

The Scope



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NCPAC

**North Carolina
Professional
Appraisers
Coalition**

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NC foreclosure rates soar in '06 'Predatory' home mortgage lending practices get blame

JEFF ZIMMER, The Herald-Sun (Durham, NC) ~ January 7, 2007

A Raleigh-based advocacy group says home foreclosures have jumped dramatically in Durham and statewide, and says the trend is fueled by so-called "predatory" mortgage lending practices.

In 2006, North Carolina saw 45,512 foreclosure filings, an all-time high and almost triple the 16,630 filings in 1998, according to the N.C. Justice Center, a nonprofit organization that advocates on issues linked to poverty.

Meanwhile, Durham saw 1,565 foreclosure filings in 2006, up from 520 in 1998 and the highest number since at least 1998, according to the organization.

The center said its statistics are from the state Administrative Office of the Courts.

The center's report said there were 279 foreclosures in Orange County in 2006, up from 88 in 1998 and the most since at least 1998.

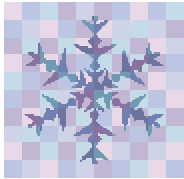
Many of the foreclosures are in the "subprime" market -- homebuyers with blemished credit records who have trouble getting home loans from traditional lenders.

So they turn to finance companies or mortgage brokers who offer financing such as adjustable rate loans that start with a "teaser rate" that jumps up after two years, loans known as "exploding" adjustable rate mortgages.

"Suddenly a borrower goes from 7 percent to 11 or 12 percent," said Alfred Ripley, the center's counsel for consumer and housing affairs. "Of course their monthly payment jumps dramatically at the same time, and people are not able to afford the new rate."

He also was critical of home loans in which borrowers' mortgage payments go only to pay interest, but no principal, for a set number of years. The result is that the loan balance remains unchanged.

-Continued on Page 6



Understanding Appraisers by Brian Weyeneth

Understanding Appraisers -

Take One

A priest, a doctor, and an **appraiser** were waiting one morning for a particularly slow group of golfers. The **appraiser** fumed, "What's with those blokes? We must have been waiting for fifteen minutes!" The doctor chimed in, "I don't know, but I've never seen such inept golf!" The priest said, "Here comes the greens keeper. Let's have a word with him." He said, "Hello, George! What's wrong with that group ahead of us? They're rather slow, aren't they?" The greens keeper replied, "Oh, yes. That's a group of blind firefighters. They lost their sight saving our clubhouse from a fire last year, so we always let them play for free anytime." The group fell silent for a moment. The priest said, "That's so sad. I think I will say a special prayer for them tonight." The doctor said, "Good idea. I'm going to contact my ophthalmologist colleague and see if there's anything he can do for them." The **appraiser** said, "Why can't they play at night?"

Understanding Appraisers -

Take Two

To the optimist, the glass is half full. To the pessimist, the glass is half empty. To the **appraiser**, the glass is twice as big as it needs to be **and adjustments need to be made.**

Understanding Appraisers -

Take Three

Two **appraisal** students were walking to a **continuing education class** when one said, "Where did you get such a great bike?" The second **appraisal student** replied, "Well, I was walking along yesterday, minding my own business, when a beautiful woman rode up on this bike, threw it to the ground, took off all her clothes and said, "Take what you want." The second **appraisal student** nodded approvingly and said, "Good choice; the clothes probably wouldn't have fit you anyway."

Understanding Appraisers -

Take Four

The **certified residential appraiser** asks, "Why does it work?" The **certified general appraiser** asks, "How does it work?" The **licensed appraiser** with an accounting degree asks, "How much will it cost?" The **trainee appraiser** with an arts degree asks, "Do you want fries with that?"



Humor in the Workplace

Understanding Appraisers -

Take Five

Normal people believe that if it ain't broke, don't fix it. **Appraisers** believe that if it ain't broke, it has functional obsolescence **and has not reached the end of its economic life.**

Understanding Appraisers -

Take Six

An **appraiser was conducting a field inspection one day** and was crossing a road, when a frog called out to him and said, "If you kiss me, I'll turn into a beautiful princess." He bent over, picked up the frog and put it in his pocket. The frog spoke up again and said, "If you kiss me and turn me back into a beautiful princess, I will stay with you for one week." The **appraiser** took the frog out of his pocket, smiled at it and returned it to the pocket. The frog then cried out, you kiss me and turn me back into a princess, I'll stay with you for one week and do ANYTHING you want." Again, the **appraiser** took the frog out, smiled at it and put it back into his pocket. Finally, the frog asked, "What is the matter? I've told you I'm a beautiful princess, and that I'll stay with you for one week and do anything you want. Why won't you kiss me?" The **appraiser** said, "Look, I'm a **real estate appraiser**. I don't have time for a girlfriend, but a talking frog, now that's cool."

