

Form Follows Function:

Reporting Market Trend Data
Via The
URAR and 1004MC

The More Things Change, The More They Stay The Same (Or Do They?)

From Calamity



Comes Change

- 1980's Savings & Loan
- 2007 Great Recession

- FIRREA of 1989
- HVCC and 1004 MC

Then and Now: Cause and Effect

- Two decades later
- Different causes, effect and outcome
- One common thread of discourse: the blame game

Addressing The Blame GameEnacting Change

“I shudder whenever I see someone point the finger of this housing problem at any one particular area of the market. At the end of the day... we are all responsible.”

David H. Stevens, FHA Commissioner

“Let’s not let a good crisis go to waste. The current environment opens doors that might not otherwise be open for us to articulate our profession’s importance to good financial decision making processes.”

Leslie P. Sellers, MAI, SRA, President, AI

Communicate, Innovate, Educate and Train

- Communicating the importance of our profession to good financial decision-making begins with quality appraisals
- Most common deficiency cited by lenders is appraiser misreporting in the neighborhood trends section of URAR
- The loss from overvalued properties extends beyond the immediate client

Don't Find Fault, Find Remedy ~ Henry Ford

The Declining Market

FHA Mortgagee Letter 3/23/09

Although there is no standard industry definition...a declining market is considered to be any neigh, market area or region that demonstrates a decline in prices or deterioration in other market conditions as evidenced by an oversupply of existing inventory or extended marketing times. A declining trend in the market will be identified by the conclusions of the 1004MC.

Appraising In A Declining Market

“A generation of appraisers has been dealing with rising values. For many, the present situation is the first experience with a declining market.

David Phillips, SRA, *Appraising In A Declining Market: A Practical Guide For The Residential Appraiser*

See Figure 1: Market Trends Study

Ad hoc study examined market trend data reported via URAR reports written in 2004 - 2010. Report data was retrospectively examined in relation to the effectiveness of reporting market trend analysis data during period of significant market change:

1. Prior to the economic downturn [2004-2005]
2. At the height of the market decline [2006-2008]
3. Post implementation of the 1004MC [2009-2010]

See Figure 2: Sample Worksheet

The 1004MC made great strides in providing some transparency in terms of reporting market trends

Still falls short, however, in markets with extremely limited sales data and/or markets that are fluctuating

Sample worksheet promote good appraiser practice for each assignment, use for in-house reviews, use as a training tool

See Figure 3: Case Study

Case study examines a report written in 2007 that reflects increasing values in the neighborhood trends section

A retrospective market analysis is conducted using the sample worksheet

Market trends concluded via the worksheet vary from that reported via the URAR

Figure 4: Case Study Worksheet

Box 1: Subject Specific Info

Box 2: Neighborhood Specific Info

Box 3: Neighborhood/Market Boundaries

Box 4: Market Area and Comp

Figure 5: Case Study Market Trends

3 of 4 market indicators reflect declining market

This neighborhood is comprised of several submarkets:
inland, waterview and waterfront properties

Pockets of decline

Pockets of recovery

During Recovery and Beyond

- We are all responsible
- Don't find fault, find remedy
- Communicate our profession's importance to good financial decision-making processes via quality appraisals that aid in risk assessment

Effective change from the coordinated effort of many