Appraisal Institute™
Professionals Providing Real Estate Solutions

Field Notes

The Greater Oregon Chapter of the Appraisal Institute Official Newsletter

President's Message

BY Kurt Mueller, MAI
2004 Chapter President

As professionals, it is basic to the nature of the real estate appraiser to make sense out of uncertainty. One must be constantly aware of the many crosscurrents of events, and then be able to hone in on those which will have the greatest impact on the present and the future. Such skills have never been more important than they are today.

Current times are as chaotic as they've been in years. The days of 40-year low interest rates are nearing their twilight, with mortgage rates certain to head higher in the face of renewed inflation. The ongoing war in Iraq and recent spike in oil prices threaten to derail our long-awaited economic recovery. The political direction of the country is far from decided between Bush and Kerry. The only point of certainty is the recent reappointment of Alan Greenspan as Fed Chairman, and as an appraiser, I am thankful for this one small favor. However, with change comes both challenges and opportunity.

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Present and future events are not only of great importance to the properties we appraise, but also have a direct impact on the source and nature of our business. We must recognize them quickly, and swiftly chart a new course. If your business has been centered on servicing the refi industry over the last few years, obviously you are now in the process of charting a new direction as this business source dries up. The best direction to head is to associate yourself with the Greater Oregon Chapter of the Appraisal Institute. The path is clear … attend the chapter meetings, support our educational offerings, and volunteer even a modest amount of your time to the chapter, and the economic benefits will certainly follow. Probably the best source of referral work can be from your fellow appraisers, a source often overlooked by those who work by themselves.

GOCAI is uniquely positioned to help you. Whether you are new to the profession, a long-time SRA or MAI who has fallen

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Appraisal Institute Holds Regional Meeting

On May 15th, GOCAI hosted the Region 1 meeting in Portland. Alan Hummel (AI past president) provided a status report of several Appraisal Institute issues.

Finance & Membership: Briefly, the Institute is again on solid financial ground and doubled its net operating income between 2002 and 2003 from $750,000 to $1,600,000. In terms of reserves, as of June 2004, National projects our account to be at $7.6 million, which is very near the 50% or 6-month operating reserve AI needs to be considered financially sound. He attributes this growth to member retention and an overall increase in membership to 17,363 members at the end of 2003 (2,200 new members each in 2002 and 2003, plus 908 new members nationally as of March 2004). This is despite a 2% net loss in SRA membership. While the decline in SRA members is troubling, the decline is not attributed to active appraisers turning in their designations, but rather the loss or retirement of SRAs. During the past five years, an average of only 10 new SRA designations has been awarded annually. However, to counter-act this, Hummel presented a strategic plan to reinvigorate the SRA designation which will be formally announced at the regional meeting this fall.

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Governance Structure: The long awaited governance restructure is finally approaching implementation. While the structure is still being finalized, the Institute intends to present a 60-day notice this fall. In a nutshell, the restructure is intended to enhance member services through more efficiency at the national level. By reducing the national board of directors (down to 16 members from the present 30), restructuring the national committee system, and implementing more project teams, AI hopes to encourage more member involvement and shorter time commitments for its member-volunteers. Check the AI website for details.

Education: AI is increasing its course and seminar offerings and has witnessed

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Region Meeting

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increased attendance in local markets. A ***word of caution***: make sure that you take the USPAP course from an Appraisal Foundation approved provider and instructor. Many courses are being taught nationally by non-approved providers/ instructors and AI has been denying USPAP course credit for members taking classes which lack Foundation approval.

New Committee: The proposed formation of the national Membership Diversity Committee created much confusion at the regional meeting. It is unclear if this committee is being created as a member service or an outreach measure for attracting new members. The Region suggested that the Institute clarify the language surrounding the formation and purpose of this committee.

Lastly, there is renewed interest in requiring existing MAIs to pass the same coursework as required of new MAIs. More to come after the fall regional meeting in San Francisco.

William E. Adams, MAI
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AI's Vision & Mission Statements

The Appraisal Institute has adopted the following statements:

Vision Statement: To be the global authority providing real estate solutions.

Mission Statement: As America's largest real estate appraisal organization, the mission of the Appraisal Institute is to support and advance its members as the choice for real estate solutions and maintain professional credentials, standards of professional practice and ethics consistent with the public good.

