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The Wisconsin Chapter MESSENGER

http://www.wisai.com OCTOBER 2009

PRESIDENT'S COLUMN

Steven Stiloski, MAI, CCIM

The pace of bank failure is increasing. Twenty-one banks failed in the first quarter, while 46 banks went out of business in the third quarter. The Federal Deposit Insurance Corp.'s confidential "problem list" of weak institutions jumped to a 15-year high of 416 as of June 30, up from 305 three months earlier.

So far there have been 95 bank failures in the United States this year. Bank analyst Dick Bove predicts 150 to 200 additional bank failures during this business cycle. Analyst Meredith Whitney believes more than 300 will go down.

To put the foregoing into context the S&L crises of the late 1980s and early 1990s produced 745 bank failures that cost the taxpayer $124.6 billion. Alan Binder, former vice chairman of the Federal Reserve, estimates that the current financial crises will cost taxpayers $600 billion.

As a response to this crisis the Federal Reserve is ramping up its scrutiny of regional banks' exposure to the commercial real estate market. It was reported that the Federal Reserve is conducting more intense reviews of banks' commercial real estate lending practices and comparing exposure among various banks.

The Federal Reserves new found regulatory teeth provides a nice counterpoint to the first meeting of the Financial Crisis Inquiry Commission held on September 17th. The Financial Crisis Inquiry Commission was created to investigate the causes of last year's financial collapse. The 10-member, bipartisan commission has a budget of $5 million and instructions to submit findings to lawmakers by December 2010. Of course that date is long after Congress hopes to have new regulations in place for preventing another Wall Street meltdown. Given the poor timing, I don't expect any bombshells from the commission that will shake the financial system. As appraisers I think the best we can hope for is a recommendation for a continued separation of our function from loan production.

All of this comes at a time when there has not been one new commercial mortgage backed security (CMBS) issued in 2009. Combine the frozen CMBS market with an estimated $185 billion in CMBS loans due to mature between 2010 and 2012, increased regulatory oversight on bank lending practices, and a continued focus on the financial industry and all its bad actors all equals an opportunity for competent real estate appraisers.

Now more than ever the banks need well supported opinions of value because the regulators will be requiring them. As members of the Appraisal Institute you are better prepared than anyone to capitalize on this opportunity. You are the best real estate analysts in the market and your work should demonstrate it.

Obviously the regulatory pendulum has swung the way of the appraisal profession. Appraisers aren't necessary to a financial transaction. Government regulation requires an appraisal, so if your practice depends on working for financial institutions you should be in favor of watchdogs. Preferably, watchdogs that are awake and have teeth.

To maximize this opportunity I recommend greater involvement with the Appraisal Institute. If you belong to the Realtor's appraiser group and take their classes/seminars for continuing education be aware that the real estate broker's interests aren't the same as yours. The broker needs a deal to close. The appraiser needs to render a supported opinion of value. Sometimes the two needs match and sometimes they don't. The Appraisal Institute represents your interests as an appraiser with no conflict of interest.

Also, there should be new interagency guidelines issued by the end of the year. The new guidance applies to all real estate lending functions

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Office Hours:
8:00 a.m. - 5:00 p.m. Monday - Friday

TREASURER'S REPORT

The Chapter funds as of 9/30/09 are:

Primary Checking Account:	$9,382.22
Money Market Account:	$10,159.35
CD Account-1:	$19,692.35
CD Account-2:	$35,268.36
Total funds balance:	$74,502.28

PRESIDENT'S MESSAGE
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within a federally regulated institution, including commercial and residential lending departments, capital market groups, and asset securitization and sales units. Revisions in the proposal address:

- Details on the agencies' expectations for an independent appraisal and evaluation function.
- Greater explanation of the agencies' minimum appraisal standards, including clarification of requirements for appraisals of residential tract developments.
- Revisions to the Uniform Standards of Professional Appraisal Practice, which are incorporated by reference in the agencies' appraisal regulations.
- Risk-focused appraisal and evaluation reviews separate and apart from an institution's compliance function.
- New appendices-Appendix A provides further clarification on real estate transactions that are exempt from the agencies' appraisal regulations; Appendix B addresses acceptable evaluation alternatives and use of automated valuation models; and Appendix C contains a new glossary of terms.

Finally, the Appraisal Standards Board (ASB) is seeking comments on the reporting standards contained in the current Uniform Standards of Professional Appraisal Practice (USPAP). If you would like to make a comment you can find the ASB's questions at the following link:

http://www.appraisalfoundation.org/s_appraisal/bin.asp?CID=142&DID=1382&DOC=FILE.PDF

These are fun times to be an appraiser. I hope all of you are doing well but still making time to enjoy yourself and your families. We have some great seminars coming this fall and I look forward to seeing you there.

