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

welcome to the New HVCC World

By Thomas Kirchmeyer, SRA

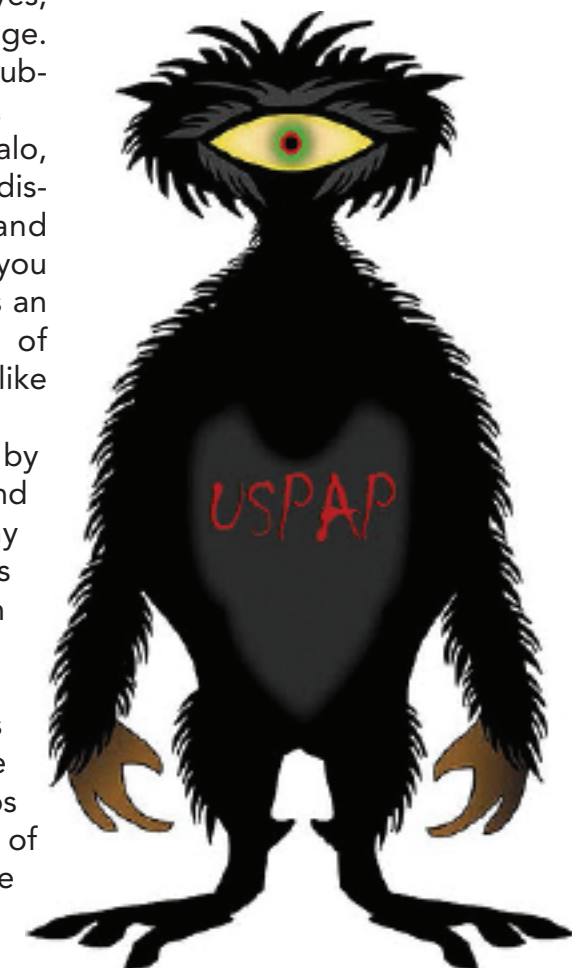
No, this is not fiction. This article is based on current mortgage industry facts with a science fiction twist, in order to help you understand the newest recently discovered world called HVCC.

BTW, I'm determined to come up with a good meaning for HVCC besides it's true one (I'm not even going to tell you what it is because it's been written about to death, and it gets many appraisers twitching in their sleep). What about "Holy Valuation Caped Crusader!" ? Yeah, that's dumb, but I challenge you to send me an email (tk@kirchmeyer.com) with a better one. As a matter of fact, I will offer a

prize to the best one and yes, of course, I will be the judge. The best ones will be published in next month's Klips.

NEWSFLASH from Buffalo, NY: Amateur astronomer discovers new exo-planet and named it HVCC. For all you non-geeks, an exo-planet is an Earth-like planet capable of sustaining life. What is life like on this new world?

Planet HVCC is governed by two parties called Fannie and Freddie. Similar in many respects, they buy minerals called mortgages which allow them to generate fuel for inter-stellar travel. Certain types of minerals cannot be used for fuel are called FHA, VA, and Jumbos – although they are a type of mineral, they do not have the chemical HVCC in them required to generate fuel. They are used for other interests.



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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!

MAY 17-19 NAMB North Regional Conference
Hynes Convention Center, Boston, MA

OCT 11-14 MBA 96th Annual Conference
San Diego Convention Center, San Diego, CA

JUNE 21-24 America's Credit Union Conference & Expo
Hynes Convention Center, Boston, MA

NOV 13-14 NAMB West 2009,
MGM Grand Hotel & Casino, Las Vegas, NV

SEPT 13-15 CBA Home Equity Lending Conference
Westin Diplomat Resort, Hollywood, FL

NOV 13-16 NAR 2009 Realtors Conference & Expo
San Diego, Ca

SEPT 20-23 REO Five Star
Ft. Worth Convention Center, Ft. Worth, TX

FEB 23-26 MBA Servicing Conference
Manchester Grand Hyatt, San Diego, Ca

We thank you for your business!

The aliens on the planet consist of the following groups:



LENDERS: Divided into 2 sub-groups called Origination and Production, each of which speak a different language and cannot talk to each other. The Origination sub-group also cannot speak to the Appraisers. Currently, a great big firewall is under construction that will separate the Origination from the Production aliens. It's not that they don't get along, it's just if they contact each other they produce the viruses listed later in this article.

MORTGAGE BROKERS: Ordered by Planet HVCC to never communicate with the Appraisers, unless directed to by the Production Lender creatures, and only to initiate the placement of an order and not about how much, or a comet is reaching its apogee on the 652nd lunar day of the calendar year on Planet HVCC. Never mind. The mineral FHA is fair game for broker creatures and they can discuss this mineral with the Appraisers (at least for now).

APPRAISERS: The smartest aliens on Planet HVCC, these creatures can only be understood by the Production Lenders. They set the values for all land on the entire planet. The land consists of the minerals that are mined and bought by the two parties.

The smaller Lender creatures are not tall or heavy enough for Planet HVCC's gravitational system to keep them affixed to the surface of the planet, so they float above the radar of the two parties and are not subject to the rules and regulations of the planet.