President's Message

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off the chapter radar, or a seasoned appraiser with no active link to the Appraisal Institute, GOCAI'S members are there to support you. Our Portland sub-chapter meetings are typically the last Thursday of each month, so make this a "must attend" event on your calendar. Unique GOCAI seminars and meetings this past spring have included a Residential Review Appraisers Roundtable, a Valuation for Financial Reporting (Mark-to-Market) seminar in conjunction with the ASA's, and a tour of The Edge Lofts / REI facility in The Pearl District. All were excellent opportunities to extend your professional knowledge and contacts, plus gain easy continuing education credit that fits your schedule.

Coming this fall 2004, plan to attend our Fall Quarterly meeting in Bend on September 23rd to 25th. The event will be at The Riverhouse; so come and make a weekend out of it. Similar to last year's event in Lincoln City, the event will be held in conjunction with the American Society of Appraisers, and Society of Farm Managers and Rural Appraisers. Classes will begin with USPAP on Thursday, followed by two Land Valuation seminars on Friday and Saturday. Make sure to plan to attend the chapter dinner at The Riverhouse on Friday; another great opportunity to expand your professional contacts.

Other events planned for September 2004 include the Annual GOCAI Golf Tournament, plus our chapter will again participate in the OPB Pledge Drive. Later in the fall, another Residential Panel Seminar will be offered, part of a renewed effort to provide two homegrown residential seminars each year to our residential members. Make sure to support these offerings and our efforts by signing up as early as possible at our chapter website (www.oregonappraisers.org), or call Vicki Champ at the Chapter Office (503.316.1979). Reacquaint yourself with old friends, meet new ones, and capitalize on your membership with the Appraisal Institute.

Regarding our local membership, it is my pleasure to announce and congratulate Matthew Larrabee, MAI on his recent achievement of his designation. He is a fine appraiser, a respected appraisal instructor, and we are fortunate to have someone of his professional and personal caliber in our fold.

I would also like to extend a warm welcome to the following new associate members in our chapter in 2004: Ronald Albano, Steven Beaman, Gregory Cox, Heather Droz, Rachel Feldman, Cheryl Ford, Olana Gwinn, Stephen Herring, Donald Leader, David Tran, and Thomas Williams and Cole Irvine.. I commend you on your decision to join our membership, and value your future participation. However, it is up to you to make the most of this commitment. A good start is to begin attending our membership meetings.

Finally, please join me in congratulating Craig Zell, MAI, SRA on his recent appointment as the Chair of the Appraisal Certification and License Board for the State of Oregon. Craig was Chapter President in 1996, and this appointment (which starts July 1, 2004) emphasizes his commitment to his profession. He replaces Terry Bernhardt, SRA as current ACLB chair, who will be your Chapter President in 2005. The Appraisal Institute has always been well represented at the ACLB … just more examples of our membership at work on your behalf.

This newsletter began by referring to our status as independent professionals charged with navigating on behalf of our clients the complex cross-currents that impact the real estate industry. So remember … your clients will likely view you as you view yourself. If you believe in your value as professional, your clients will respond accordingly. If you do not, they will not. Your continued AI membership and participation with our chapter are important to maintaining and promoting this image.

Thus far in 2004, we are well on our way to back to financial health as a chapter. Our membership numbers are strong, and our leadership is united in our efforts. If there is anything I can assist you with, I encourage you to contact me directly (kurt@mcportland.com).

With warm regards,
Kurt M. Mueller, MAI
2004 President, Greater Oregon Chapter of the Appraisal Institute

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Portland Subchapter Report

Residential Appraisal Forum Features Lender Panel

The first biannual Residential Appraisal Forum featured three local review appraisers and the ACLB administrator, Tuesday, April 27th, 2004.

Andrea Yearsley, SRA, representing Bank of America, Marlin Harker from Greenpointe Mortgage, and Jeff Rapp, a reviewer for several mortgage companies presented a panel on understanding the review process and typical problems. Bob Keith, ACLB Administrator, spoke of recurring residential problems and how to stay USPAP-compliant. Approximately 50 residential appraisers from around the state attended and received 4 hours of continuing education credit.

