

INLAND VALLEYS REALTOR®

THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

Scott Gieser, 2016 IVAR President Discusses How Relationships Pave the Way for REALTOR® Success

FOR MORE INFORMATION GO TO PAGE 4





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AUGUST 2016

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Relationships Pave the Way for REALTOR® Success



SCOTT GIESER,
2016 IVAR PRESIDENT

I believe, strongly, that one critical piece of the foundation of our business and so many professional and personal endeavors are in the way we build relationships.

For better or worse, most young REALTORS® start their careers on the phones and sidewalks hoping that each conversation will result in a chance to earn a client and a commission. It's hard to avoid that if, for no other reason, starting out almost necessarily means that you haven't had the chance to build your professional network.

However, from that beginning, we all have an opportunity to start building for the long term. Many of the most successful professionals in our industry come to know that there are few short cuts to building trust, rapport and a long-term working partnership that makes colleagues not just willing, but eager to find more opportunities to collaborate.

Most REALTORS® know all too well the disappointment and real damage created when working with another real estate professional who does a poor job of properly looking out for their clients' best interests by causing unnecessary road blocks to cooperation. A transaction that comes undone through the poor efforts of a real estate "professional" comes with very real costs. These costs are borne most notably by the clients who trust REALTORS® and other real estate pros they hire to handle their tasks with the diligence and attention owed to every homeowner and home buyer out there.

Even beyond the transaction, REALTORS® build their business by building trust in their communities by getting involved in professional networking, non-profits, leadership, church, sports and the many other

places that help round out our lives.

This patchwork of network-building groups is different for every REALTOR®. They're also indispensable for long-term success. The most successful professionals I know understand that when their clients ask them to list their home – their most valuable asset – or find them their first home, they are placing trust in that professional and showing deep respect for the ability of that agent to represent them well.

Those are the most valuable assets that any of us have as we work to build our careers. They also cannot be bought or made easily. They aren't created by monthly mailers or working through a list of cold calls. They are earned and maintained daily by the work we do and the efforts we make to grow our connections to our communities and our industry.

At Agent Alliance, we learn from other real estate professionals and get to know dedicated people investing the time to understand what new issues are coming into their industry. Other REALTORS® take time to volunteer as leaders in their industry through IVAR's government affairs program, charitable efforts and networking events. Agents who make the effort will find many opportunities to connect with colleagues and start building their networks. In September, IVAR hosts its golf tournament at Oak Quarry. Then comes Oktoberfest and then comes the installation of our 2017 board of directors and officers.

Every transaction, every conversation, every handshake or official phone call is a chance to build a bridge. The more bridges you build, the easier it is to reach the places you want to go – be it professionally or in your personal life.

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PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

IVAR, HERO Program Pledge Cooperation to Address Concerns

Dear Members:

In June of this year, the Inland Valley Association of Realtors (IVAR) suspended its opposition to PACE Programs and agreed to enter into a statement of mutual cooperation between it, the Western Riverside Council of Governments (WRCOG), and Renovate America's HERO program. The intent of this resolution is to set a framework in place for mutual cooperation on a continuing basis to ensure that Property Assessed Clean Energy (PACE) assessments and programs are functioning smoothly at the time of sale and refinancing and that homeowners' interests are protected at all stages of the process.

The parties agreed to focus on the following topics:

1. PACE industry standards, including consumer disclosures
2. Transferability of PACE assessments
3. Regulatory oversight
4. Property appraisal and value
5. Real estate industry and homeowner understanding of the sale and marketing of PACE properties

A Working Group was established to seek consensus on how to properly and specifically address the five points outlined above.

In the meantime, all parties remain interested in hearing about issues related to these programs and seek to help resolve specific situations where possible. REALTORS® in transactions who need assistance with a HERO program-related issue can contact Renovate America directly by calling 1-855-225-HERO (4376) or on the web at cem@heroprogram.com.

If you have any questions or concerns related to this issue, please feel free to contact me directly at 951-500-1222 or at pherrera@ivaor.com.

Thank you,

A handwritten signature in black ink, appearing to read "Paul Herrera".

Paul Herrera
Government Affairs Director

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Deducting Rental Losses – Ninth Circuit Clarifies That There Must Be Material Participation by the Licensee

Real estate professionals must materially participate in their rental activities in order to deduct rental losses according to the Ninth Circuit Court of Appeals which interpreted Internal Revenue Code § 469 in *Gragg v. United States of America*; Internal Revenue Service, No.14-16053, August 4, 2016.

One of the taxpayers held a real estate license and claimed losses related to rental properties they owned. The IRS requested a log of the licensee's activities related to the properties and ultimately denied the deductions, concluding that, even though holding a real estate license, the taxpayers had to show they materially participated in the rental property activity. In this case, two undated one-page notes of activity submitted by the taxpayers were not sufficient for the IRS to allow the deduction.

This case explores the history of amendments to IRC § 469 that were added to the tax code in 1986 and barred the deductibility of "passive activity" losses. "Passive activity" generally includes rental activity; however, in 1993, § 469 was modified to provide an exception for real estate professionals for "any rental real estate activity for such year." The law treats each rental interest separately as to the taxpayer's material participation, unless the taxpayer makes an election during

that tax year to treat all interests as a single real estate activity.

In this case, the taxpayers argued that the amendment to IRC § 469 meant that being a real estate professional rendered rental losses non-passive and thus deductible. The IRS argued that the amendment merely removed the per se treatment of the losses as passive for real estate professionals but the taxpayers still had to demonstrate material participation in the rental activity.

The court, briefly discussing two prior tax court cases that came to the same result, found that § 469's text and case law "all point in one direction" such that real estate professionals "must show material participation in rental activities before deducting rental losses."