Thank you for your time and I wish you all well,

Steve Stiloski, MAI, CCIM
President - Wisconsin Chapter of the Appraisal Institute

"No problem can be solved from the same level of consciousness that created it." - Albert Einstein

BOARD MEETING MINUTES

September 21, 2009

President Steven G. Stiloski called the meeting to order at 5:35 pm at the office of Wisconsin Association Management, 11801 W. Silver Spring Drive, Milwaukee, WI.

Members Present
Jason Teynor, Steve Lauenstein, Dave Wagner, Mike Brachmann, Detlef Weiler, Linda Verbecken, Dominic Landretti, David Thill, Tim Warner, Elizabeth Goodman, Katie Thompson, Cheryl Dodson, Bruce Perchik, Steve Stiloski and Tom Swan via telephone.

Secretary's Report
The minutes were approved after clarification of the first sentence of paragraph five on the second page of the secretary's report to read "The chapter had votes on nominating committee changes under Reg. 8 accepting two annual membership meetings". (motion, Warner, 2nd Dodson).

Treasurer's Report
January through August 2009 financial statements were presented and discussed. A downward trend in the Chapter's assets was discussed and it was suggested that losses from some week-long course offerings was a factor in the continued decline in the Chapter's cash position. The treasurer's report was approved unanimously (motion, Perchik, 2nd Goodman).

Education Report
Education committee member Katie Thompson gave the Board an overview of recent and upcoming course offerings. Chris Ruditys presented the results of a recent survey completed by Chapter members regarding future courses and seminars. The Board discussed decreasing the number of week-long classes in 2010 and offering more one day classes and seminars.

Legislative Update
Linda Verbecken gave a brief update on a proposal by State Senator Jeff Plale (District 9 - Milwaukee) who is circulating draft legislation that would support mandatory licensing for appraisers.

Ed Potter, associate member has been nominated and will likely become the next Licensed member of the Wisconsin Dept. of Regulation and Licensing Real Estate Appraisers Board.

New Business
Jason Teynor suggested scheduling social networking events in various locations throughout the State to encourage more interaction among members. Several board members offered ideas regarding possible activities and locations. The purpose for holding social networking events would be to create opportunities for more appraisers to get to know one another and provide more opportunities for non-members to become acquainted with the Chapter and perhaps consider joining. Jason Teynor will bring a list of ideas for possible social events to the next board meeting.

Mike Brachmann gave a presentation about updating the Chapter website. The presentation included sample websites designed by the Appraisal Institute. The Board agreed that it is time to update the Chapter's website and agreed to allocate $1,000 toward redesigning the website by the end of the year (motion Warner, 2nd Perchik).

Other Business
There was discussion about LDAC including placing a cap on reimbursement to participants and asking larger firms to sponsor participants. The Board discussed sending three participants in 2010.

Steve Stiloski encouraged members to submit comments on the proposed changes to USPAP before the comment period ends.

Adjournment
Motion by Mike Brachmann, 2nd by Tim Warner to adjourn the meeting at 7:03 pm, motion carried.

Respectfully Submitted,
Tom Swan
Secretary, Wisconsin Chapter of the Appraisal Institute

2009-10 UPCOMING COURSES & SEMINARS

For more information on each offering and
TO REGISTER, please go to:
http://www.appraisalinstitute.org/education/Wisconsin

Date	Course/Seminar
December 3, 2009	*Year-in-Review Symposium* (3 Hours)
February 4, 2010	*Hotel Appraising - New Techniques for Today's Uncertain Times* (7 Hours) & *Past President's Dinner*

More Courses/Seminars to be added at a later date. Stay tuned!

All seminars/courses will be offered at WCAI's facility located at 11801 W. Silver Spring Drive, Suite 200, Milwaukee, WI 53225.

QUESTIONS?
Please call the WCAI office at (414) 271-6858
or visit www.wisai.com.

Specific dates and locations will be published as they become available.

YEAR IN REVIEW SYMPOSIUM

Join professionals in the appraisal and real estate industries as they recap the year 2009.

The Wisconsin Chapter of the Appraisal Institute is pleased to once again present the **Year In Review Symposium** on **Wednesday, December 3rd** at the WCAI Office from 12:30-3:30 p.m. The Annual Holiday Party will take place after the symposium from 3:30-4:30 p.m.

This year's speakers are:

Russ Kashian, UW-Whitewater Professor
Keynote Speaker

Dan Cohen, Mid-America Real Estate—Wisconsin, L.L.C.
Retail Market

Todd Delahunt, The Nicholson Group LLC
Industrial Market

Stephen C. Lauenstein, MAI, Lauenstein & Associates
Multi-Family & Condo Market

Jody Nelson, CPM, NAI MLG Commercial
Office Market

Brian Parrish, The Dickman Company
Industrial Market

Richard Ruvin, Najr Properties
Multi-Family & Condo Market

Steve Stiloski, CCIM, MAI, Commercial Property Consultants
Office Market

S. Steven Vitale, MAI, Vitale Realty Advisors, LLC
Retail Market

This symposium has been approved for 3-hours of Appraisal Institute continuing education credit.