Analysis by Brian Weyeneth, a real estate appraiser in Charlotte, NC

FEBRUARY Q & A-from the Appraisal Foundation

Market Rent Opinion

Question:

I was asked by a client to provide an opinion of the market rental rate for a commercial property. Is such an assignment considered an appraisal?

Response:

Yes. USPAP defines an appraisal as “an opinion of value,” and market rent is an expression of value for the right to use a property. Therefore, to comply with USPAP in this assignment, an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent, and STANDARD 2 to report the assignment results.


Help Wanted

Established Raleigh area commercial appraisal firm seeking licensed residential, certified residential or general certified appraiser to appraise commercial properties. Excellent communication, writing and math skills a must. Extensive computer experience required. E-mail resume with cover letter to cbt@nc.rr.com.

January 2007

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February 2007

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14 	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

Coming this Month:

January NCPAC meeting 8th



Coming this Month:

TCNCPAC meeting Feb 15th

NCPAC online meeting Feb 12th

Triangle Chapter of NCPAC

TCNCPAC Appraisers:

Your Triangle Chapter NCPAC Executive Board wishes you a happy, healthy and prosperous 2007.

Our first meeting of 2007 will occur within the next few weeks,
February 15th. Mark your calendar today and plan to attend.

We have 2 major events at this lunch meeting:

- First, the annual election of officers for the Triangle Chapter for 2007.
- Second, Mr. Mel Black will be our speaker. Bob Thomas will send out more info about Mel in the next week or so.

With regard to item 1, the slate is open to anyone who would like to fill any one of the 4 offices within our Chapter. The current Exec. Board consists of Carl Foster, President; Gary Mosher, V. President; Bob Thomas, Secretary; and Bill Tate, Treasurer. To date we have no dues so a treasurer is not a working position in that category but it gives us another source of ideas and input when planning our meetings. Also we include the area county representatives in these board meetings and, to date, Bob Reeves is the only one to attend our regular planning sessions. At our last planning session (Jan. 18th) we discussed the upcoming elections and who might want to be involved in that capacity this year. I advised the group that I would like to stay on as president for another year. The rest of the group also voiced the same, to stay as is for another year. Obviously this is a matter for the at-large membership but we are willing to remain as is for another year. However we also realize that if someone else wants to hold any office, and they are all open, that person or persons should make their wishes known and we will support the vote of the membership. Let me know if you aspire to any of the offices mentioned above and I will be sure to advise the TC membership of your wishes and candidacy.

The only requirement for holding any office noted above is that you are current with your dues. The dues for 2007 is \$60 and must be paid by Feb. 1. 2007. If you have not paid it, send it in NOW. NCPAC is currently working to establish a PO box and a toll free telephone number, but those items are not yet complete. Your dues should be paid to Andy Ledford, NCPAC Treasurer and his address is on the web site.

So mark your calendar: **TCNCPAC February meeting Feb. 15, 2007 at: Golden Corral, 5008 NC Hwy 55, Durham.**

(same place as last meeting in RTP. This time I am promised a room of our own). Time: 12 noon. Also please let me know if you will attend.

Golden Corral wants some idea of number of guests. e-mail or call me. See you there!!!!

Carl Foster, TCNCPAC

olfos@aol.com

919-477-6404

NCPAC would like to welcome our latest new members!

Lee Brantley	Wilson	Chris Cody	Wake
Daniel Stanley	Wake	Linda Pegram	Forsyth
Brian Davidson	Forsyth	Mike McNaney	Durham
David Jennette	Bertie	Derrick James	Perquimans
D. Hamp Thomas	Moore	Pia Ford	Dare
Jason Thomas	Wake	Robert Dean	Pitt
Daniel Allen	Bladen	Ron Cooke	Pitt
John Jenkins	Edgecombe	Darren Hignite	Pitt
Jaye Thomas	Wake		
Juliana Wilson	Durham	Welcome to NCPAC, Lets Keep Growing!	

February Q & A from the Appraisal Foundation

Income and Expense Analyses

Question:

I was asked by a client to prepare a five-year market-based forecast of income and expenses for a specific commercial property. Is such a request an appraisal assignment or an appraisal consulting assignment?

Response:

The request is an appraisal consulting assignment, which includes an appraisal. The market-based income and expense forecast is an *analysis* by the appraiser that includes an opinion of market rent, which is an opinion of value. The process of developing an opinion of market rent *to be used* in the analysis is an appraisal, since USPAP defines an appraisal as “an opinion of value.” Therefore, to comply with USPAP an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent (value), and STANDARD 4 to develop the income and expense analysis. The appraisal consulting report would have to comply with STANDARD 5.