Bottom line – Holding a real estate license does not automatically entitle you to deduct your rental losses. If you wish to deduct your rental losses, be active in the management of your rental activities and document, document, document. Consider whether you wish to file an election regarding multiple properties to be treated as a single activity; as with any tax questions, we recommend that you consult with an accountant or tax specialist.

Legal Hotline App

Don't forget to take a look at this California Association of REALTORS® free member benefit. The C.A.R. Legal Hotline App has a new feature, you can now see what your hold time before you call the Legal Hotline. Connects to the C.A.R. Legal for a quicker, more user friendly experience while in the field. The Legal Hotline App includes information from the C.A.R. website such as the "What's New" articles, Recent Laws and News from the current and previous year, all of the legal articles (Q&As), information on new and revised Standard Forms, webinar videos, quick access to zipForm® mobile, Outreach Requests, RPA Class requests, quick links to the social media pages, and direct dialing capabilities to the Legal Hotline, Customer Service, the Finance Helpline, and the Ombudsman Hotline. Just type in "Legal Hotline" in your app store.

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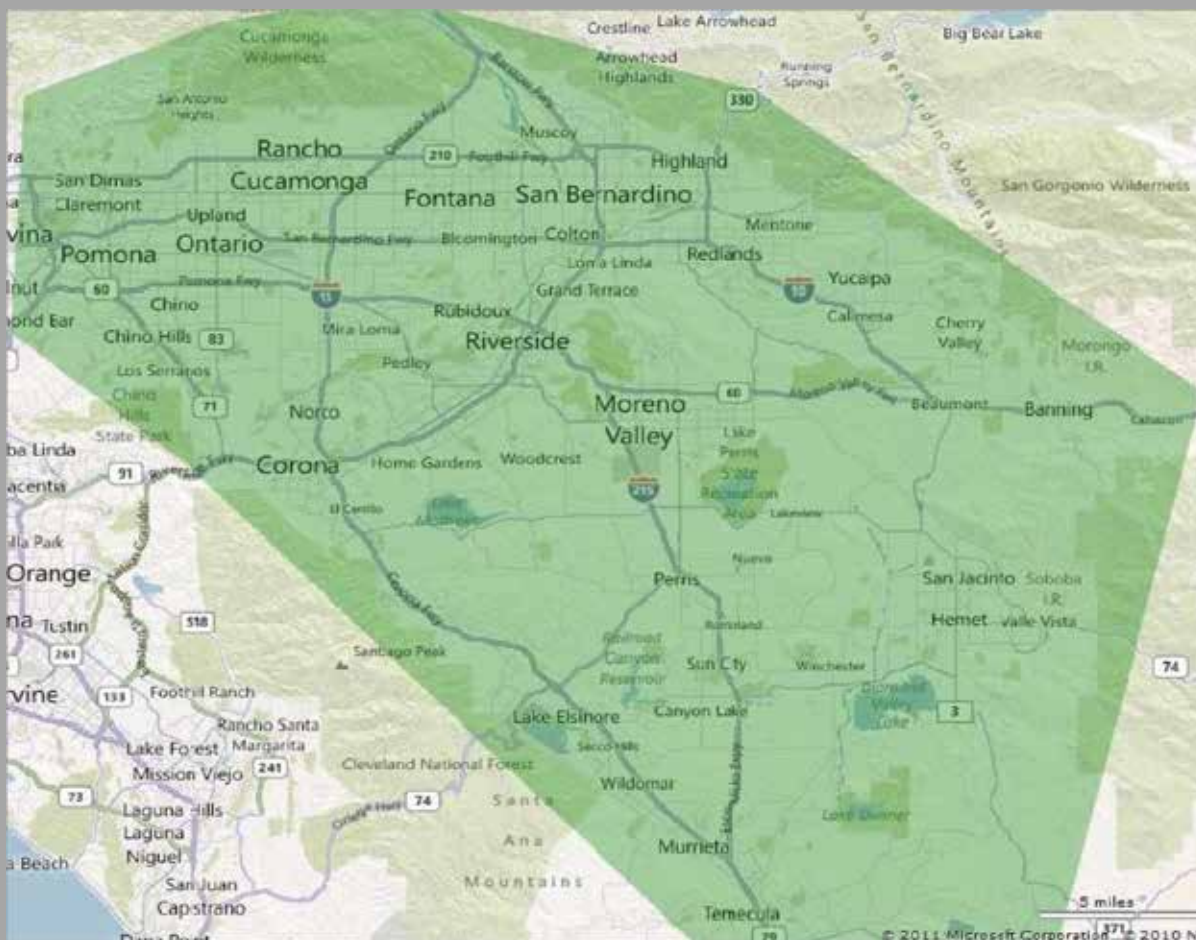
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Housing Data – July 2016



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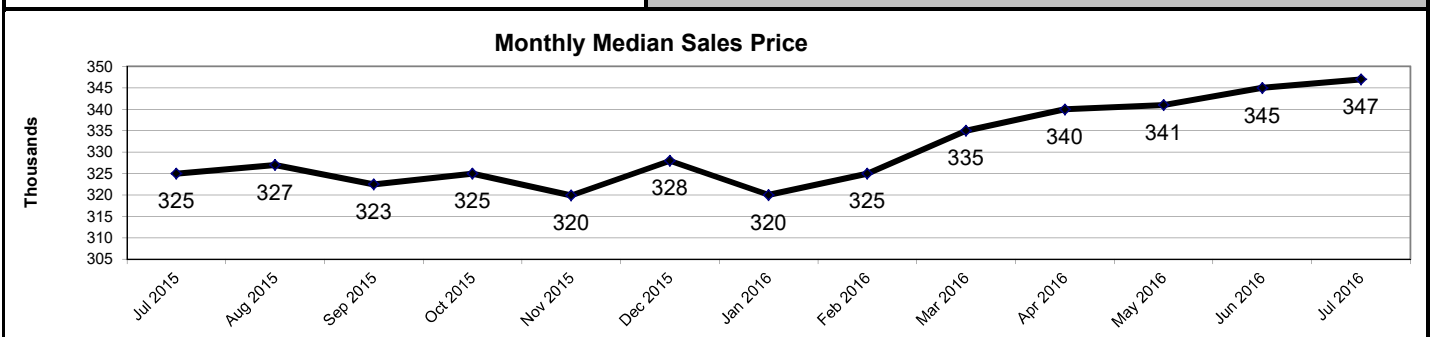
Mark Dowling, Chief Executive Officer