Sponsored by: M&I BANK

AS SUBPRIME LENDING CRISIS UNFOLDED, WATCHDOG FED DIDN'T BOTHER BARKING

By Binyamin Appelbaum
Washington Post Staff Writer
Sunday, September 27, 2009

The visits had a ritual quality. Three times a year, a coalition of Chicago community groups met with the Federal Reserve and other banking regulators to warn about the growing prevalence of abusive mortgage lending.

They began to present research in 1999 showing that large banking companies including Wells Fargo and Citigroup had created subprime businesses wholly focused on making loans at high interest rates, largely in the black and Hispanic neighborhoods to the south and west of downtown Chicago.

The groups pleaded for regulators to act.

The evidence eventually led Illinois to file suit against Wells Fargo in July for discrimination and other abuses.

But during the years of the housing boom, the pleas failed to move the Fed, the sole federal regulator with authority over the businesses. Under a policy quietly formalized in 1998, the Fed refused to police lenders' compliance with federal laws protecting borrowers, despite repeated urging by consumer advocates across the country and even by other government agencies.

The hands-off policy, which the Fed reversed earlier this month, created a double standard. Banks and their subprime affiliates made loans under the same laws, but only the banks faced regular federal scrutiny. Under the policy, the Fed did not even investigate consumer complaints against the affiliates.

"In the prime market, where we need supervision less, we have lots of it. In the subprime market, where we badly need supervision, a majority of loans are made with very little supervision," former Fed Governor Edward M. Gramlich, a critic of the hands-off policy, wrote in 2007. "It is like a city with a murder law, but no cops on the beat."

Between 2004 and 2007, bank affiliates made more than 1.1 million subprime loans, around 13 percent of the national total, federal data show. Thousands ended in foreclosure, helping to spark the crisis and leaving borrowers and investors to deal with the consequences.

Congress now is weighing whether the Fed should be fired. The Obama administration has proposed shifting consumer protection duties away from the Fed and other banking regulators and into a new watchdog agency. That proposal, a central plank in the administration's plan to overhaul financial regulation, is opposed by the industry and faces a battle on Capitol Hill.

The Federal Reserve is best known as an economic shepherd, responsible for adjusting interest rates to keep prices steady and unemployment low. But since its creation, the Fed has held a second job as a banking regulator, one of four federal agencies responsible for keeping banks healthy and protecting their customers. Congress also authorized the Fed to write consumer protection rules enforced by all the agencies.

During the boom, however, the Fed left those powers largely unused. It imposed few new constraints on mortgage lending and pulled back from enforcing rules that did exist.

The Fed's performance was undercut by several factors, according to documents and more than two dozen interviews with current and former Fed governors and employees, government officials, industry executives and consumer advocates. It was crippled by the doubts of senior officials about the value of regulation, by a tendency to discount anecdotal evidence of problems and by its affinity for the financial indus-

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AS SUBPRIME LENDING CRISIS UNFOLDED, WATCHDOG FED DIDN'T BOTHER BARKING

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try.

Fed Chairman Ben S. Bernanke testified before Congress this summer that the Fed has protected consumers with renewed vigor in recent years, writing new rules and responding to problems more quickly. The Fed has avoided a public position on the new agency, but Bernanke has testified that Congress instead could choose to strengthen the Fed's responsibilities.

An Industry Rises

Subprime mortgage lending sneaked up on the Federal Reserve.

Most subprime affiliates began life as independent consumer finance companies, beyond the watch of banking regulators. These firms made loans to people whose credit was not good enough to borrow from banks, generally at high interest rates, often just a few thousand dollars for new furniture or medical bills. But by the 1990s, thanks to big changes in laws, markets and lending technology, the companies increasingly were focused on the much more lucrative business of mortgage lending.

As profits soared, hundreds of banking companies took notice, buying or creating finance businesses for themselves. Consumer advocates demanded that regulators take notice, too.

The advocates amassed evidence of abusive practices by lenders, such as Fleet Finance, an affiliate of a New England bank that eventually paid the state of Georgia $115 million to settle allegations that it charged thousands of lower-income black families usurious interest rates and punitive fees on home-equity loans. The National Community Reinvestment Coalition pressed the Fed to investigate allegations against other affiliates.