The Fall 2004 Forum is in the planning stages

The Fall 2004 Forum is in the planning stages. Several topics will be covered including:

- A tutorial on mortgage lending – the terms and processes explained;
- How the appraisal process fits in; and
- A comparative discussion of available residential form software – necessary addendums, support technology, costs, etc.

We encourage all residential members & associates to attend. Four hours of CE credit will again be offered and refreshments and snacks will be served at a social hour following the class. Bring your co-workers and assistants. The GOCAI Board would like to challenge all SRA's to participate in planning and presenting segments of the program to generate a continuing high quality event geared to the needs of residential appraisal professionals.

CLASSIFIEDS

WANTED

Wanted experienced ***eminent domain appraisers*** for large regional practice. Contact Darryl Kirkman at darryl@jmaappraisals.com.See our ***web site*** at http://www.jmaappraisals.com. See also ***Greensboro, North Carolina*** at http://www.greensboronc.org.

WHOLESALE REVIEW APPRAISER

National residential mortgage lender seeks highly-experienced residential review appraiser to perform field review analysis of appraisal reports in a 4 State market area. Portfolio is primarily high-end/non-conforming properties, and will be based in Orange County. BS degree and SRA designation preferred; current California license required. Must have at least 5 years experience with a regulated financial institution, and knowledge of FNMA/FHMLC/USPAP standards. Extremely attractive annual salary and production bonuses will be offered, totaling approx. $120,000 annually. An excellent relocation/benefits package will likewise be available. Interested candidates should forward a detailed resume as a Word Document, including most recent compensation level, to: chrisgroup@charter.net. Christopher Group Executive Search

Federal Court Rules FIRREA Trumps State Law

States cannot require the use of a certified appraiser for transactions below the de minimis level. So ruled a federal district court in a March 31, 2004, ruling that found that to the extent the Financial Institutions Reform, Recovery and Enforcement Act conflicts with Pennsylvania state law, FIRREA supercedes. The court held that FIRREA included transactions below the de minimis level in its definition of federally related transactions. Federal regulations exempt transactions below the de minimis level from the certified appraiser requirement. This ruling may mean that states cannot require what federal law specifically exempts, i.e., that appraisals for lending purposes under the de minimis level be prepared by certified appraisers, per the Uniform Standards and Professional Appraisal Practice.

The suit came about two years ago, when the Pennsylvania State Board of Certified Real Estate Appraisers attempted to stop Fidelity National Information Solutions (FNIS) from using brokers and other noncertified people from collecting information that FNIS uses in its AVM. FNIS responded by filing suit in federal court against the state board.

However, the case may not be shut. The Pennsylvania Board is consulting with the state attorney general's office about an appeal.

Summary of New Administrative Rules Affecting Oregon Appraisers

In the spring 2004 edition of The Oregon Appraiser newsletter and the March 2004 Field Notes, we were informed that the Oregon Appraiser Certification and Licensure Board proposed significant changes to the administrative rules affecting supervising appraisers and appraiser assistants. As the result of appraisers and assistants input at the rules hearing, two of the proposed rule changes were abandoned.

Abandoned Rules—

1. Requirement that a supervising appraiser accompany the assistant during both subject property and comparable sale inspection for the first six months or 1,000 hours of the assistant training.
2. Requirement that both assistants and supervising appraisers attend an ACLB sponsored training class specific to them.

Adopted Rules, *Effective June 1, 2004*—

The Board adopted changes to the administrative rules concerning supervising appraisers and appraiser assistants. These rules are effective as of June 1, 2004 and can be accessed via the ACLB website at http://www.oregonaclb.org/pdf/permanentrules.pdf. Please note that bold and underlined language is new and effective as of June 1, 2004; any bracketed language will be deleted soon. The new rules address the following issues:

- A revision to the definition of Direct Supervision that more specifically describes what a supervising appraiser is supposed to do to insure that appraiser assistants are competent to become licensed and/or certified.
- A requirement to be licensed or certified for at least 24 months prior to supervising an appraiser assistant.
- A limitation on the number of appraiser assistants that a supervising appraiser can have. Supervising appraisers who are licensed may have only one appraiser assistant, but certified appraisers can have up to three assistants. This requirement is being phased in as provided in the rules.
- A provision that an appraiser with two or more disciplinary actions after June 1, 2004 may not supervise any appraiser assistants for a period of 24 months.
- Also, supervising appraisers must now make a clear and prominent disclosure of real estate appraisal activity assistance in each appraisal report by identifying each individual category of experience (i.e. the steps of the appraisal process), as outlined in OAR 161-025-0030 (9)(a)(A-H). This rule can be accessed by link to the ACLB website provided above.

