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## **Perspectives on Appraising**

**Jerry L. Jordan**  
President and Chief Executive Officer  
Federal Reserve Bank of Cleveland

Training Seminar:  
**Appraising Residential Properties in Cleveland Neighborhoods**  
presented by  
The Greater Cleveland Residential Mortgage Credit Project

Convocation Center  
Cleveland State University  
**Wednesday, September 11, 1996**  
8:30 a.m.

**Background Notes:**

There will be about 160 people in the audience, including 100 appraisers, 20 people from real estate firms who probably do some appraising, 20 people involved in the Cleveland Residential Housing and Mortgage Credit Project, and 20 representatives of community organizations.

Bud Burkle will introduce you.

You have 15 minutes on the agenda. Barbara Grothe says it would not be a problem if you used less time.

Q & A is not needed following your remarks.

You do not need to describe the program for the day, nor serve as host.

After you speak, either Bud Burkle or Barbara Grothe will thank you and then introduce the next speaker.

**Attachments:**

Agenda

Letter to you from Barbara Grothe

Flyer announcing the program

Letter to CEOs encouraging them to have their appraisers attend the program

Letter from National City to their appraisers

Report of the Appraisal Task Group

Directory of Cleveland's Neighborhoods (to be distributed to seminar participants)

## **Outline of Talking Points**

### **A. Welcome**

1. Thank you, Bud.
2. I'd also like to welcome all of you to today's program.
3. I'm pleased to see such a strong turnout, because the work to be done here today is important.
4. I'd like to congratulate Barbara Grothe, Program Director at the Cleveland Roundtable, for organizing today's event, and Rick Edlund of Ohio Savings Bank, who did a terrific job as chairman of the group that planned the actual training.
5. Also, I'd like to recognize Tony Willis, who was chair of the original Appraisal Task Group, and who is one of your instructors for today.
6. In addition, I want to acknowledge the contributions of:
  - The Cleveland Department of Community Development.
  - The Cleveland City Planning Commission.
  - The Northern Ohio Data and Information Services Department at the Urban Center of Cleveland State University.
7. The Appraisal Institute facilitated the process of obtaining State Continuing Education Credit.
8. Now, I want to take a few minutes to put today's session in perspective.

## **B. Background on the Cleveland Project**

1. Today's session is part of the Greater Cleveland Residential Housing and Mortgage Credit Project.

2. Origin:

- a. The Cleveland Project was started just about three years ago.
- b. A study generated evidence of racially based bias in the home buying and financing process in Boston.
- c. There was a suggestion that a similar study should be done in Cleveland.
- d. Rather than do another study, it was agreed that it made more sense to assume that a study here would also indicate that bias exists, even though everyone involved in building, selling, buying, and financing homes will say that there should be no discrimination.
- e. Instead of commissioning another study, a group of Cleveland business and community leaders agreed to become part of the solution to this difficult problem. They believed that committed people can make a difference.

3. Sponsors:

Four local organizations stepped forward to be catalysts for action by the private sector by sponsoring the Cleveland Project. They are:

Greater Cleveland Roundtable

Cuyahoga County Department of Economic Development

Ohio Civil Rights Commission

Federal Reserve Bank of Cleveland

#### 4. Philosophy

The philosophy of the Cleveland Project is a good example of belief in the private sector's ability to come together and reach mutually satisfactory solutions to community problems. Some ground rules were adopted:

- a. Participation was to be voluntary.
- b. Solutions were not to result in new laws or regulations.
- c. There was to be no finger pointing, no name calling, and no use of the news media to push some group's agenda.
- d. A cross section of professionals from the local housing industry, including lenders, appraisers, real estate brokers, title firms, etc., was to be the source of ideas, not some outside "experts."
- e. The emphasis was to be on finding and implementing practical action steps, not making just another academic study that would gather dust on a shelf.

#### 5. Propagation of a Good Idea

- a. This *process*, developed in Cleveland, is now being utilized in some other cities:
- b. Cincinnati.
- c. Federal Reserve Banks of Boston, New York, Chicago, St. Louis, and San Francisco.
- d. Just yesterday, Community Affairs staff from the Cleveland Fed met with a state senator, the mayor of Akron, and community leaders to discuss using the same *process* to identify and remove impediments ("sand in the gears") from the system through which credit worthy small businesses in the Akron area obtain access to capital.
- e. Also, the Federal Reserve Bank of Cleveland is now working with COSE in Cleveland

to initiate a project to improve access to capital for small businesses.

## 6. Progress Thus Far

- a. Seven task groups have studied the areas of appraising, initial contact with real estate agents, initial contact with lenders, secondary market issues, private mortgage insurance, property insurance, and the credit reporting process. Each task group has made specific recommendations for improvement actions.
- b. We are now in the implementation phase. Committees are developing specific actions to follow through on the recommendations.
- c. For example, today's training session is a direct result of a recommendation made by the Appraisal Task Group.
- d. Surveys of housing industry professionals who have participated in the Project show that their experience with the Project has been overwhelmingly positive.
- e. Participants have expanded their network of business contacts and information sources, as you will have a chance to do today, particularly at the luncheon. [Note to Jerry: Table seating at lunch will be organized so that appraisers will have the opportunity to meet leaders of community development corporations, who can be sources of information about neighborhoods.]

**C. Today's Seminar is a Good Example of the Cleveland Project's Philosophy**

1. Having this training seminar is a good example of the way things are supposed to work.

- a. It is action, not words. It is an important, tangible step in the overall process.
- b. It is local. Local professionals are working together to find local solutions to a local problem. The training was planned by representatives of five local associations of professional appraisers:

American Society of Appraisers, Akron/Cleveland Chapter

Appraisal Institute, Northern Ohio Chapter

Cleveland Area Board of Realtors

National Society of Real Estate Appraisers

National Association of Independent Fee Appraisers, Cleveland Chapter

- c. It is voluntary. It is being accomplished with no new laws, no new regulations, no instructions from Washington, which means it will be faster, more efficient, and more effective.

2. As you can see from today's large attendance, this local effort at self improvement has strong support from the local appraisal industry.

**D. Importance of Appraising for a Healthy Community**

1. Appraisers play a key role in the economic health of neighborhoods.
- 2 Appraising is more difficult in some urban neighborhoods, where there is a mixture of properties. There is both single family and multi family housing, and some might be vacant or deteriorating while others are being renovated. Sometimes there is new construction mixed in.
3. An appraisal that is well below true market value:
  - a. Harms the purchaser by preventing him from getting credit to make the purchase.
  - b. Harms the seller by making it difficult to sell, or forcing him to sell at less than true value.
  - c. Harms the lender by causing them to miss out on a good lending opportunity.
  - d. Harms the neighborhood because the reduced selling price, or the lower appraisal, will be used in making appraisals of for nearby homeowners seeking home equity loans or home improvement loans, making it more difficult for them to maintain or improve their properties.

**E. Concluding Comments**

1. Let me conclude by again thanking and congratulating everyone involved in this important work.
2. I hope you have a very productive day.