On Jan. 12, 1998, the Fed demurred. Acting on a recommendation from four Fed staffers including representatives of the Philadelphia, St. Louis and Kansas City regional reserve banks, the Fed's Board of Governors unanimously decided to formalize a long-standing practice, "to not conduct consumer compliance examinations of, nor to investigate consumer complaints regarding, nonbank subsidiaries of bank holding companies."

The Fed could balk because Congress had allowed the laws governing the financial industry to become outdated.

Banks and the companies that own them, known as holding companies, have long operated under federal oversight. But a growing share of loans were made by companies that competed with banks, such as consumer finance firms. The money they gave to borrowers came from Wall Street rather than depositors. As a result, those firms operated beyond the authority of banking regulators, and Congress did not task anyone else with oversight.

The Fed Board decided that even when a nonbank was purchased by a bank holding company, the Fed still lacked authority to police its operations.

Fed staff recommended that it continue to investigate complaints from Congress, which oversees the central bank's performance as an industry regulator. Everything else was passed to the Federal Trade Commission, which has law-enforcement powers but neither the authority nor the resources to oversee the fast-growing industry.

The Fed's hands-off policy was quickly criticized by other parts of the federal government.

A 1999 report by the General Accounting Office warned that the Fed's decision created "a lack of regulatory oversight," because the Fed alone was in a position to supervise the affiliates.

"If the Fed really wants to take action against predatory lending, here is a clear opportunity," John Taylor, president of the National Community Reinvestment Coalition, told Congress after the report was issued.

A 2000 joint report on predatory lending by the Treasury Department and the Department of Housing and Urban Development made a similar recommendation. The report said the Fed clearly had the authority to investigate evidence of abusive lending practices, and urged a policy of targeted examinations.

Even inside the Fed, there was dissent. Gramlich was starting to express concern about predatory lending in his public speeches. He had voted for the hands-off policy in 1998, but by 2000 concluded that the Fed could demonstrate leadership by subjecting the lending affiliates to examinations. "A good defense against predatory lending, perhaps the best defense society has devised, is a careful compliance examination for banks," Gramlich later told a 2004 meeting of bankers in Chicago.

Alan Greenspan, then chairman of the Fed, recalled that Gramlich broached the subject at a private meeting in 2000. Greenspan said that he disagreed with Gramlich, telling him that such inspections would require a vast effort with no certainty of results, and that the Fed's involvement might give borrowers a false sense of security.

Gramlich did not press the issue. Years later, in 2007, after an account of the meeting appeared in newspapers, he sent Greenspan a note that read in part, "What happened was a small incident, and as I think you know, if I had felt that strongly at the time, I would have made a bigger stink."

Unchecked Growth

After the Fed's decision, several of the largest bank holding companies added finance arms, expanding into the regulatory vacuum.

In March 1998, First Union bought the Money Store, a California lender with a ziggurat for a headquarters, ads featuring baseball Hall of Famers Jim Palmer and Phil Rizutto, and a catchy phone number: 1-800-LOAN-YES.

"Thank goodness you can buy all of the things you need with a fixed-rate second mortgage loan," Rizutto told audiences.

In April 1998, Citibank announced a merger with Travelers and its finance arm, which was renamed CitiFinancial. Two years later, Citigroup added the nation's largest consumer finance company, paying $31 billion for Associates First Capital. Both the Justice Department and the FTC were investigating Associates for abusive lending practices, but Citi executives promised reforms. In 2002, the company agreed to pay the FTC a record fine of $215 million to settle allegations that Associates had "engaged in systematic and widespread deceptive and abusive lending practices."

The last of the large finance companies was also snapped up in 2002, as HSBC agreed to pay $14 billion for Household International. The Chicago firm described itself as the nation's oldest finance company and boasted in its corporate history that it pioneered direct-mail loan solicitations in 1896. More recently, it had become the subject of a massive investigation by state attorneys general who charged that it routinely misled borrowers about the true cost of refinance loans. Immediately before announcing its deal with HSBC, Household agreed to pay $484 million to settle those charges.

By 2004, the consumer finance industry had largely been folded into the banking industry, and the finance arms of bank holding companies were making at least 12 percent of all mortgage loans with high interest rates, according to data reported by lenders under the Home Mortgage Disclosure Act.

The rapid growth of subprime lending by affiliates renewed the interest of the GAO, which repeated its call for the Fed to examine affiliates in a 2004 report on shortcomings in federal efforts to combat predatory lending. The report noted the FTC investigations of Fleet Finance and Associates as reasons for concern.

"The significant amount of subprime lending among holding company subsidiaries, combined with recent large settlements in cases involving allegations against such subsidiaries, suggests a need for additional scrutiny and monitoring of these entities," the GAO said.

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AS SUBPRIME LENDING CRISIS UNFOLDED, WATCHDOG FED DIDN'T BOTHER BARKING

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This time, the GAO suggested that Congress clarify the question of legal authority to address the Fed's concerns.