This summary is intended to be advisory in nature and only provides an overview of the rule changes. Please go to the web site and read the rules. *After* reading the rules, you may direct questions to the ACLB office at (503) 485-2555.

Attorneys not Subject to Gramm-Leach-Bliley... *Are Appraisers Next?*

In an April 30 decision, Judge Reggie Walton of the U.S. District Court for the District of Columbia, ruled that the Federal Trade Commission's decision to subject attorneys to the privacy provisions of the Gramm-Leach-Bliley Act was beyond its statutory authority and constituted arbitrary and capricious agency action. The decision came in a suit instituted by the American Bar Association against the FTC. Walton's order also applies to a similar suit filed by the New York State Bar Association. More than 26 bar associations joined the suits as amici.

The FTC had sought to apply the written privacy notice and the record keeping provisions applicable to banks and financial institutions to attorneys engaged in the practice of law, despite complaints from the ABA, the NYSBA and other state and local bar associations that state-level enforceable mandatory rules of professional conduct protected client confidentiality better.

The FTC has 60 days to decide whether to appeal the decision, and Congress is considering whether to amend the Act as well.

The FTC has 60 days to decide whether to appeal the decision, and Congress is considering whether to amend the Act as well. Until that time, Walton's order is in effect, and the FTC will not enforce the Act against attorneys engaged in the practice of law; and attorneys who in the course of their law practices choose not to comply with the privacy provisions of the Gramm-Leach-Bliley Act need not fear enforcement actions or investigations by the FTC. This decision does not directly impact real estate appraisers, however, as appraisers are specifically defined as a "financial institution" by the FTC and federal bank regulators, unlike lawyers. Until the law is amended or the rule is changed, appraisers have to abide by the confidentiality requirements of the Gramm-Leach-Bliley Act. To view a copy of this decision, go to www.abanet.org/poladv/glbfactsheet.html.

Oregon Appraisers Score 15% Rate of Return

The ACLB has made significant efforts to communicate with and to be a resource to Oregon appraisers and assistants. As part of the latest full license renewal cycle, ACLB has obtained e-mail addresses for each appraiser in the state and will be using e-mail to inform and provide important information regarding compliance with Oregon Administrative Rules, Oregon Revised Statutes, USPAP, and other important information.

In a recent mass e-mail by Bob Keith, ACLB Administrator, over 250 e-mail addresses came back as undeliverable out of just over 1,600 appraisers and assistants – indicating an approximate 15% e-mail return rate. The ACLB would like to make each appraiser and assistant aware of the requirement to notify the Board of a change of e-mail address.

OAR 161-050-0040 states that it is the responsibility of each license or certificate holder, registered appraiser assistant or appraiser applicant to notify the Board of a change of mailing address and/or a change in their e-mail address. Change of address notification must be made in writing, within 10 business days from the change of address. Failure to comply with this rule could result in disciplinary action of $250 civil penalty.

Bob jokes that some appraisers have their e-mail filters set to filter out e-mail from him and the ACLB. However, while some may not prefer not to hear from Bob Keith, it is very important (it's the law!) for the ACLB to be able to send e-mail messages as it is becoming the primary means of communicating important information.

Hey Folks!
Take the initiative to verify that the Board and the Chapter Office have your correct e-mail address.

Joel Jorgensen
Field Notes Editor

Investors Fear Decline In Commercial Values

By RAY A. SMITH, Staff Reporter of The Wall Street Journal, *From The Wall Street Journal Online*

Is commercial real estate heading for a correction? That's the concern of a majority of the 120 large investors surveyed by PricewaterhouseCoopers LLP as huge amounts of money flowing into the sector have helped drive up prices. A survey for the first quarter of 2004, indicates that investors have become more concerned about potential price drops for commercial buildings — office properties in particular — that could, in the worst-case scenario, ultimately approach the declines of the early 1990s.