When reviewing the latest housing data from the region, there are a few noticeable trends emerging over the last several months:

- Year-to-date regional housing data is showing slight market strains as a result of decreasing New Listings.
- For the first 6 months of 2016 New Listings were down 2.2%, coupled with a 4th Quarter 2015 decrease in New Listings, the region has experienced 10 straight months of decreased New Listings. Year-to-date New Listings are down approximately 750 total units.
- Concurrent with the decrease in New Listings, Days on Market has experienced an 5.3% decrease year-to-date.
- With a decrease of New Listings (inventory), Median Sales prices have jumped 6.2% year-to-date, up to \$347,000 for the month of July. This is the highest regional Median Sales Price since 2007.
- If New Listings continue to lag, then the resulting impact will likely cause a tightening of inventory, and an increase in Median Sales Price.

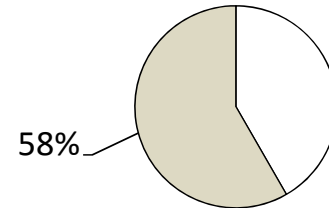


		Jul-2015	Jul-2016	Annual Change
Monthly New Listings 	New Listings	5,472	5,235	↓ -4.5%
	Pending Sales	3,783	4,094	↑ 7.6%
	Sold Listings	4,235	3,801	↓ -11.4%
	Median Sales Price	\$325,000	\$347,000	↑ 6.3%
	Sales Volume (\$M)	\$1,511	\$1,453	↓ -4.0%
Monthly Closed Listings 	Price/Sq.Ft.	\$180	\$192	↑ 6.0%
	Sold \$/List \$	98.63%	99.03%	↑ 0.4%
	Days on Market	44	42	↓ -4.8%
	CDOM	52	50	↓ -4.0%
All data used to generate these reports comes from the California Regional Multiple Listing Service, Inc. If you have any questions about the data, please call the CRMLS Customer Service Department between the hours of 8:30am to 9:00pm Monday thru Friday or 10:00am to 3:00pm Saturday and Sunday at 800-925-1525 or 909-859-2040.				



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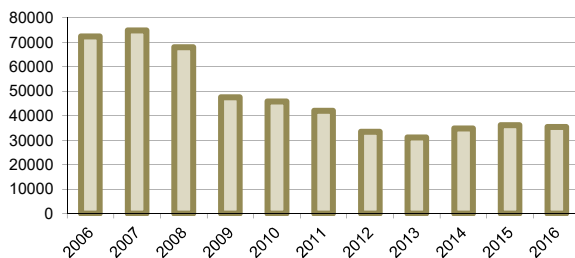
We are 7 months through the year:



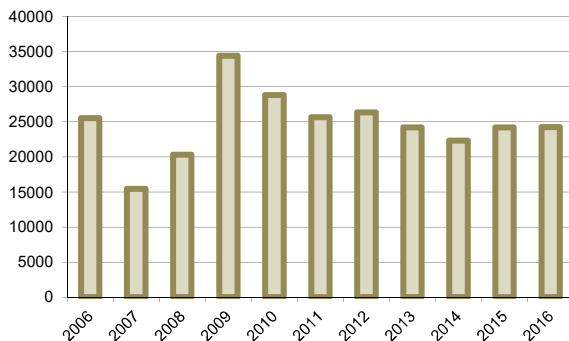
The statistics shown below are only for the first 7 months of the years represented.

Month to month comparisons give you a quick way to see what is recently changing in the region. However, by comparing Year-To-Date (YTD) information across several years, you can observe more significant trends.

YTD New Listings



YTD Closed Listings

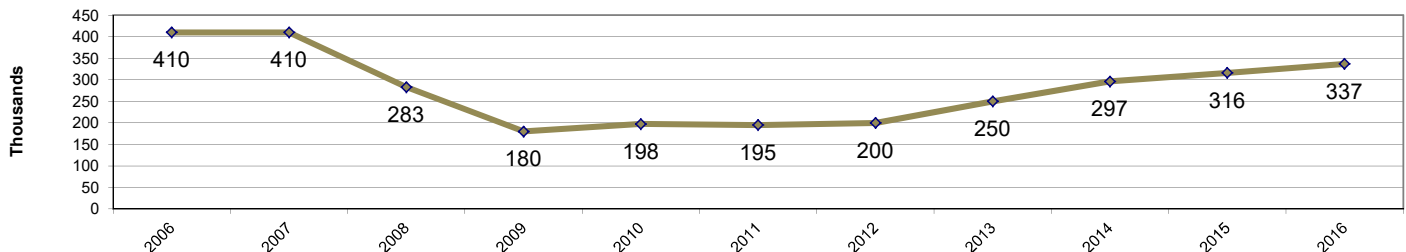


	Jan-Jul 2015	Jan-Jul 2016	Year-Over-Year Change
New Listings	36,152	35,389	↓ -2.2%
Pending Sales	25,974	26,824	↑ 3.2%
Sold Listings	24,205	24,258	↑ 0.2%
Median Sales Price	\$316,000	\$337,000	↑ 6.2%
Sales Volume (\$M)	\$8,345	\$8,889	↑ 6.1%
Price/Sq.Ft.	\$176	\$187	↑ 6.1%
Sold \$/List \$	98.36%	98.74%	↑ 0.4%
Days on Market	48	46	↓ -4.3%
CDOM	59	56	↓ -5.4%

