

# Upstate NY Chapter of the Appraisal Institute

# Newsletter

May 2012



## President's Message

One of the tasks that the Upstate New York Chapter does well in coming up soon - another home-grown seminar. This one - "Problems in the Valuation of Partial Acquisitions" - is being presented by David Layne, ASA, SRWA at the Best Western Plus at Carrier Circle, Syracuse on May 15th. This seminar will review concepts and techniques used in "before and after" appraisal reports with several examples and case studies to demonstrate these procedures.

And don't forget the most famous home-grown seminar of them all - the 12th Annual "Case Studies in the Valuation of Upstate New York Real Estate" which will be at the Inn on the Lake in Canandaigua on June 8th. This seminar, always the best attended of the year, never fails to provide us with a wide variety of topics in common and unusual appraisal issues. Make sure to reserve your spot early.

The Appraisal Institute's Annual Meeting is planned for July 30 - August 2 at the Loews Coronado Bay Resort in San Diego. Last year's annual meeting in Las Vegas was a great experience, and this year's meeting promises to be even better. If you have never attended an Annual Meeting, this is a great opportunity to start, to get some continuing education hours and to visit a great vacation spot.

For non-designated members, please remember that the Candidate for Designation program will be fully implemented on January 1, 2013. Current State certified Associate members must choose to become a Candidate or a Practicing Affiliate, and current Associate members may become Practicing Affiliates - signup begins on June 1<sup>st</sup>. Candidates can use "Candidate for Designation" on business cards, letterhead, etc. Check the AI website for details on qualifications for MAI and SRA Candidate memberships.

One of the current hot topics at the National and Regional levels is the study for General and Residential Review designations. Some research has shown that there is a demand for a review designation; however, some designated members who already do review work believe that it is an unnecessary burden on those who are already providing competent appraisal review services. How do YOU feel about this? More information about possible "review" designations will be coming soon. Please take the time to evaluate the pros and cons on this topic and make your position known to our regional representatives.

And finally, a personal note: I just attended the USPAP Update Seminar for the 2012-2013 USPAP presented by our own Jim Murrett. Jim has a unique way of keeping a relatively dry topic interesting. If you have not already attended an update seminar, remember that the Upstate NY chapter has another one "Murrett" seminar scheduled for September 14<sup>th</sup> at the Chapter office in Utica.

*Donald A. Fisher, MAI*

**President**

12<sup>th</sup> Annual

## *“Case Studies in the Valuation of Upstate New York Real Estate”*

June 8, 2012

Canandaigua, NY

**W**e are proud to once again announce the presentation of one of the most popular educational programs the Chapter presents...the 12<sup>th</sup> Annual version of “Case Studies in the Valuation of Upstate New York Real Estate”. This year’s program will be held on Friday, June 8, 2012 at The Inn on the Lake, Canandaigua, NY. Seminar Developer and Facilitator Kevin Bruckner, MAI, CCIM Rochester, has put together another great line-up of presenters and topics as follows:

- **“Appraisal of a Corporate Aircraft Hangar”**, Kevin Bruckner, MAI, Rochester.
- **“Pitfalls of Expensing Capital Items In Direct Capitalization”** – Todd Thurston, MAI, Syracuse.
- **“Time Is Money – An Overview Of The SEQRA Process”** – Nathan Gabbert, SRA, Rochester
- **“2012 – 2013 USPAP Update”** – James L. Murrett, MAI, SRA, Buffalo
- **“Current Effects of Real Estate Taxes On Upstate Residential Values”** – John Rynne, MAI, SRA, Rochester
- **“Utility Easements And Subdivision”** – Donald Fisher, MAI, Syracuse
- **“Mineral Rights Valuation”** – Michael Coles, Elmira
- **“The Appraisal Institute’s Candidate To Designation Program And Proposed Review Designation”**, James L. Murrett, MAI, SRA, Buffalo

As you can see, another great educational opportunity has been planned for you. The program has been approved for seven (7) hours of continuing education credit from both the Appraisal Institute and the State of New York.

The Chapter has a block of rooms reserved at the Inn on the Lake for the night of June 7<sup>th</sup> at a rate of \$139.00 per room plus tax. To make room reservations call the Inn directly at (585) 394-7800 or (800) 228-2801 and identify yourself as being with the Upstate NY Chapter of the Appraisal Institute Meeting on June 8<sup>th</sup>.

**Note:** Our block of rooms at the Inn is being held until May 21, 2012. Room reservations made after that date are subject to availability and may be a different rate.

A reservation form for the Seminar is enclosed. All credit card reservations must be made online. Reservations payable by check must be sent to the Chapter office...with check!

And, for our golfers, we have arranged for a Golf Outing on Thursday, June 7, 2012 at Centerpointe Golf Club in Canandaigua. Tee times will commence at 11:00 am that day. A reservation form for golf is enclosed. Please adhere to the reservation deadline of June 1<sup>st</sup>, the date we have to call in our guaranteed head count. Payment for golf is by check only and must be paid in advance.

Plan on Joining us for another great event, filled with great topics and great camaraderie.

# Mortgage Fraud Increase Shows Importance of Valuation Professionals: Appraisal Institute

**C**HICAGO (April 24, 2012) – Responding to a new study indicating that mortgage fraud in the United States increased 20 percent from the third quarter of 2010 to the third quarter of 2011, the nation’s largest professional association of real estate appraisers today encouraged lenders and consumers to work with valuation professionals who hold competence and ethics in the highest regard.

