blog article (we get two appraisals on every file) went this way. Client: “Hi Mr. Appraiser #1 & Appraiser #2 , I see in your report the subject sold 2 years ago. You have stated the price and sale date (thank you) but have not analyzed that sale”. Appraiser #1 response: “I can not comment on value without doing an appraisal per USPAP”. Appraiser #2 response: “I did not do the appraisal on the home 2 years ago so I can not comment”. Just for the record, these appraisals were “ok on this issue” and the appraisers are long-time partners that we have worked successfully with for several years, so please refrain from the “your using the wrong guys” thought. This problem is PERVASIVE in the appraisal industry. I have personally experienced this dozens of times.



Here is the wrap. This home sold new 2 years ago and was the builder's last model prior to a subsequent price decline for such model. It contracted and closed new in less than one month and included a laundry list of "extras" that increased the purchase price substantially. The sale included a concession and a copy of the (major lender's) appraisal the we received (later) once the owner screamed of his "recent purchase" revealed no way was the sale price **market at that time (all 3-bedroom comps, 1-bedroom home)**. That's a whole other story but isn't that how we got here?? Now the appraisers would not have the appraisal but my simple research from 1000 miles away got me the other information. Second disclaimer: 3-year sale analysis is ONLY a requirement for Market Value Appraisals and a relocation appraisal is not market value. Still though, the report did not contain sufficient information (2-2 (b)) and the prior sale issue is just plain common sense and a prudent practice in all appraisals.

So again I ask...help out an old friend, leave the macro paragraph about the future uncertainty of the bailout, economy and the stimulus effect (blah, blah, blah) out and give me a few sentences on that prior sale..just a few quality sentences..please?

Joseph Palumbo, SRA | Director, Appraisal & Valuation Services
Weichert Relocation Resources, Inc.
1625 State Route 10 Morris Plains, NJ 07950
Direct 973-630-5380 | Fax 973-630-5593



ARE THERE TWO MARKETS IN THIS MARKET?

Recently I had an assignment where the subject was a one level home that had been completely upgraded and located in a tract of homes that traditionally commanded a strong buyer demand. At first glance, I noticed four recent sales in the subject tract, within ½ mile that indicated the subject may have a probable sale price between \$422,500 and \$450,000, given the normal ERC guideline 120 day marketing period. I noticed that all of these sales were bank owned, or REO sales. There was no hesitation, knowing that the most recent sales in all neighborhoods in the region were predominantly REO sales.

I was quite surprised at the number of sales so close to my subject. I thought, “this is going to be an easy one, with so much recent data”. But, one question haunted me. Why was the subject listed so high, at \$489,900? Then I broadened my search and found five additional sales that were not short sales or REO sales. They ranged in price from \$490,000 to \$515,000. They were located in the subject market area and still within one mile of my subject.

Further investigation revealed that the REO sales were marketed as “distressed” sales and all needed upgrading. At that point I realized that I was dealing with two distinct markets. Which one did my subject fit in with? Obviously, since it had been completely upgraded, it warranted the upper limit. I decided to use the sales that were non REO and make the appropriate adjustments as these were not distressed sales. I realized that I had to be careful since my assignment was to appraise the subject “as if vacant” and knowing that a potential purchaser would view the subject as being a “distressed, corporate owned” listing.

My attention then turned to the competing listings. This, I decided, would provide the direction I needed to make an informed decision as to the value of the subject. While it appeared that I was dealing with two distinct markets, upon investigation, I realized that I had to strongly consider the REO competition as well as the non REO competition, since there was an oversupply of both. I chose those listings/pendings that were upgraded and proceeded to make adjustments just as if they were on a grid. That gave me the direction I needed. It became clear that the real value of my subject had to be based on all of the competition, whether REO or not. The pending sales, of course were the lowest priced. This confirmed statistics that indicated values were still declining in this area.

In conclusion, at first glance, it may appear that there are two distinct markets, clearly defined, in your subject area. Only after extensive research into the competitive listings and pending sales, does the appraiser understand where the final opinion of value should be. There really is only one market after all, and that is the one that most clearly defines where the subject fits in.

Tom Weber, SRA, CRP, RAC Member

Editor's Comments

If you would like to write an article for the next RAC READER Newsletter, something pertinent to the relocation appraisal industry, please contact me at hfontes@earthlink.net. The RAC READER Newsletter is intended for members, non-members and the relocation industry to increase awareness of Relocation Appraisers and Consultants (RAC) and how the national group of appraisers can educate and train in completing the relocation appraisal. It can also help prospective members join. We would like your suggestions and/or comments as well. This newsletter will be distributed on a quarterly basis. The next letter will be out in June 2009.

Editor in Chief
President, Fontes Appraisals, Inc.
Hank Fontes Jr.
1240 N. Van Buren Street, Suite #213
Anaheim, CA 92807
(714)630-5098 W
(714)630-5058 F
hfontes@earthlink.net