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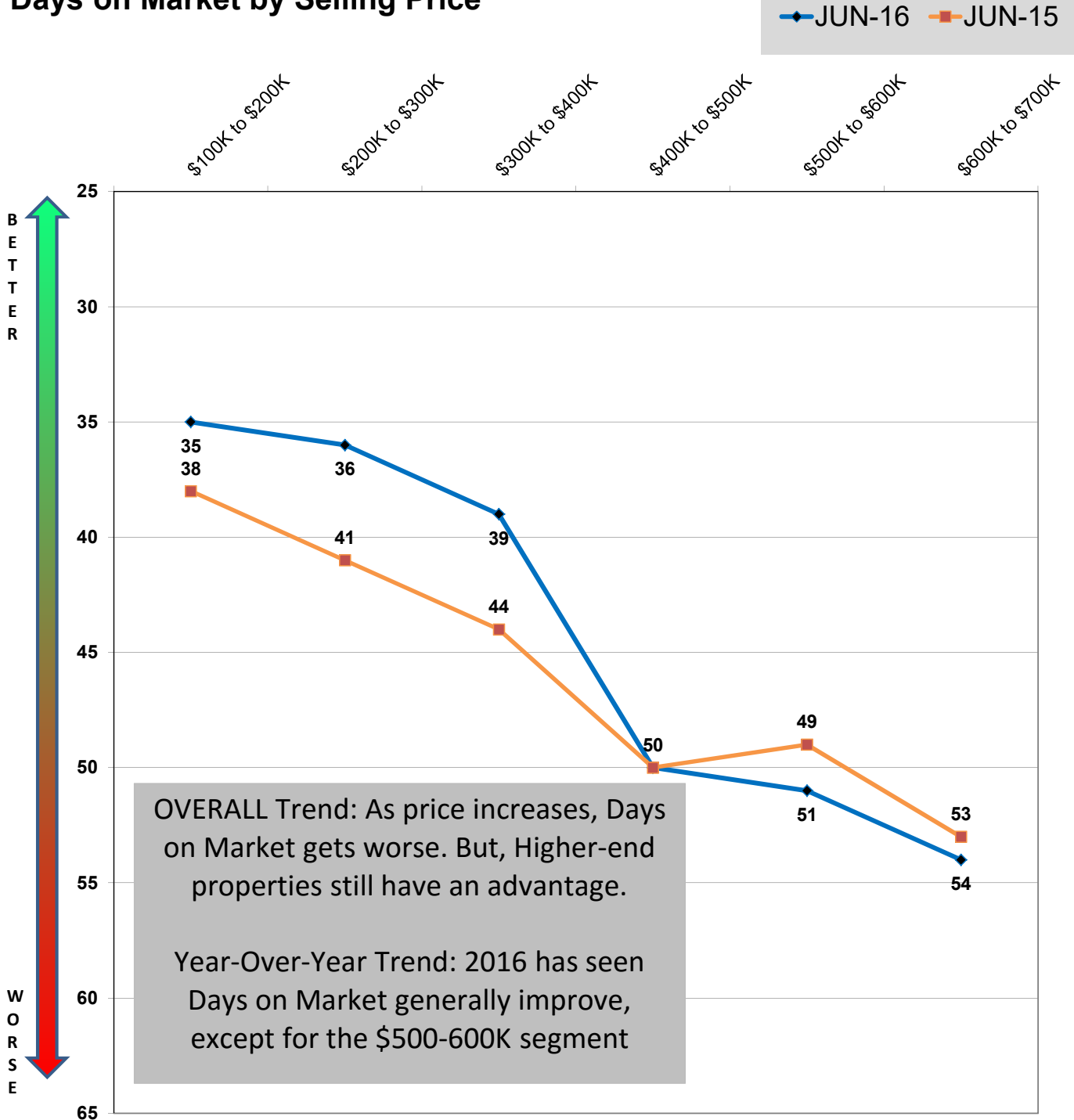


YTD Median Sales Price



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Days on Market by Selling Price