A response letter signed by Gramlich, who died in 2007, said the Fed had all the authority it needed if it wanted to act. "The existing structure has not been a barrier to Federal Reserve oversight," he wrote.

Five months later, the Fed took its first public enforcement action against an affiliate, fining Citigroup $70 million. In settling the FTC's earlier charges, Citigroup had agreed to a number of reforms. The Fed found that some practices had continued in violation of that commitment, and that employees had misled regulators.

Fed officials cite the fine as evidence that the agency was able to protect consumers without conducting regular examinations. Consumer advocates took the opposite lesson: Despite finding that a major affiliate was violating consumer protection laws, the Fed still was refusing to create a reliable system for identifying other abuses.

The Citigroup case remains the Fed's only public enforcement action against a lending affiliate.

Retreat From Oversight

The Fed's reluctance was part of a broad governmental retreat from oversight of the financial industry. Greenspan and many politicians in both parties saw regulation as a blunt instrument that often deprived more people than it protected.

"There was a long period when things were going very well and regulation was viewed as something that got in the way," said Alice Rivlin, the Fed's vice chairman from 1996 to 1999 and now a fellow at the Brookings Institution.

The Fed also minimized repeated warnings about mortgage lending abuses in part because it was an institution dominated by big-picture economists focused on the health of the broader economy rather than the problems faced by individual borrowers.

Greenspan said in an interview that he did not think the Fed was suited to policing lending abuses because of its focus on broader issues, but he added, "I'm not sure anyone could have done it better." He said the administration's plan to create a consumer protection agency was "probably the right decision."

Throughout the lending boom, consumer advocates trooped regularly to the Fed's monumental marble headquarters on Constitution Avenue to offer specific accounts of abuses in financial transactions. But what seemed powerful to advocates often was dismissed as anecdotal by regulators.

"The response we were getting from most of the governors and the staff was, 'All you're able to do is point to the stories of individual consumers, you're not able to show the macroeconomic effect,' " said Patricia McCoy, a law professor at the University of Connecticut who served on the Fed's consumer advisory council from 2002 to 2004. "That is a classic Fed mindset. If you cannot prove that it is a broad-based problem that threatens systemic consequences, then you will be dismissed."

As the anecdotes piled up, so did the frustration of advocates. By refusing to conduct examinations of lending affiliates -- by refusing to look systematically -- the Fed was basically preventing itself from finding systemic problems.

"I stood up at a Fed meeting in 2005 and said, 'How may anecdotes makes it real?' " said Margot Saunders of the National Consumer Law Center's Washington office. "How many tens or thousands of anecdotes will it take to convince you that this is a trend?' "

The Boom, the Burden

As the great housing boom soared toward its cataclysm, lending abuses became increasingly hard to ignore.

The Fed's Board of Governors had voted in 2002 to require more detailed annual reports from mortgage lenders. When the first data were released in the fall of 2005, they confirmed that the largest banking companies had developed split personalities. The banks, subject to regular scrutiny, mostly made loans at market rates and concentrated their lending in white, suburban neighborhoods. The unwatched subprime affiliates mostly made loans at high rates and concentrated their lending in minority neighborhoods.

Wells Fargo Bank, for example, charged high interest rates on only 9 percent of its loans between 2004 and 2007. Wells Fargo Financial, which used the same stagecoach logo and the same red-and-yellow color scheme, charged high rates on 80 percent of its loans during the same period. The disparities were similar at Citigroup and HSBC.

Nationwide, the data showed that black borrowers making more than $100,000 were charged high rates more often than white borrowers making less than $40,000.

The three companies have all said they complied with lending laws and that race was not a factor in their decisions.

Wells Fargo said that it complied with all relevant laws, and it is contesting the Illinois lawsuit. The company merged its subprime affiliate into its bank last year.

"We served customers across the United States regardless of their race. Our pricing and underwriting simply doesn't factor race into the equation at all," David Kvamme, president of Wells Fargo Financial, said in an interview. "We were regulated on a consistent basis by the states, and the states looked deeply into our compliance with all laws including consumer protection laws."

Consumer advocates used the data to press their case for increased regulation.

At the end of the March 2007 meeting of the Fed's consumer advisory council, during a slot reserved for presentations, two longtime advocates confronted the Fed's governors and staff with a study showing lending disparities in six cities including New York and Chicago.

"We thought it was pretty convincing evidence of discrimination," recalled one of the presenters, Sarah Ludwig of the Neighborhood Economic Development Advocacy Project, based in New York. "And afterward I remember nobody asking a question. I remember nobody making eye contact. Nobody called me from the Fed afterward saying, 'Let's talk about it.'"

"We thought it was incredibly important and we weren't seeing much of a response," she said.

