

IRR-Residential has 48 Offices in 21 States

Phoenix, AZ
Sedona, AZ
Los Angeles, CA
San Diego, CA
San Francisco, CA
Orlando, FL
Fort Myers, FL
Naples, FL
Sarasota, FL
Tallahassee, FL
Tampa, FL
Atlanta, GA
Chicago, IL
Kansas City
Louisville, KY
Baton Rouge, LA
New Orleans, LA
Detroit, MI
Muskegon, MI
Traverse City, MI
St. Paul, MN
Minneapolis, MN
St. Louis, MO
Lake Ozark, MO
Las Vegas, NV
New Jersey
Charlotte, NC
Cincinnati, OH
Dayton, OH
Columbia, SC
Greenville, SC
Augusta, GA
Nashville, TN
Austin, TX
Dallas, TX
Ft. Worth, TX
Houston, TX
San Antonio, TX
Salt Lake City, UT
Washington, DC
Milwaukee, WI

News Bites

IRR-Residential Chairman Provides Testimony on Capitol Hill

IRR-Residential Agrees to Sponsor CRN Meeting in New Orleans

IRR-Residential Affiliate Frank Lucco, SRA, was awarded the prestigious "President's Award" from the Appraisal Institute

Going Undercover for the FBI

Don Gossman, SRA, the Managing Director of the Kansas City office of IRR-Residential, alerted the FBI that he had been approached to help facilitate a mortgage fraud operation. At the request of the FBI, Mr. Gossman went undercover and met with and recorded conversations that were used to help convict the perpetrators. In the end, Mr. Gossman's dedication and integrity helped stop a mortgage fraud ring that had intentions of purchasing up to 50 homes in the Kansas City area using inflated appraisals. As a result of his actions, nine of the participants either pled guilty or were convicted for their actions. Congratulations, Don!

The complete story of "My New Client – The FBI" can be read on our website at: www.irr-residential.com.

IRR-Residential Unveils New REO Valuation Process

By Rhonda Parrish, SRA, Special Practices Group Coordinator

Economic Damage Specialist Emerge to Help Manage Risk

Lenders and appraisers have come under closer scrutiny since the real estate crash. The hunt for a scapegoat is on. Delinquency rates are rising. REO servicers and lenders continue to search for solutions for valuations of distressed and aging assets. Doing business "as usual" won't provide the valuation answers you need in this increasingly complex environment. IRR-Residential can work with you to solve your residential valuation needs.

IRR-Residential is meeting this dilemma directly with new progressive valuation audit or analysis products. Our Economic Damage Specialists are located nationwide. With an average of over 20 years of experience in their local markets, they have the historical data to (1) analyze the appraisal done at origination from over five years ago, (2) provide an estimate of value on the property in its current condition, (3) reconcile your pre-foreclosure, REO, as repaired, and/or BPO and AVM collateral valuations and (4) consult on matters for litigation, property disposition and repairs, post funding quality control, weaknesses relating to the origination valuation on loan defaults, and help identify stigmas and their impact on marketability. They can customize the audit or analysis to fit your unique situation. IRR's Economic Damage Specialist is the expert in your corner. The professionals and the technology are in place.

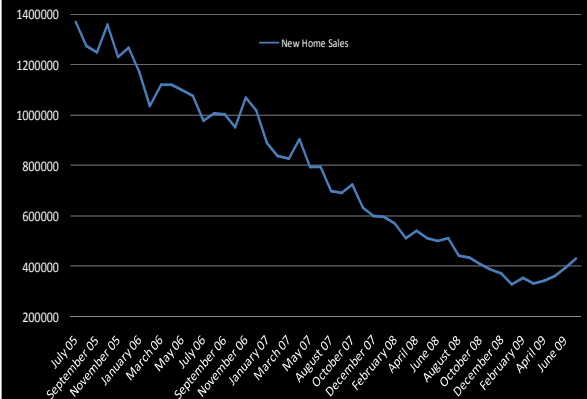
To learn more about our audits and analyses and their applicability to your company's business, call our Business Development representative at (913) 261-1800.

New Home Starts Increase for Fifth Straight Month

By Scott Burdette, SRA

Over the past five months, new home sales have increased over 30%. But we are not out of the woods as of yet, so keep the champagne bottles corked. Since July 2005, sales of new homes have fallen over 68% to a seasonal adjusted annual rate of 433,000 units, down from 1,371,000 units. Many believe this latest five month uptick is a result of the governments \$8,000 tax credit coupled with low interest rates. If, and when, either of these factors change, it will likely strike another blow to the already wobbly-kneed residential construction industry. Stay tuned!