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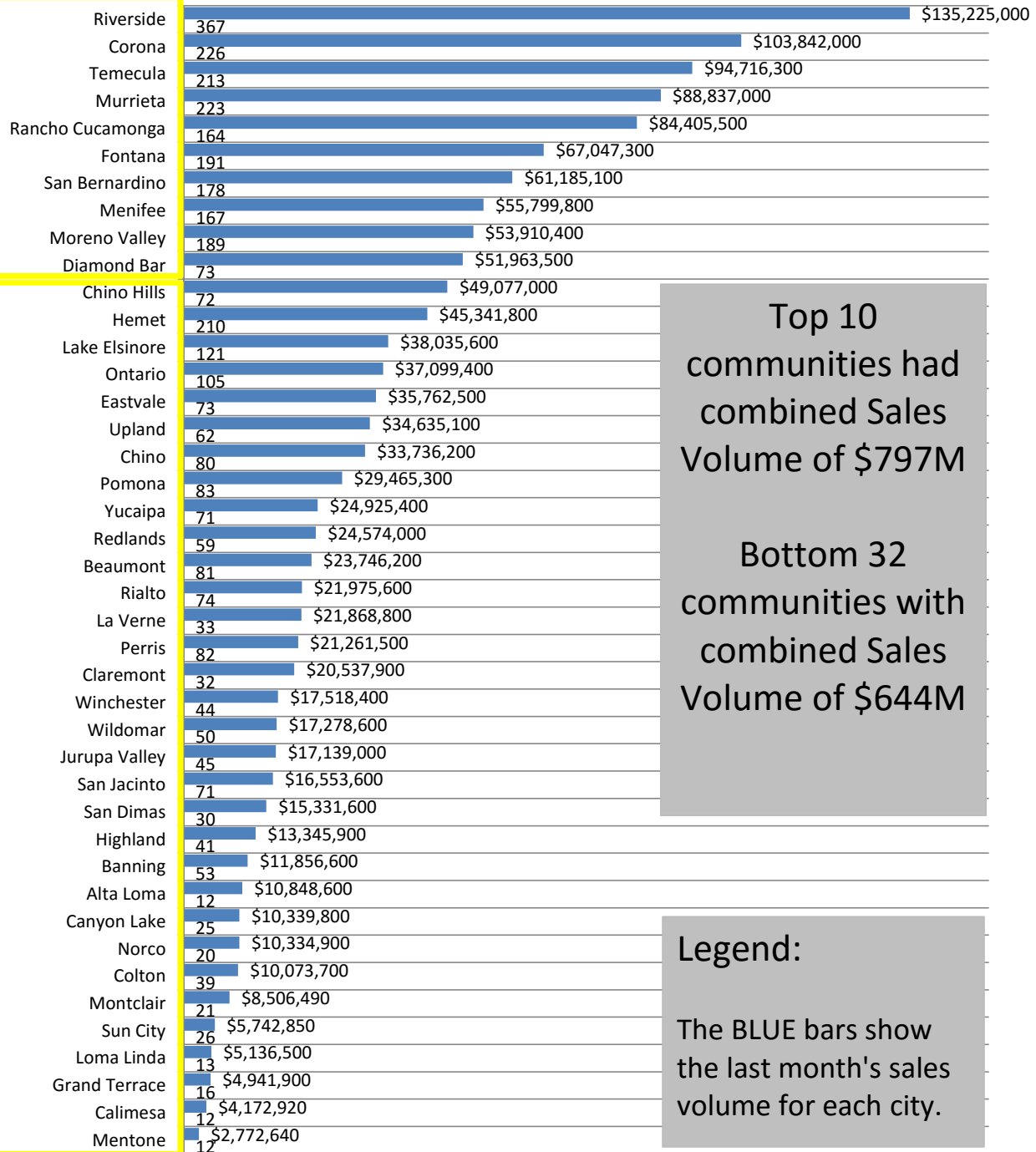
The following monthly data shows "YEAR-OVER-YEAR" (YOY) changes as well as current conditions in the real estate market

	YOY Sales Transactions	YOY Median Sales Price %	Median Sales Price \$	Price per Sq.Ft.	Total Days on Market
Alta Loma	↑ 9%	↑ 5%	\$ 551,100	\$ 270	48
Banning	↑ 4%	↑ 0%	\$ 216,000	\$ 151	77
Beaumont	↓ -10%	↑ 4%	\$ 280,000	\$ 147	51
Calimesa	→ 0%	↑ 27%	\$ 348,500	\$ 145	48
Canyon Lake	↑ 14%	↑ 12%	\$ 365,000	\$ 193	108
Chino	↓ -7%	↑ 7%	\$ 408,000	\$ 248	54
Chino Hills	↓ -12%	↑ 3%	\$ 587,000	\$ 307	53
Claremont	↓ -30%	↑ 1%	\$ 600,000	\$ 343	41
Colton	↓ -22%	↑ 12%	\$ 240,000	\$ 206	42
Corona	↓ -13%	↑ 3%	\$ 433,000	\$ 231	54
Diamond Bar	↑ 24%	↑ 3%	\$ 565,000	\$ 350	47
Eastvale	↑ 3%	↑ 2%	\$ 490,000	\$ 184	54
Fontana	↓ -13%	↑ 1%	\$ 340,000	\$ 209	55
Grand Terrace	→ 0%	↑ 3%	\$ 315,000	\$ 186	61
Hemet	↑ 6%	↑ 10%	\$ 218,500	\$ 132	53
Highland	↓ -18%	↑ 32%	\$ 310,000	\$ 174	58
Jurupa Valley	↑ 41%	↑ 5%	\$ 390,000	\$ 210	53
La Verne	↓ -13%	↓ -4%	\$ 602,500	\$ 321	65
Lake Elsinore	↑ 3%	↑ 7%	\$ 325,000	\$ 159	59
Loma Linda	↓ -48%	↑ 24%	\$ 410,000	\$ 188	87
Menifee	↑ 30%	↑ 6%	\$ 330,000	\$ 160	32
Mentone	↑ 100%	↓ -34%	\$ 199,000	\$ 173	46
Montclair	↓ -28%	↑ 8%	\$ 385,000	\$ 258	76
Moreno Valley	↓ -15%	↑ 10%	\$ 285,000	\$ 159	39
Murrieta	↓ -13%	↑ 4%	\$ 380,000	\$ 174	46
Norco	↓ -38%	↓ -4%	\$ 449,000	\$ 251	64
Ontario	↓ -19%	↑ 6%	\$ 355,000	\$ 239	53
Perris	↓ -12%	↑ 12%	\$ 265,000	\$ 152	40
Pomona	↓ -12%	↑ 9%	\$ 350,000	\$ 266	51
Rancho Cucamonga	↓ -13%	↑ 13%	\$ 462,000	\$ 250	50
Redlands	↓ -36%	↑ 8%	\$ 345,000	\$ 223	60
Rialto	↓ -19%	↑ 5%	\$ 305,000	\$ 199	52
Riverside	↓ -2%	↑ 9%	\$ 350,000	\$ 209	50
San Bernardino	↓ -11%	↑ 11%	\$ 230,000	\$ 177	48
San Dimas	↓ -35%	↑ 15%	\$ 495,000	\$ 319	54
San Jacinto	↓ -7%	↑ 9%	\$ 245,000	\$ 124	44
Sun City	↓ -26%	↑ 16%	\$ 212,500	\$ 156	32
Temecula	↓ -16%	↑ 6%	\$ 420,000	\$ 190	45
Upland	↓ -37%	↑ 2%	\$ 535,000	\$ 265	70
Wildomar	↓ -14%	↑ 9%	\$ 350,000	\$ 156	45
Winchester	↓ -28%	↑ 10%	\$ 389,000	\$ 149	38
Yucaipa	↑ 15%	↑ 12%	\$ 337,000	\$ 182	54
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Jul 2016 - Sales Volume per City