Finally, as the housing market, then the financial system, then economy came crashing down, the reluctance to regulate started to fade away.

Bernanke asked the Fed's lawyers to revisit their concerns and, in July 2007, the Fed announced a pilot program to examine a few subprime affiliates.

This summer, pronouncing itself satisfied with the results, the Fed announced it would launch regular consumer compliance examinations.

"In looking at our responsibility to enforce these consumer laws we believe a somewhat more proactive stance is justified," Bernanke told Congress.

The Fed also said it will begin to investigate consumer complaints.

This is the first in an occasional series of articles about the record of the Federal Reserve.

THE BAILOUT AND FALLOUT: ADDING UP THE COSTS

by John Ydstie
September 15, 2009

The U.S. government committed trillions of dollars to fight the financial crisis - propping up ailing banks, rescuing U.S. automakers and providing credit for everything from mortgages to small-business loans. But totaling up the cost of the government's effort to rescue the U.S. economy is a bit daunting. It depends on a lot of things, including:

- how fast the economy recovers,
- how many banks pay back the Treasury's TARP money,
- how much the Fed will get for dicey mortgage-backed securities it bought from Fannie Mae and Freddie Mac, and
- whether Chrysler sinks or swims.

It's daunting. But Alan Blinder, former vice chairman of the Federal Reserve, has an educated guess: "Hundreds of billions, I would say. I have a hard time guessing what the first digit will be." Pressed, Blinder says the direct costs of the bailout will be less than $500 billion. Blinder, now a Princeton economist, says the government will most likely have losses on Fannie Mae and Freddie Mac, on AIG and on its loans to the auto industry.

The nonpartisan Congressional Budget Office generally agrees with Blinder's assessment. It hasn't made an official estimate of the cost, but in its August update the CBO predicts the Treasury's TARP program - which rescued banks, auto companies and homeowners - will lose more than $200 billion. It estimates the takeover of Fannie and Freddie could cost almost $400 billion. That would put the total cost of the bailout at about $600 billion - slightly higher than Blinder's estimate.

Understanding Taxpayer Liabilities

What about the trillions of dollars the Federal Reserve has committed to the rescue? The CBO suggests that the Fed's activities may not cost taxpayers anything. Vincent Reinhart, a former Fed official who is now at the American Enterprise Institute, agrees: "I think the direct cost to the taxpayers of the Federal Reserve's involvement in markets is not going to be very big."
That's because the Fed's activities involve lending, not spending, and the Fed requires collateral for its loans. Some of the collateral isn't worth much. The Fed, however, charges fees and interest on the trillions it has lent. The income from that is likely to offset any losses.

There's also the roughly $100 billion the Federal Deposit Insurance Corp. may have to put up to rescue failing banks. The FDIC's first line of defense is its insurance pool, which is funded by premiums from banks. That fund is running out of money, though, so taxpayers will probably have to step up - just as they did during the savings and loan crisis of 20 years ago, says Blinder.

"The taxpayer basically fronted the money and then the FDIC levied gradual assessments on banks over probably a decade and a half to pull that money back into the fund," he says. "I would guess something like that happens again." So the taxpayers may not lose money from the FDIC's activities either.

What's The Damage?

If you total it up, the bailout - the cost of rescuing the financial system - could run taxpayers around $600 billion.

But, sad to say, that's not the whole bill, says Blinder. "The bigger cost is the net loss to the economy of this recession, which is in the trillions. People should remember that."

As President Obama said Monday, there's the bailout and then there's the fallout - the cost of the longest, deepest recession since the Great Depression. The first thing to consider here is the nearly $800 billion stimulus package enacted to fight the recession. Add in an additional $200 billion to pay higher unemployment and food stamp benefits, and you're pushing $1 trillion. Put together those fallout costs and the bailout costs, and the total bill for taxpayers is likely to be more than $1.5 trillion.

But it doesn't stop there. You can't ignore the trillions of dollars of wealth that evaporated as homes and retirement accounts plummeted in value. Of course, some of that will be restored as the markets move higher and the economy starts growing again. But Mohamed El-Erian, the CEO of the big investment firm PIMCO, says don't expect a quick return to the heady days of a few years ago.

Slower Growth

"In this new world - what we call the new normal - economies will grow less rapidly," Erian says. "It's going to take us a long time to work our way out of this crisis. And therefore, the ability of the U.S. economy to create jobs is going to be less than it has been in the past."

Among those hurt most will be young people, he says, adding: "And I think of that every day when I look at my daughter in terms of what her generation is going to inherit because of this crisis"

In addition to a tougher time finding jobs, Erian says, the next generation is likely to face rising taxes or higher inflation if the country chooses to simply add the cost of this crisis to the national debt. He says Americans will also pay a price for the world's loss of confidence in American markets. Those costs could haunt the United States for years to come.