Peter F. Korpacz, director of PricewaterhouseCoopers' global strategic real-estate research practice, characterized the results as the highest level of concern survey respondents have shown about potential value declines since the economic downturn began in 2001.

The respondents, who include real-estate developers, real-estate company executives, institutional investors, bankers and real-estate insurance representatives, expressed concerns that prices for commercial buildings have risen too high too fast — not just for well-leased properties with good tenants, but even for properties that aren't as well leased or with less-than-stellar tenants. The concern is strong because the leasing market has been so weak, especially for office buildings, and significant improvement doesn't seem to be in the cards anytime soon.

In addition to thinking that these pricing conditions have made it tougher to find deals "that make sense" in terms of returns on investment, Mr. Korpacz says, the investors were particularly concerned about buyers priced out of purchasing well-leased properties bidding up prices for properties that are only partially leased. They believe buyers of those not-so well-leased properties are making unrealistic assumptions about future job growth and potential to find and keep tenants and jack up rents.

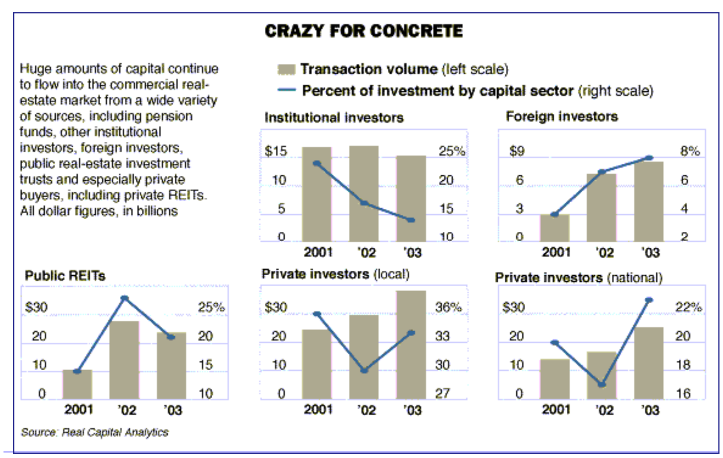
The problem is that many had predicted that job growth would have been stronger by now. And higher worker productivity (companies doing more with less people) coupled with the move of jobs overseas make it harder to bank on strong U.S. job growth — and the resulting demand for space — in the near term.

Susan Smith, the survey's associate editor and a senior associate at PricewaterhouseCoopers, says "a few respondents said they don't expect rent appreciation anytime soon and they are concerned about buyers using aggressive rent spikes" in their assumptions. "They just wonder what's going to happen," she says, "especially with buyers of nonstable properties" if those assumptions don't pan out.

While respondents still fear a decline in values, they plan to continue investing in commercial properties. In particular, investors said they liked warehouses, especially in California's Inland Empire, Chicago and northern New Jersey, where leasing demand has remained robust. The fact that inventory levels have reached critically low points, prompting a rise in manufacturing activity over the past several months, has made them optimistic.

Investors said they liked malls, centers housing big-box retailers such as Wal-Mart and Target, and strip shopping centers, particularly those anchored by leading grocery stores. That sentiment is due, in part, to steady consumer spending.

They also believed hotels, which have been hurt by the recession, the Sept. 11, 2001 terror attacks and SARS, are rebounding. Their opinion on apartments was that conditions are still soft but won't get worse.



Comparable-Sales Data Hold Sway With Realtors

By PATRICK BARTA Special to Real Estate Journal

Question: Why do real-estate agents and appraisers set prices for homes based on comparable sales in a neighborhood? I think this practice can only reduce the value of a home. I've put $350,000 into my home, but now I'm told it's worth only $200,000. *— Vito, location not provided*

Vito: There's a good reason why real-estate agents and appraisers use data from recent "comparable" home sales to calculate house prices. Buyers ultimately determine the prices in any real-estate market, not sellers, and comparable- sales numbers provide the most up-to-date way of determining what buyers are paying for similar properties.

That doesn't mean the comparable sales approach is always spot-on. Typically, real-estate agents and appraisers pore through lists of recent, similar transactions in a given neighborhood and then use those prices as a basis for determining what the latest home will sell for. But sometimes, the other recent sales aren't all that comparable. For example, if your house is a modernist masterpiece in a neighborhood filled with 1930s bungalows, it could be a little harder for all parties involved to accurately assess the value of that property.