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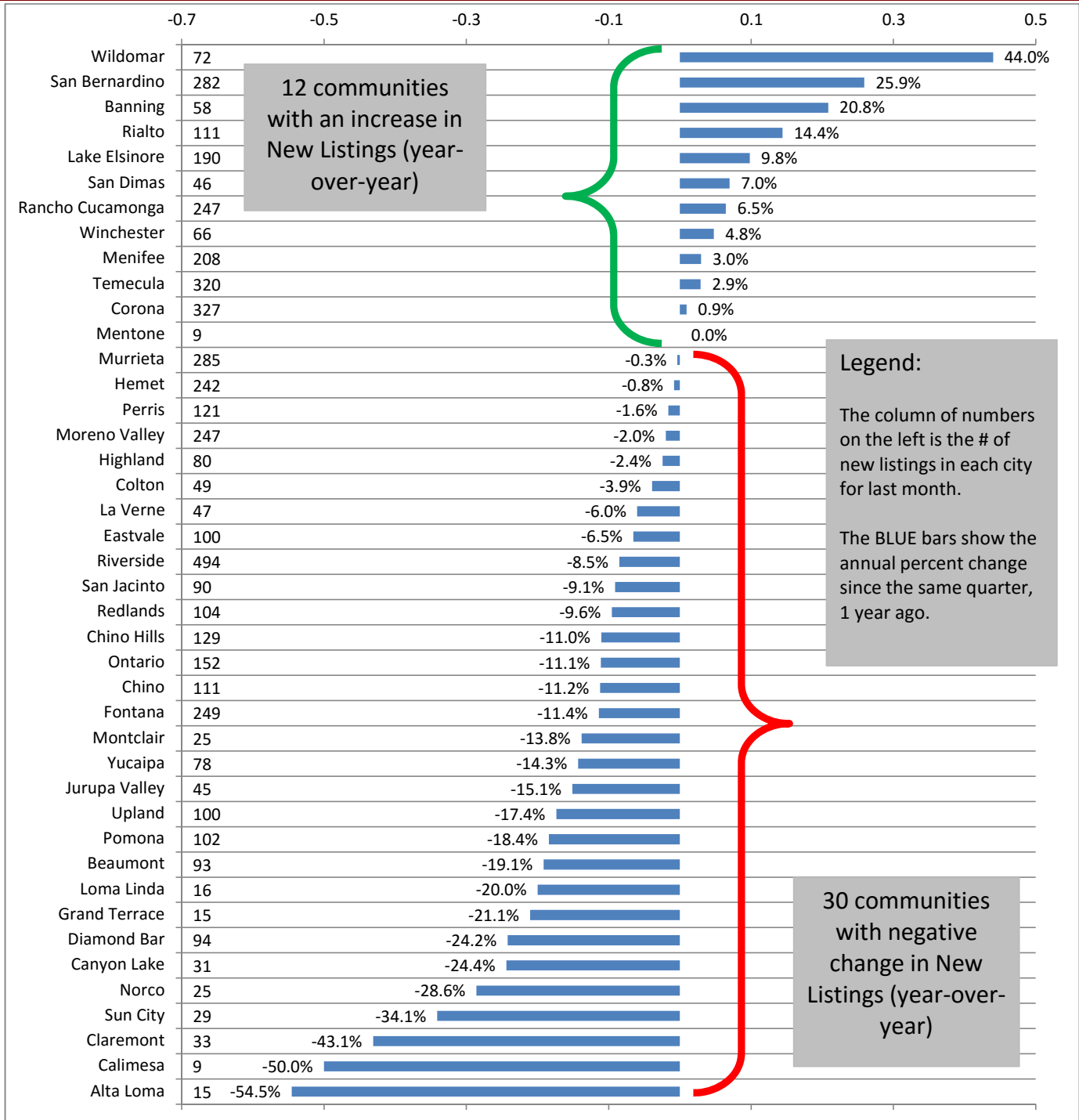


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Jul 2016 - Top Communities with New Listings (year-over-year)