MEMBER NEWS

Member Detlef Weiler has started his own company:

Weiler Appraisal, Inc
Detlef H. Weiler, MAI
1221 Bellevue Street, Suite 202
Green Bay, WI 54302

(920) 544-0264 - work
(866) 639-8184 - fax
dhw@weilerappraisal.com

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Professionals Providing Real Estate Solutions

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The Wisconsin Chapter of the Appraisal Institute (WCAI) is proud to offer advertising opportunities in its newsletter and website. To sign up to advertise, please fill out the form below.

If you have any questions regarding advertising, please call the WCAI office at 414-271-6858.

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D. Full Page	$225 / $300	$215 / $290	$205 / $280	$190 / $265
E. Inside Front Cover	$325 / $425	$310 / $410	$295 / $395	$280 / $380
F. Inside Back Cover	$325 / $425	$310 / $410	$295 / $395	$280 / $380
F. Back Cover (1/2 pg)	$375 / $475	$360 / $460	$345 / $445	$330 / $430
G. Website	$175 / $225	$250 / $350	$300 / $400	$325 / $425

Price per issue decreases for each additional issue you advertise in
First number indicates member rate, second number indicates non-member rate

Confirm your selection by e-mailing a .jpeg/.tif/.pdf/or .eps file to Heather Westgor at heather@wamllc.net and mail your advertising fee and order form to WCAI, 11801 W. Silver Spring Dr., Ste 200, Milwaukee, WI 53225.

ORDER FORM

Circle Issue(s): January April July October Website

Ad Size: ____________________________

Calculate your total: $______________________________
(Multiply price per issue x number of issues)

Contact Information

Company: ____

Name: ____

Address: ____

City, State, ZIP: ____

Phone:(____) ______________________________ Fax:(____) ______________________________

E-mail:____

Appraisal Institute®
Professionals Providing Real Estate Solutions

Associate Membership Application

Associate Membership is open to appraisers who are performing work identified by the Uniform Standards of Professional Appraisal Practice (USPAP). Please complete all sections of the application to ensure prompt application processing.

Return to:

Return completed application to Appraisal Institute, 550 W. Van Buren St., Suite 1000, Chicago, Illinois 60607; fax to 312-335-4146.

Questions? Contact the Associate and Prospective Member Services Center at 312-335-4111 or email associate@appraisalinstitute.org.

Category

Associate Membership is open to individuals who are performing work identified by the Standards of Professional Appraisal Practice. Please complete all sections of the application to help facilitate prompt application processing. For individuals who hold a trainee or equivalent license or are seeking such a license, please see the application for Trainee Associate Membership.

I am applying for (choose one):

- ☐ General Associate Membership – not pursuing designation
- ☐ Residential Associate Membership – not pursuing designation
- ☐ General Associate Membership – pursuing MAI designation
- ☐ Residential Associate Membership – pursuing SRA designation
- ☐ Dual Associate Membership – pursuing both MAI and SRA designations

Please check all boxes that apply:

- ☐ I am currently an Appraisal Institute designated or associate member. Member number: ______
- ☐ I was previously a Designated Member, Associate Member, or Candidate with the Appraisal Institute or one of its predecessor organizations.

2009 Membership Dues

Membership will be come effective upon receipt of dues payment and acceptance into membership.

Membership dues for Associate Members are $295. Members joining between January 1 and October 31 have prorated dues. Members joining after November 1 will be charged the full dues amount for the upcoming year.

Chapter: Wisconsin

National Dues	$221.25	(Pro-Rated)
Total Amount	$221.25	

Dues Payment Method

☐ Check ☐ VISA ☐ MasterCard ☐ American Express

Card Number ______ Expiration Date ______

Signature ______

Identification

Mr./Ms.

Last ______ First ______ Middle Initial ______

Home Address ______ City/State/Zip ______

Company Name ______ Title ______

Business Address ______ City/State/Zip ______

Home Phone ______ Business Phone ______

Fax ______ E-mail ______

Maiden Name ______ Date of Birth ______

Preferred Mailing Address ☐ Home ☐ Business

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How did you hear about us?
- ☐ Education Program
- ☐ Mailing/email
- ☐ Appraisal Institute Publication
- ☐ *www.appraisalinstitute.org*
- ☐ Local Chapter
- ☐ Other: ____________
- ☐ Member Referral - name of recruiter: ____________

Good Moral Character

All Members of the Appraisal Institute must have good moral character, which is honesty, truthfulness, and respect for the law. Please answer the following questions:

Are you currently under indictment for, or have you ever been convicted of, any criminal offense, either misdemeanor or felony? ☐ Yes ☐ No

Are you currently the subject of any regulatory proceedings, or have you ever been disciplined, or had a license, certification, or registration suspended, revoked, or denied by a regulatory agency? ☐ Yes ☐ No

Are you currently the subject of a civil proceeding in which you are alleged to have acted or failed to act in a manner reflecting negatively on your honesty, truthfulness, or respect for the law, or have you ever been the subject of a civil proceeding in which a finding has been made that reflects negatively on your honesty, truthfulness, or respect for the law? ☐ Yes ☐ No

If the answer to any of the above questions is "Yes," please attach a full description and copies of the official documents setting forth the allegations (e.g., indictment, complaint) and the results of the proceedings (e.g., judgment, decision).