NC foreclosure rates soar in '06- Continued from Page 1
'Predatory' home mortgage lending practices get blame

Continued from Page 1 -

Ripley attributed the rise in foreclosures since 2000 to "exploding" ARMs and other predatory lending practices.

"It's not to account for risk. It's just to maximize profitability," he said. "Many people getting these loans don't realize what they're getting."

The mortgage broker or lender then sells the home loan on the secondary market and walks away, Ripley said.

The center called Friday for state lawmakers to strengthen existing laws against predatory or fraudulent mortgage loans and expand homeowners' rights during foreclosure proceedings.

But the Mortgage Bankers Association in Washington, D.C., said non-traditional loans aren't causing the spike in foreclosures.

"We have no evidence that the increases we have seen in delinquency and foreclosure rates are the result of non-traditional products such as interest-only or payment-option mortgages," the association said in a Dec. 13 press release. "These products have made up a significant portion of originations in recent quarters. However, we do not have and are not aware of information that would indicate significant deterioration in performance related to the non-traditional products."

The N.C. Bankers Association, the organization that represents the state's banking industry, shares the Justice Center's concern about the rising number of foreclosures, said Paul Stock, the association's counsel.

"For legitimate lenders there's no benefit to going into foreclosure," he said. "Clearly we think enforcement [of fraud] is a thing that has to be enhanced."

The Justice Center's report follows the December release of another report by Durham's Center for Responsible Lending that echoed many of the same concerns about foreclosures in the subprime market.

That report analyzed more than 6 million subprime mortgages made from 1998 through the third quarter of 2006. During that period, 2.2 million households in the subprime market either went through foreclosure or will fail in the next several years, according to the Durham center's study.

"Unless subprime lenders ensure borrowers can afford their loans, other efforts to prevent foreclosures will have minimal success," the report said. "For example, when offering loans with scheduled interest rate changes, lenders should consider whether the borrower will be able to afford the mortgage after the initial fixed 'teaser' rate expires."

The study estimated that one out of five subprime mortgage loans that originated in the past two years will end in foreclosure.

JEFF ZIMMER, The Herald-Sun (Durham, NC) ~ January 7, 2007



Our Contributors
 Amanda Rivera—Publisher
 Bob Reeves— Editor
 Roberta Malone-Reviewer
 Sandy Johnson— Admin Assistant
 And Guest Contributors

Official Newsletter for the
 North Carolina
 Professional Appraisers

Check us out online
www.ncpac.org



2006-2007 At-Large Board Members

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Amanda Rivera
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Mike Smith

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Can you believe it? Editorial by Amanda Rivera

Where did 2006 go? I just turned around and it was gone. Who is ready for 2007? But it is here anyway, and with it comes tax time.

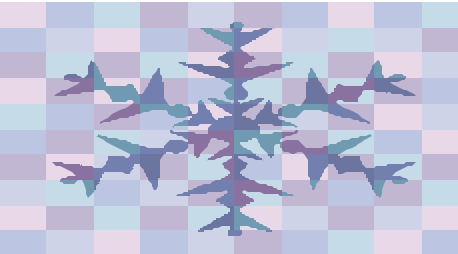
Can you believe it?

I was reviewing the information sent by our CPA this year and it seems they are really putting limitations on all donation deductions for clothing and household items and cash charity contributions. First of all, qualified cash charity must be supported by a dated bank record.

That means you can put cash money in the collection plate at church, but you can no longer deduct it. It seems that to be able to deduct your church tithe, you now need to write a check so that there will be a bank statement or paper trail to back it up. I am not sure if you all heard about the 75 year old usher in Cary that was busted for stealing from the collection plate, but maybe writing a check is a good idea...

Second change this year is that you can still donate your Vera Wang dress that hangs in your closet, that you never wear, and you can get charity credit for it, but if it is to be valued over \$500 you will need a qualified appraisal to do so. But now if you try to donate your desk with coffee rings or your used LLBean appraisal togs, you can forget getting credit for it. According to the IRS it has to be in "good condition or better".

So very few good deductions are still in existence and I thought I should let you know that the Credit for Qualified Hybrid Vehicles is changing as well. In addition to changing



Happy Deduction Hunting...

which vehicles qualify for this credit, they are also reducing the amounts of the credits. So if you have any plans on buying a Hybrid vehicle in the near future, you need to check out this page from the IRS website which shows how they phase out the credits on certain vehicles in 2007.

<http://www.irs.gov/newsroom/article/0,,id=157557,00.html>

For those of you who write off mileage, the standard mileage rate changed to 44.5 cents a mile for 2006. And for 2007 the mileage rate jumps up to 48.5 cents per mile.

Last but not least, you cannot write off a wristwatch, per the IRS, even if it is a job requirement that you know the correct time... Oh well, I am never on time anyway...

Comments? Please email me at amanda@ncpac.org