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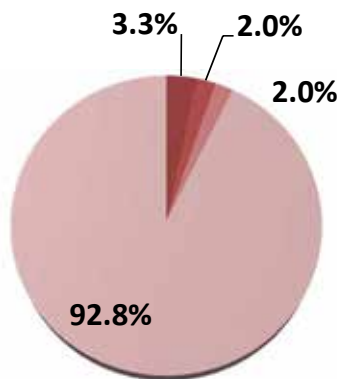
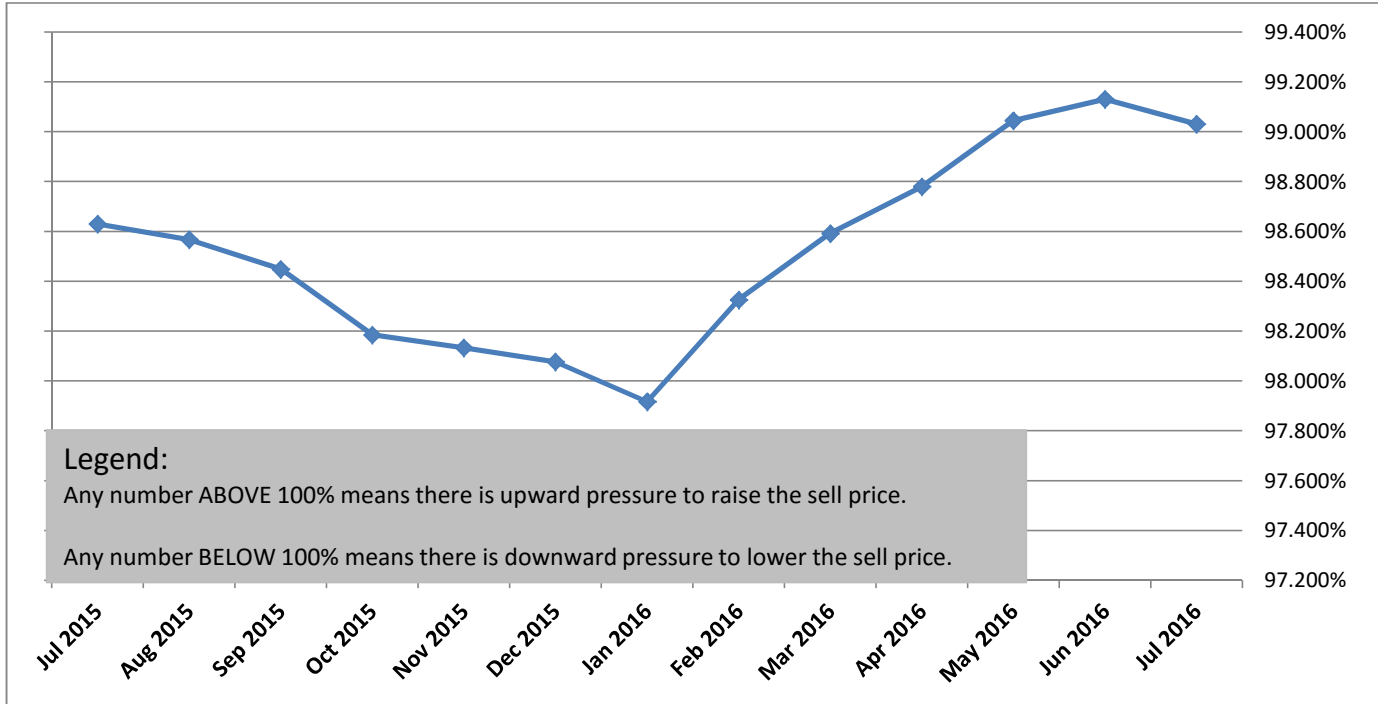


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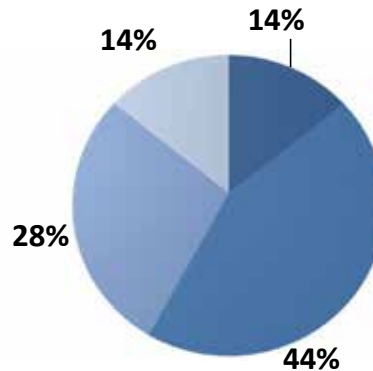
Sell Price vs Original List Price

As a service and convenience to our members, IVAR is pleased to offer several "Quick Look" reports. This is one more way for IVAR members to stay informed with minimal effort.



Sale Type

- Other
- REO Sales
- Short Sales
- Standard Sales



Finance Type

- Cash
- Conventional
- FHA
- Other

The IVAR team has worked hard to improve services and make IVAR a better business association. IVAR is committed to defining its service and building member relationships not with promotional gimmicks and giveaways, but rather by refining a business-minded approach to serve our members' professional needs with our problem-solving approach. By focusing on value-added services, IVAR is committed to being the board of choice for Inland Empire REALTORS.

If you have any questions or suggestions on how IVAR can provide better services, please feel free to contact us.

Mark Dowling, Chief Executive Officer

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Consumers Stand to Win Big With Proposed 'Know Before You Owe' Rule Coming Their Way

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WASHINGTON (July 29, 2016) — Since the October 2015 implementation of the Consumer Financial Protection Bureau's 'Know Before You Owe' mortgage initiative, [Realtors® have raised red flags](#) over challenges in gaining access to what's known as the mortgage "closing disclosure" form, or CD. The CD is delivered to homebuyers in advance of their closing and contains important financial information related to their purchase.

Unfortunately, many lenders have chosen to withhold this document from real estate agents since Know Before You Owe went into effect, despite a longstanding tradition of sharing similar information.

Earlier this year, the Consumer Finance Protection Bureau announced that it was considering changes to Know Before You Owe - also known as the TILA-RESPA Integrated Disclosure, or TRID - including a clarification of the rules regarding sharing the CD.

Today, the CFPB made good on that promise when it announced a proposed rule on TRID, and [stated in their announcement](#) that "the Bureau understands that it is usual, accepted and appropriate for creditors and settlement agents to provide a closing disclosure to consumers, sellers