Appraisers have children called Appraisals. Planet HVCC ruled that since there were so many Appraisers and Appraisals that Appraisers can only have one Appraisal each. Thus the rule "No second Appraisals".

There are two viruses on Planet HVCC: Comp Checks and Estimated Values. They are bad and are no longer tolerable. If an Appraiser feels the onset of one of these viruses, they can immediately contact the planet's police force known as the IVPI, which will locate the Lender or Broker creature that may have spread the virus and quarantine them. Currently, no one is quite sure what that quarantine involves because this is a new law enforcement agency in the early planning stages. One theory is that they punish Lender or Broker aliens by locking them in a cell with the monstrous creature known on this planet as USPAP. Not a pleasant thought.

If a Lender does not like an Appraiser, part of the law states that the Lender must tell the Appraiser why, prior to excluding that Appraiser. For example, if the Appraiser's Appraisals are too short (height is measured in units called values) that is not reason enough. But if that Appraiser produces bad Appraisals (illegally, see above 2nd appraisal rule) he can be placed on the Lender's DO NOT USE list with a valid reason.

Most of the Appraisers live on a moon that orbits Planet HVCC. This moon rotates at regular intervals, unlike the Earth's moon that always has only one side facing Earth as it rotates around our planet. When a Lender wants a value on a piece of property they need an Appraiser so many of them reach out to the orbiting space station known as AMC. AMC's job is to be the protector of the Lender from the IVIP and the two parties known as Fannie and Freddie. The AMC utilizes the rotation of the Appraiser's moon and selects an Appraiser randomly based on the moon's rotation. Appraisers are graded by the space station AMC based upon quality, communication with the space station and how long it takes them to return their values. The better the Appraiser, the more spots they occupy on the moon and the better chance they have of being selected. In the end, it all works out so the good Appraisers get the most jobs, not because they are the tallest but because they are the best!

I know, I know.....you say "OK Tom, put down the funny cigarettes."

Seriously, the HVCC was implemented on May 1st 2009 and is intended to promote independence in the appraisal process in order to help ensure that appraisal reports completed by licensed and certified appraisers may be relied upon by financial institutions for sound lending decisions. And so far, the scenario created above might be easier to understand.

Reengineering the Appraisal Process

By Joan Trice

The Collateral Risk Network met in Washington DC on February 17 & 18, 2009. The CRN is a group of 135 chief appraisers and senior risk management hosted by Allterra Group LLC. This group also meets at the Valuation conferences hosted by Allterra in November of each year. The CRN is represented by Wall Street, the GSEs, lenders, regulators, and appraisal management companies.

The purpose of the meeting was to address "Reengineering the Appraisal Process". It would be a less complex task if there were a single issue facing the appraisal profession. The problems are widespread and each is intertwined. An immediate reaction might be to tackle these problems one at a time. That might seem practical on the surface. However, given the depth and breadth of the housing market meltdown there is an urgency to resolve the current crisis as well as create a forward looking plan to repair our crippled industry. The profession has historically applied "band-aid" solutions to individual issues. The failure to examine the industry holistically has exacerbated the problems.

What role did appraisers play in the housing crisis? Appraisers didn't directly cause values to decline. They weren't the catalyst for homeowners to cease paying their mortgage. But they did help create fictitious equity and were complicit in facilitating trillions of dollars of loans that never should have been made. There are varying degrees of valuation inflation performed by appraisers. On the lighter side, there was just that gray area where appraisers hit the highest possible value as opposed to the most probable value. On the dark side, there was blatant fraud. And then, somewhere in the mix, was the failure for appraisers to recognize an overheated market and report trends and risk to their clients.

Appraisal issues are rarely inserted in the conversations of the pundits, Treasury, the Federal Reserve, and others. That is just further evidence of how irrelevant collateral valuation has become. The "V" in LTV is "Value" yet our part of the equation has been virtually ignored. Bank regulators haven't been paying attention. Many State Appraisal Boards have been remiss in their duties. It's been the "Wild Wild West". The Mortgage Backed Securities market has virtually collapsed because of lack of confidence. If we credibly valued the underlying collateral, I would submit there would be an active MBS market. The Mortgage Backed Security market is paralyzed, in part, because no one knows what the underlying collateral is worth.

We have chosen to approach the issues holistically as the problems are systemic. Wall Street, lenders, appraisers, mortgage brokers, rating agencies, regulators, and appraisal management companies have all played a role. The fail safes of any one of these segments could have prevented, or at least moderated, the collapse of the housing market.



NOTE: The above is a reprint of the introduction to Joan's 13 page white paper recently posted on her website www.appraisalbuzz.com. To download the entire white paper, which goes into detail about what needs to change in the appraisal profession, visit her web site.

Employee Spotlight



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Shannon joined Kirchmeyer & Associates in June of 2008, she works in our Order Entry department. Shannon is responsible for the entry of new appraisal assignments into our database. Shannon grew up in South Buffalo, attended Mount Mercy High School, then attended ECC South. Shannon has a 5 year old son named Evan, they both recently moved to Hamburg, NY. When she's not at work Shannon enjoys spending time with her son, friends and family. She's excited about becoming an aunt for the first time in the fall.

