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## **View from the edge: Time to enjoy simpler things in life**

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Life certainly has gotten simpler with the recession in full swing. I have learned to enjoy the simple, but meaningful, things in my little corner of the world. When a client called the other day and asked, "How are you?" I responded, "I'm great. I can make my March rent payment." And, I truly meant it. My client responded with, "They haven't told me not to show up, so I guess I still have a job." And, my client really meant it. The things we took so much for granted before the recession - the ability to pay the rent and a job - are now things to be thankful for. My client and I both understand that many people are not in such enviable positions.

The world appears to be in the midst of a perfect economic storm, the seeds of which were sown a number of years ago when a Wall St. guru realized that residential mortgages had a very low default rate and reasoned that bundling mortgages together and selling them as low-risk securities to investors had great money making potential. The demand for these securities was so high, that to meet the demand for this new product, very risky practices became the norm.

These practices included undue appraisal pressure that resulted in inflated home values, sub-prime loans, NINA (no income, no assets) loans that did not require the borrower to show proof of income or assets, and Pick-a-Pay loans where borrowers picked the monthly payment they wanted to make with any deficiency of principal and interest just added onto the balance of the loan. According to one broker, if you had a pulse, you could get a mortgage. Based on documentaries that explore our current economic woes, brokers were making loans to people they knew were unable to repay, but the brokers made the loans anyway due to the profits they were making.

What resulted were several years of refinancing and home buying frenzy. Some owners extracted equity from their asset and used their home as ATM machines to pay for vacations, new cars, home improvements, and the like. In markets where houses were appreciating at 10%, 15% or more a year, any problem with a mortgage could be overcome by selling the property at a price higher than the mortgage amount. But when home values began to decline, big trouble followed. We are all suffering from the aftermath.

Another theory speculates that our economy runs on two different cycles: a short term cycle of about four years in duration and a long term cycle of 35 years. According to this theory, we are at the downturn of the four year cycle and the downturn of the 35 year cycle, which was also the case during the Great Depression as well as the 1970s.

The idea that we are in a depression with a small "d" is beginning to surface. One definition describes a depression as three years (12 quarters) or more of negative growth with more than a 10% decrease in economic output and an unemployment rate in excess of 10%. We are not quite at this level, but we could very well be on our way.

Our politicians are hard at work trying to figure a way out of this economic turmoil. My fear about all this political activity is the unintended consequences, particularly of the Home Valuation Code of Conduct (HVCC ) which may actually lower the quality of appraisals by putting an emphasis on turn-around time and cost versus quality. Another fear is the cost of government involvement in the economy creating tremendous tax burden in the years ahead. Throwing money at the problem is not necessarily going to solve the problem. The problems are complex and have been created over a long period of time.

I do know that life goes on, that we will survive this downturn whether it is a recession or depression and that prosperity will once again come our way. It just takes time. In the meantime, I will continue to enjoy the simpler things in life.

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