New Home Sales



Food for Thought:

*When you pay for quality...
You only cry once!*

“In the Eye of the Storm”

By Frank Lucco, SRA

My first experience with appraising in the eye of the storm occurred in 1983 when Hurricane Alicia slammed into the Texas coast, burying the subdivision of Brownwood in its wake. Prior to hurricane Alicia, the subdivision had subsided some 10 feet due to underground water pumping and, although the homes were lovely bay-front properties the neighborhood had been hammered 3 times in the last 30 years by hurricanes. The city said they were no longer in a position to spend the necessary funds on the infrastructure. It was time for a buyout. We sold the FEMA project manager on our ability to provide analytical support for adjustments, master project book, detailed reports and consistent work product delivered by the due date. Since then, we've continued to develop this niche and appraised thousands of homes across Texas for FEMA, project managers, governments, city and county jurisdictions, along the way improving our processes and techniques in order to provide the best product possible, under battlefield like conditions.



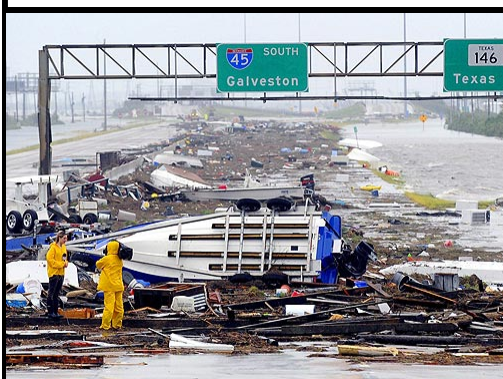
Many times we are asked to appraise the property as of the day before the disaster. However, it's not uncommon for us to get the go-ahead for a large project 2 to 3 years after the event. It is typically, a hurry up and wait scenario, where the project is in the works for many months, we are on standby, finally get the go-ahead, and then the usual question comes, “where's my appraisals”? Our specially trained damage model experts are charged with forensic investigation of not only retrospective market data but historically piecing together the physical characteristics of the subject property. We have learned how to ramp up operations, interact with locals successfully and, as I am fond of saying, properly prepare a job to apply the paint. Just as is the case for a successful paint job, 75% of the work is in the preparation phase, which if it is rushed or steps are eliminated, the result will be a less than satisfactory final paint finish.

Along the way we have designed a proprietary interview process, utilized GIS mapping tools, developed an entire project management process, refined our appraisal methodology and techniques, with the help of satellite imagery, regression, massive databases and other spreadsheet and analytical tools. We have really learned the value of quantitative and qualitative analysis as well as the paired sales approach. There's just no substitute for upfront organization and preparation which leads to a consistent, supportable valuation process, fair to all concerned,

We've seen water rise out of a bayou and crest over the top of a two-story home built on stilts. We have reports from homeowners that verified flood waters were rising 1 foot every 15 minutes. You can imagine that wind and water were not designed to be on the inside of a home. Now imagine these homes being inundated with standing water and left without repair for a year or two prior to our inspection, that's if the house still remains standing. The grass and weeds can be waist high, snakes are plentiful and packs of dogs now rule the neighborhood. The appraisers carry 20 foot ladders, which in some instances still is not high enough to access the property for inspection. We've had to inspect properties by boat, dodging alligators along the way. Imagine inspecting the interior of the home with a flashlight where the riverbed has deposited 3 feet of silt and debris on the floor and the ceiling has caved in 3 feet from the weight of the moldy and damaged insulation and sheet rock. This leaves about a 3 to 4 foot high corridor to navigate, in order to re-create a floor-plan. A perfect environment for a hiding water-moccasin snake, which can be strategically located above or below the appraiser.

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We have learned to send our appraisers/consultants out in teams of two for the property inspections since four eyes and four ears are far better than two. Generally we will meet the property owner at the site and in every instance the property owner will want to recant the horrors of the event which can be listened to by one of the members of the team while the other one goes about collecting physical and economic data regarding the subject property. Our heart goes out to those who have lost everything and been forced to relocate.



We are currently celebrating the one-year anniversary of hurricane Ike coming ashore on the Texas coast. Best guess is that was a \$31 billion catastrophe and it really didn't even hit Galveston head on. Waves from hurricane Ike threatened the Memorial to the Great Storm of 1900, which to this day remains the deadliest natural disaster in US history killing an estimated 6,000 to 12,000 people in Galveston Texas. We've learned a lot over the years from appraising in the eye of the storm and many of the tools and techniques we've acquired have been implemented in our daily appraising and consulting practice. As some might say, “the juice was worth the squeeze”.