If you suspect the real-estate agents or appraisers you're working with didn't accurately determine the value of your property, you do have some options. First, you should ask for a full recounting of the agent's or appraiser's work to make sure he or she didn't make any obvious mistakes. If that doesn't work, you can always hunt for another opinion, though doing so could require hiring an appraiser at your own cost. If all of that doesn't help, you could disregard the advice of your agent and try to sell the house on your own, at your own estimated price. If you were right, you might wind up selling the house for a lot more money than you would have gotten

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Playing Landlord

By BRAD REAGAN - The Wall Street Journal

You want to cash checks instead of write them at the end of the month? A look at four multi-family rental properties that don't require The Donald's bankroll:

LOCATION/PRICE: Portland, OR. $850,000

ANNUAL PROPERTY TAXES: $12,390

ESTIMATED ANNUAL RENTAL INCOME: $78,960

THE PROPERTY: Eight three-bedroom, 2.5-bath apartments in two connected units, with indoor parking.

NOTABLE: The complex is located near many high-tech employers and shopping.

LOCATION/PRICE: West Danville, VT.: $165,000

ANNUAL PROPERTY TAXES: $1,803

ESTIMATED ANNUAL RENTAL INCOME: $18,000

THE PROPERTY: Three one-bedroom units in a retro-fitted 1840s farmhouse in this quaint New England village near Joe's Pond.

NOTABLE: The two-acre plot has plenty of extra room for development, plus a barn that could be renovated for other uses.

LOCATION/PRICE: Lincoln, NE.: $460,000

ANNUAL PROPERTY TAXES: $6,699

ESTIMATED ANNUAL RENTAL INCOME: $63,900

THE PROPERTY: 12 apartments — a mix of one- to three-bedroom units — in two connected buildings, blocks from the "27th & O" shopping district.

NOTABLE: Most units have individual decks where Cornhusker fans can cook out then walk the mile-plus to Memorial Stadium.

LOCATION/PRICE: Clayton, MO.: $950,000

ANNUAL PROPERTY TAXES: $4,949

ESTIMATED ANNUAL RENTAL INCOME: $63,000

THE PROPERTY: A 1935 brick apartment building with three spacious three-bedroom full-floor units, in a ritzy St. Louis suburb.

NOTABLE: They're "just" rentals, but the vaulted ceilings, stained-glass windows and fireplaces may help tenants feel like staying put.

Sources: *NAI Norris, Beggs and Simpson*

Appraisal Groups Highlight Valuation Issues of Easements

Establishing the value of property being donated for conservation or preservation purposes has come under fire, particularly when non-arm's length sales or inflated contract prices have been used. The Appraisal Institute, along with the American Society of Appraisers and American Society of Farm Managers and Rural Appraisers, addressed issues surrounding the donation of land for such easements in a May 24 letter to the Senate Committee on Financing.

Engaging a competent appraiser and ensuring appraisal review and appraiser independence were among the topics highlighted in the letter, which stated: "A reliable appraisal is crucial to the entire conservation easement and land donation process. It is therefore extremely important to have this service performed by an appraiser who is competent to do this type of assignment."

The letter goes on to point out that "a number of controversies have arisen as a result of current conditions. For example, inflated contract prices, such as those based on transfers that are not normal arms length sales, have been used to establish inflated value estimates for tax write-off purposes. By contrast, a credible, professionally prepared appraisal presents accurate data in a manner [that] ensures both public trust and compliance with IRS guidelines."

The appraisal groups contend that since there are no requirements for state certified appraisers to be trained in "before and after" easement valuation, "relying solely on state certification as a means to test an appraiser's ability to perform a conservation easement appraisal is inappropriate and could lead to widespread problems in these types of assignments."

Also integral to the integrity of the appraisal is the review process, which the groups called "a complex procedure that requires a full understanding of the appraisal process and related issues." Thus, they urged that reviews be performed by someone who is "properly trained and experienced to perform such tasks" and in accordance with the Uniform Standards of Professional Appraisal Practice.