The Appraisal Institute reacted to the Financial Crimes Enforcement Network’s March 2012 Mortgage Loan Fraud Update, which found that depository institutions submitted 19,934 Suspicious Activity Reports in the third quarter of 2011 pertaining specifically to mortgage loan fraud, a 20 percent increase over the previous year. The total number of all SARs (including loan workouts, debt elimination attempts and other activity) filed in the third quarter of 2011 increased 14 percent from the previous year to 200,871.

“These ongoing reports of fraud in the housing industry reinforce the need for consumers and real estate professionals to rely on individuals with not only the right experience, but the reputation and ethics to help guide them through today’s uncertain marketplace,” said Appraisal Institute President Sara W. Stephens, MAI.

FinCen noted that California and Florida had the most mortgage loan fraud, followed by New York and Illinois. Among the fraudulent activities that FinCen cited was a suspicious activity report related to a false home inspection indicating allegedly defective drywall made in China; another report accused several parties of colluding in a lease-to-buy foreclosure bailout scam, including a recently licensed home inspector, a drywall contractor and a buyer and seller. FinCen made no mention of appraisers in their report. FinCen is a bureau of the U.S. Department of the Treasury. Its mission is to enhance the integrity of financial systems by facilitating the detection and deterrence of financial crime.

Fannie Mae reported in its March 2012 Mortgage Fraud Monthly Statistics Update that in 12 percent of the cases, a specific material fact about the property and/or the comparable sales was misrepresented.

The Appraisal Institute’s own research, based on an analysis of data found in the Appraisal Subcommittee National Appraiser Registry, reported on U.S. appraiser disciplinary actions from the year 2000 through year-end 2011. Individual states initiate disciplinary actions and report them to the Appraisal Subcommittee. The Appraisal Subcommittee of the Federal Financial Institutions Examination Council, created by Congress in 1989, oversees the real estate appraisal process as it relates to federally related transactions.

- For the most recent five-year period (2007-2011), there were 1,766 disciplinary actions.
- There were 2.6 times more disciplinary actions in 2007-2011 than there were in 2002-2006.
- For 2011, the overall number of disciplinary actions decreased 6.8 percent from the prior year.

In 2000-2011, 7.9 times more nonmember appraisers than Appraisal Institute members received a disciplinary action. Based on the most recent five-year averages, the Appraisal Institute represents 26 percent of the entire U.S. appraiser population, but only 12.1 percent of all disciplinary actions.

To see the Financial Crimes Enforcement Network’s March 2012 Mortgage Loan Fraud Update, click [here](#).

Click [here](#) to see Fannie Mae’s March 2012 Mortgage Fraud Monthly Statistics Update.

## Freddie: Rates Up Slightly, Still Near Record Low

**F**ixed mortgage rates fell slightly, but not enough to reach record lows as the financial markets waited for the Federal Reserve to announce its monetary policy, Freddie Mac reported April 26 in its weekly Primary Mortgage Market Survey.

The 30-year fixed-rate mortgage inched down 0.02 percentage points from the previous week to 3.88 percent (down from 4.78 percent a year ago). The 15-year rate fell 0.01 percentage points to 3.12 percent (down from 3.97 percent a year ago).

Five-year Treasury-indexed adjustable-rate mortgages rose 0.07 percentage points to 2.85 percent (down from 3.51 percent a year ago). However, the one-year rate dropped 0.07 percentage points to 2.74 percent (down from 3.15 percent a year ago).

“Fixed mortgage rates held near record lows this week as the markets waited for the Federal Reserve’s April 25th monetary policy announcement following two days of deliberations,” Freddie Mac Chief Economist Frank Nothaft said in a news release.

View Freddie Mac’s weekly [Primary Mortgage Market Survey](#).



## Online Education:

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## CFPB Sets Timeline to Finalize Qualified

**T**he Consumer Financial Protection Bureau will finalize the qualified mortgage rule mandated by the Dodd-Frank Act by the end of the summer, National Mortgage News reported April 25.

The rule will define which loans are safe for consumers while also protecting lenders from litigation if they adhere to predetermined underwriting standards. In the future, lenders likely only will be able to sell and securitize QM loans because non-QM loans would carry too much litigation risk.

Once the QM has been finalized, federal regulators will work on defining the qualified residential mortgage rule, which will determine which securitized mortgages can be exempt from the 5 percent risk retention requirement. U.S. Housing and Urban Development Secretary Shaun Donovan told National Mortgage News that work would not begin on the QRM rule until the QM rule was finalized.

Both rules must be finalized by Jan. 13, 2013.

The CFPB also is redesigning the good faith estimate disclosure form, which likely won’t be completed until the QM and QRM are finalized. The GFE disclosure, which lenders would be required to provide to borrowers within three days of signing a mortgage application, would be used to determine whether a mortgage is a QM loan or a QRM loan. Banking industry groups have asked the CFPB not to charge more than 3 percent on QM or QRM fees otherwise lenders would have to re-price the loans.

## Board of Directors Meeting June 7, 2012

**T**he Board of Directors of the Upstate NY Chapter will next meet on Thursday evening, June 7, 2012, 6:00 PM at the Inn On The Lake, Canandaigua. Board members are asked to mark their calendar and save the date. Complete meeting information has been sent to all Board members under separate cover.