

Collaborative Discussion of Appraisal & Regulatory Issues in the Current Lending Environment

Tuesday, January 12 (11:30am - 2:30pm) @ Jax Café, Minneapolis

COURSE OUTLINE

Market Update

- Appraiser Panel Members - update on Property Types - office, retail, industrial, apartments, 1-4 family residential, etc.
- Banker Panel Members - update on lending environment (interest rates, LTV's, concerns among RE sectors, competition squeezing fees, bank margins/profitability, portfolio concentrations, etc.)

Overview of Most Impactful Appraisal-Related Banking Regulations

- New loan transactions - appraisal threshold, exceptions, evaluations (definition and use thereof) in lieu of appraisals
- Subsequent loan transactions - risk factors that lead to appraisal vs. evaluation
- Appraiser rules/regulations regarding evaluations

Complex Valuation Issues and Loan Structure/Underwriting Considerations

- Use of extraordinary assumptions and hypothetical conditions
 - What are they, and when should they be used?
 - Pitfalls and importance of from a lender's perspective
 - Pitfalls and importance of from an appraiser's perspective
 - Case Study Discussions - legal/title issues, future economic performance assumptions, etc.
- Property rights being appraised
 - Fee Simple vs. Leased Fee vs. Leasehold - what's the difference? Which one do we lend on?
 - Case Study Discussions - above/below market leases, influence of location, considerations in a leasehold interest valuation, etc.
- Valuing a going-concern (e.g. gas station, hotel, seniors housing, etc.)
 - How are banks lending on going-concerns? Different advance rates and loan structures for each collateral type?
 - How on earth do you allocate the various components of value between land, buildings, FF&E and business value?
 - Case Study Discussions - seniors housing, gas stations
- Stabilized vs. non-stabilized occupancy
 - Lease Up Costs - what are they? When should they be applied?
 - Loan terms/underwriting structure for unstabilized properties?
 - What do the Interagency Appraisal and Evaluation Guidelines have to say about it?
 - Case Study Discussions - loan structures for values based on proforma income and expenses
- Highest and Best Use
 - For the 5% of the time it matters...
 - Cost vs. value, and related highest and best use conclusions
 - Case Study Discussions - most probable not highest possible, and rental apartments vs. for-sale condos and how it matches the loan structure and repayment source
- Scope of work
 - Inclusion of as-is value – always required? Discuss with client; may not matter, but may be really important
 - Alternative value scenarios - what's okay, what's not. How can you appraisers and bank staff proactively help each other to identify and mitigate risk?
 - Case Study Discussions - alternative use, as-dark scenario, others?
- Concluding Remarks, Takeaways and Q&A