The groups also used the letter to reiterate their position that USPAP be adopted as the "cornerstone of valuations prepared for the IRS and by IRS reviewers." Currently, the IRS requires contract appraisers and IRS staff reviewers to abide by its Real Property Valuation Guidelines when conducting an appraisal for tax purposes. Also, the agency's current definition of "qualified appraiser" allows individuals to decide for themselves whether they are competent to provide tax-related valuations for specific types of property. "It is feasible for the IRS to adopt USPAP and add Supplemental Standards that the agency believes to be necessary. Many other federal agencies such as the Department of Justice or the Department of Veterans' Affairs have taken this approach. This way, the taxpayer's appraiser and the IRS appraiser would be valuing the property subject to the same set of standards," the letter asserted.

The groups also summarized the issues of data access and the pitfalls of not ensuring appraiser independence. "Appraiser independence is crucial to an objective valuation of land [including] land donations and conservation easements, as appraisers must be allowed to perform their assignments independent from the influence of interested parties, such as the donor," the groups emphasized.

The letter was sent to Sen. Charles Grassley, R-Iowa, Chairman, Senate Committee on Finance, and Ranking Member Sen. Max Baucus, D-Mont. The Committee is currently researching the issue.

For the entire letter, visit www.appraisalinstitute.org/govtaffairs/letrs_tstimny.asp.

Comparable-Sales

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otherwise. But be forewarned: If you're wrong, your house could sit on the market for a long time, and that could make it harder to sell the house later — even after you lower the price — since some buyers are wary of a property that has been on the market too long.

It's also possible you could run into trouble even if you find someone who's willing to pay a higher price for your house. If the buyer needs a mortgage, his or her lender will likely require an appraisal to make sure the property is worth what the buyer is paying. If that appraisal comes out significantly lower than the price you and the buyer agreed upon, the lender might refuse to make a loan for the full amount. That will, in turn, jeopardize the sale.

Indeed, you do have to remember to be realistic about the situation if there's a dispute over your house's value. If a host of other experts are telling you your house isn't worth as much as you thought, they very well could be right. The job of appraisers and real-estate agents "is to be objective and provide realistic market value," says David Barca, a broker at zipRealty Inc., a low-cost real-estate brokerage based in Emeryville, Calif. "Sometimes, as homeowners, we can overstate our perception of market value because some of the things we appreciate about our property have little or no value to a prospective buyer," he says.

It's also worth remembering that many big-ticket improvements you make to a home don't recoup their full cost. In other words, if you've done a lot of work on your house, you shouldn't be surprised if the total expense of that work doesn't show up in the list price when you decide to sell. That's not the fault of appraisers and real-estate agents. Buyers simply aren't willing to reward a homeowner for the total cost of an upgrade. As noted in a past House Talk column ("Should You Remodel Or Move To a New House?"), homeowners can in many cases expect to recoup only between 60% and 80% of the money they spend on home-improvement projects. You might want to consult with a real-estate agent before making any major upgrades to a home if you're worried about not being able to recoup the expense later on.

Using recent comparable-sales results as a basis for determining a home's value is not a precise science, and it can at times lead to some disappointments for sellers. But it's still the best system for estimating values for assets whose prices are dictated by the marketplace. If you think your home is being undervalued, get a second opinion. But if multiple parties agree that the appraised value is close to accurate, you might want to take that into consideration before opting to put the house up for sale at your own, preferred price.

2004 Greater Oregon Chapter Governance

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Calendar of Events 2004

July 16	Course 400 - USPAP Update, Phoenix Inn, Eugene (7 hrs)
Sept. 13-18	Course 530, Marylhurst University, Lake Oswego, OR (40 hrs)
September 23	Course 400 - National USPAP Update, The Riverhouse, Bend, OR (7hrs)
September 24	Land Valuation Adjustment Procedures, The Riverhouse, Bend, OR (7 hrs.)
September 25	Land Valuation Assignments, The Riverhouse, Bend, OR (7 hrs.)
October 28	Portland Subchapter Meeting, MAC Club
October 18-19	Course 410, Marylhurst University, Lake Oswego, OR (16 hrs)
October 20	Course 420, Marylhurst University, Lake Oswego, OR (8 hrs)
November 1-6	Course 310, Marylhurst University, Lake Oswego, OR (40 hrs)
November 18	Portland Subchapter Meeting, MAC Club

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Field Notes
May-June, 2004

Greater Oregon Chapter
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