Agreements of the Applicant

I hereby apply for admission to Associate Membership in the Appraisal Institute. In making this application and in consideration of review of my application:

1. I agree to abide by the Appraisal Institute's Bylaws, Regulations, Standards of Professional Appraisal Practice, and Code of Professional Ethics, now and as they may be amended in the future, as well as such policies and procedures as the Appraisal Institute may promulgate from time to time. I understand that the Appraisal Institute's Regulation No. 1 and the MAI Procedure Manual set forth requirements and procedures relating to admission to General Associate Membership and MAI Membership, and that the Appraisal Institute's Regulation No. 2 and SRA Procedure Manual set forth requirements and procedures relating to admission to Residential Associate Membership and SRA Membership.
2. I agree to immediately disclose to the Associate and Affiliate Member Services Department any circumstances and events occurring after the date of submission of this application that may have a bearing on my moral character.
3. I understand and agree that if I am convicted on or after the date of this application of a crime committed prior to this application, I will be subject to discipline pursuant to the Appraisal Institute's Regulations.
4. I understand and agree that the Appraisal Institute may investigate my moral character and I consent to such investigation.
5. I understand that if I was subject to any pending peer review proceedings when any previous candidacy, affiliation, or membership with the Appraisal Institute or its predecessor organizations ended, these proceedings may be reopened if I am readmitted or admitted to associate membership.
6. I understand and agree that if my application for admission to Associate Membership in the Appraisal Institute is approved:
   a. I will become an Associate Member of the Appraisal Institute.
   b. I will only refer to myself, both orally and in writing, as an "Associate Member" of the Appraisal Institute, which term is not a professional designation and may not be abbreviated.
   c. I will use the title "Associate Member" only in conjunction with my name and not in connection with the name, logo, or signature or any firm, partnership, or corporation.
   d. If I refer improperly to my membership, I may be subject to disciplinary proceedings conducted pursuant to the Appraisal Institute's Regulation No. 6.
7. I IRREVOCABLY WAIVE ANY CLAIM OR CAUSE OF ACTION AT LAW OR EQUITY THAT I MIGHT HAVE AT ANY TIME AGAINST THE APPRAISAL INSTITUTE, ITS BOARD OF DIRECTORS, OFFICERS, COMMITTEE MEMBERS, CHAPTER MEMBERS, EMPLOYEES, MEMBERS OR OTHER PERSONS COOPERATING WITH THE APPRAISAL INSTITUTE, EITHER AS A GROUP OR AS INDIVIDUALS, FOR ANY ACT OR FAILURE TO ACT IN CONNECTION WITH THE BUSINESS OF THE APPRAISAL INSTITUTE AND PARTICULARLY AS TO ACTS IN CONNECTION WITH: (1) DENYING THIS APPLICATION FOR ASSOCIATE MEMBERSHIP; (2) DENYING ME CREDIT FOR ONE OR MORE DESIGNATION REQUIREMENTS; AND (3) CONDUCTING PEER REVIEW PROCEEDINGS, INCLUDING BUT NOT LIMITED TO THE TAKING OF DISCIPLINARY ACTION AGAINST ME.
8. I represent and certify that, to the best of my knowledge and belief, all the information contained on this application is true and accurate. I understand and agree that if I have made any false statements, submitted false information, or failed to fully disclose information requested in this application I will be subject to discipline pursuant to the Appraisal Institute's Regulations.

Signature ____________ Date ____________ Promotion Code ____________

Upon acceptance to Associate Membership, confirmation will be sent via email. Please allow 5-10 business days for processing of completed application.

Note: Upon acceptance to Associate Membership, an appropriate portion of your national Associate Member dues will be allotted to your yearly subscriptions to Appraisal Institute publications. Dues are not considered charitable contributions for federal income tax purposes; however, they may be deductible by associate members as an ordinary and necessary business expense.

Nondiscrimination Policy

The Appraisal Institute advocates equal opportunity and nondiscrimination in the appraisal profession and conducts its activities in accordance with applicable federal, state and local laws.

Accounting Use Only

Amt. of Dep.	Dep. Number
Date of Dep.	Acct. Number

03/03/2009