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## 2009 Dates to remember...

This list is not all-inclusive as some organizations have yet to firm up dates and locations.  
We hope to see you there!

<b>SEPT 9-11</b> MBA's Regulatory Compliance Conference 2009 Washington, DC	<b>NOV 8-11</b> Valuation 2009 Conference & Expo Valuation 2009 Conference & Expo (Kirchmeyer will be exhibiting)
<b>SEPT 13-15</b> CBA Home Equity Lending Conference Westin Diplomat Resort, Hollywood, FL (Kirchmeyer will be exhibiting)	<b>NOV 13-14</b> NAMB West 2009, MGM Grand Hotel & Casino, Las Vegas, NV
<b>SEPT 20-23</b> Sixth Annual Five Star Conference & Expo Ft. Worth Convention Center, Ft. Worth, TX (Kirchmeyer will be attending)	<b>NOV 13-16</b> NAR 2009 Realtors Conference & Expo San Diego, Ca
<b>SEPT 23-25</b> MBA's Quality Assurance & Residential Underwriting Conference 2009 Westin San Diego, San Diego, CA (Kirchmeyer will be attending)	<b>FEB 2010 - 23-26</b> MBA Servicing Conference Manchester Grand Hyatt, San Diego, Ca
<b>OCT 11-14</b> MBA 96th Annual Conference San Diego Convention Center, San Diego, CA (Kirchmeyer will be exhibiting)	<b>MAR 2010 17-21</b> ICBA National Convention & Techworld Conference Gaylord Palms Resort & Convention Center, Orlando, FL

***We thank you for your business!***



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Publisher... Jim Kirchmeyer • Research... Tom Kirchmeyer, SRA • Editor... Janice Gregor

# Fixing the Problem Together

By Jim Kirchmeyer

*As we attempt to navigate through the turbulent housing market across the United States, all stakeholders must do the right thing to restore confidence in our great system.*

At Kirchmeyer & Associates /Real Info (KA/RI), we have over 25 years of experience,

and have been through some highs and seen some lows. Even with this great experience, we believe no one has witnessed times like these: the sub-prime mortgage mess, overpriced housing markets causing severely declining values, fraud, and foreclosures at an all-time high. Banks, lenders and financial institutions closing, getting bailed out or getting pushed to forced M&A. The economic picture looks bleak and we will see layoffs, and right-sizing.

All things considered, it will not be getting better overnight. This crisis will

certainly not fix itself. Several things will need to take place before any confidence in our system is restored. Individual housing markets should self correct as supply and demand balance and housing pricing will flat-line. Only then can these markets ever have a chance of showing any signs of appreciation again. It is our opinion that, as these markets turn, they will move with very cautious optimism resulting in a slow appreciation, if any, for quite some time.

In the early 1980's, when we started in the industry,

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the appraisal profession was considered one of the most trustworthy professions. How did appraisers slide down this ladder toward the "used car salesman" rung? Many reasons come to mind. Weak-minded appraisers falling prey to the pressure to push values from unscrupulous mortgage brokers and loan officers under the threat of never receiving another order. This blame cannot be placed solely on the lenders, brokers and LOs, it was and still is, the appraisers duty to ignore such pressure.

At that time the lending industry did, and rightfully so, place a very heavy emphasis on the accuracy of collateral valuation. But then came credit scores; a great indication of a borrower's ability to repay a loan or propensity to default. Over time, the lending industry moved from a heavily weighted collateral decision toward a credit decision. This caused the lending guidelines (and appraisal underwriting) to relax on the collateral valuation side and hence the creation of several gap products

and derivatives of a full appraisal.

Lenders began to request drive-by appraisals, desktop appraisals, Brokers Price Opinions (BPOs), AVMs (Automated Valuation Models) and even the owner's estimate of value. Perhaps the less costly, faster valuation tools were overused, or did the lower fees and less research affect accuracy? All of these valuation tools have their place in the lending arena and when used properly can support a loan. Lenders will have to look at their collateral valuation policies and weight-balance their risk where history shows higher losses and/or less accuracy.

All valuation has risk; only some of the valuation tools have been tested enough to show accuracy and control risk. AVMs are tested rigorously and have a known risk. AVMs are used on the lowest risk loan products and loss severity is worth the risk as the very inexpensive AVM (over a BPO or appraisal) saves the lender enough to cover the minor loss associated with this valuation tool. Although BPOs

have their place, studies have shown greater loss severity in loans supported by the faster, cheaper BPOs performed by real estate agents and not by appraisers. The loss severity in these products is showing that the cost difference between a BPO and an appraisal is not worth the cost savings and that the accuracy is affected.

Sub-prime lending is exactly what the name suggests; lending to less-than "prime" borrowers. At KA/RI, we never believed this to be a prudent lending practice. KA never jumped into the sub-prime appraisal business. We believed that this would be a short-lived practice. We were wrong about short-lived, and could have made a lot of money completing these appraisals, but did not participate in this arena. We were, however right *about the product. The sub-prime mess became a driving force in the dominoes that would fall causing many of the issues we face today as a nation.*

As homeowners, in poorly designed mortgage products, were hit with

higher mortgage payments or simply were upside down with declining property values; leaving keys in the mailbox and literally walking away is now a common occurrence. The tightening of mortgage product guide-

lines has lowered the amount of money available to borrowers. Foreclosures in many markets are at an all time high, leaving some subdivisions with vacant properties... like a ghost town.

## ***Real Solutions... bringing integrity to valuations...***

Pulling together as an industry, making the right decisions and correcting the mistakes that history is clearly showing, we can restore confidence in the housing market. The HVCC(Home Valuation Code of Conduct) mostly reiterated existing regulations and guidance that has been ignored or misinterpreted. The true independence of the valuation request is at the center of the issue.

The HVCC states "the lender must be able to clearly demonstrate that it has prudent safeguards to isolate its collateral evaluation process from influence or interference from its loan production process." The HVCC also emphasizes the importance of removing any attempt to influence the value conclusion from the lending process. A study completed by October Research showed that 90% of appraisers stated they have been pressured to provide a value on an appraisal report. We think that the other 10% didn't understand the question.

HVCC was adopted May 1st 2009. National lenders are already putting the HVCC into use; creating policies that assure compliance. KA/RI has built technology that allows for the independence of the valuation request, protects against the influence of a pre-determined value and allows the client to continually track the status of the order. At KA/RI, we are committed to the highest quality standards and integrity in the valuation space and have the best Quality Control systems and team in the business. Automated reporting on quality and service only reassures that fact.

Let our experience and commitment to improving the industry work for you. Contact us to schedule a meeting to see how you can benefit from accurate valuations.

*Let's work together to restore confidence and put our industry back in a better light.*

## **Employee Spotlight**



**Carol Dauria**

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Carol joined the K&A Assigning Department in September 2008. Her daily tasks include assigning orders, fees, and appraisal quotes. Carol has 6 years of experience in the business.

Carol lives in a Western New York suburb with her husband John of 40 years. Together they have 4 children, 3 grandchildren and 9 grand-dogs.

In Carol's time away from the office, she enjoys attending craft shows, spending time in her garden or an evening on the deck. The family gets together every Sunday to enjoy breakfast.

