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Guaranteed to appraise for twice the price

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Guaranteed to appraise for twice the price. We've all heard that advertisement on television for a jewelry store in the area. How many of us believe it? How many of us just pass it off as harmless advertising? After all, who would believe it? How could it possibly be true?

Most of us take it as an outright lie. Many ask "how can they get away with such an exaggeration?". But the ad is still on TV. Unfortunately, at least some people believe advertisements that just can't possibly be true.

So, is it any wonder that when a real estate appraisal is a few percentage points too high, no one is concerned? And when the results of that appraisal serves as a comparable for the next transaction, inflated values become expected. And so on, and so on. After 14 years of real estate price appreciation, we shouldn't be surprised that the market is taking a breather - unless, of course, we honestly believe that something can possibly appraise at twice the price.

The Massachusetts Legislature and the U.S. Congress are now scrambling to protect the financial system from a total collapse. Each day, the financial press has another story about how an unwitting investor has unknowingly invested in sub-prime mortgages. Most recently, the state of Florida discovered that the state employees' pensions are invested in a fund that won't allow them to get their money out because so many other investors have made a panicked run for the exits.

Despite all this bad news, and all that is being done to rescue homeowners and financial institutions, we still hear advertisements about how some company can help homeowners refinance their way out of their excessive debt. Each day, we can see a new segment on T.V. about making a quick twenty percent by "flipping" houses in our spare time. In these shows, whole houses are renovated in a week by amateurs on a budget of \$5,000. Those images we see every day are supposed to convince us that its easy to make a fortune in real estate and there's always a sucker ready to buy in at an inflated price. The sellers are supposed to believe it, and the buyers are supposed to believe it, but the bankers and the appraisers shouldn't. People can't borrow their way to prosperity. And appraisers shouldn't assure them that they will help. Nothing can be guaranteed to appraise for twice the price.

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