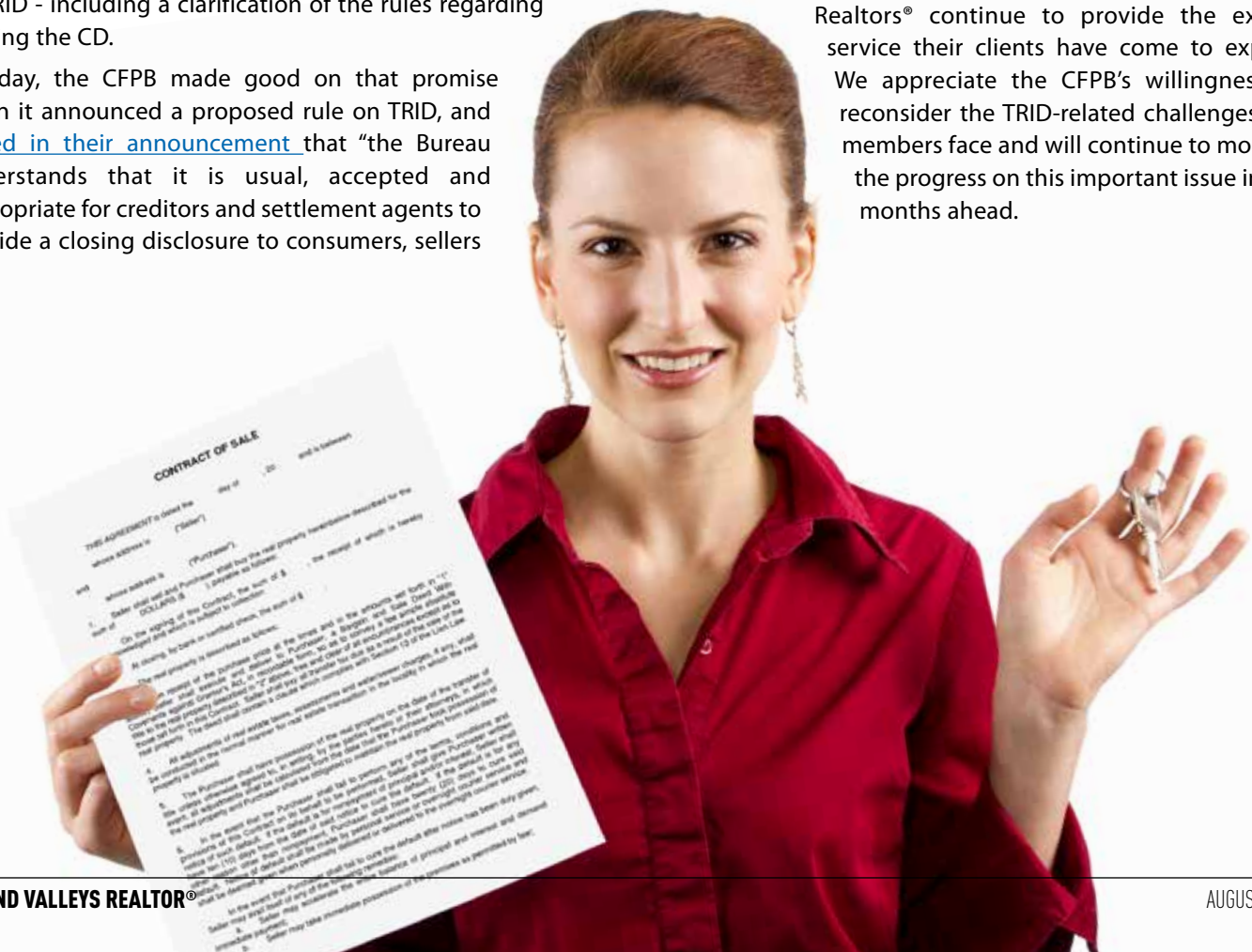
and their real estate brokers or other agents."

The National Association of Realtors® believes this announcement marks significant progress for consumers, as well as for its members. Giving Realtors® access to the CD would strengthen consumers' understanding of their mortgage and home purchase by helping agents continue to provide expert advice to their clients.

The following is a statement by NAR President Tom Salomone:

"Realtors® have reported challenges gaining access to the Closing Disclosure ever since TRID went into effect, despite a long history of access to the substantively similar HUD-1 that is replaced. Today the CFPB acknowledged that concern by making it clear that it is appropriate and accepted for creditors and settlement agents to share the CD with consumers, sellers and their real estate agents.

"This is a significant victory that will help Realtors® continue to provide the expert service their clients have come to expect. We appreciate the CFPB's willingness to reconsider the TRID-related challenges our members face and will continue to monitor the progress on this important issue in the months ahead.





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First-time Homebuyers Stuck on Economic Sidelines

BY TOM SALOMONE
Published in The Hill

Americans overwhelmingly hold the belief that homeownership is a solid financial decision, and with good reason.

A fixed-rate mortgage offers protection against rising rents, and the tax advantages of owning a home are well known. Moreover, homeownership strengthens communities and offers people a place to build a future.

That's why it's important that mortgage credit is available to responsible borrowers who are ready to buy.

Unfortunately, many first-time buyers are held back from homeownership. According to the National Association of Realtors' Profile of Home Buyers and Sellers, the share of first-time buyers fell in 2015 for the third consecutive year to its lowest point in nearly three decades, even as home sales strengthened.

The topic of first-time buyers was front and center at the 2016 Realtors® Legislative Meetings, when nearly 9,000 Realtors® came to Washington, D.C. to visit leaders on Capitol Hill and within the Administration to call for changes that will help get more buyers into the market.

Among those changes is the need to address burdensome regulations that make it harder to purchase a condominium.

Condos represent an affordable option for first-time buyers who may have good credit but are struggling to make a down payment. But current regulations often make it hard for buyers – even those with strong credit – to qualify for financing.

For example, the Federal Housing Administration requires that no less than 50 percent of condo units are "owner occupied" before they'll insure a building. Freddie Mac and Fannie Mae, however, have no such restriction as long as the home is a principal residence (another FHA requirement). Since FHA reviews the property to ensure it meets all other FHA requirements, owner-occupancy ratios should be irrelevant to the transaction.

We can do something about it.

Housing and Urban Development Secretary Julian Castro told Realtors® at their convention that changes to FHA condo rules have left the HUD building and are on their way to the Office of Management and Budget for review. That's a significant step.

In addition, Realtors® continue to push for legislation, the "Housing Opportunity Through Modernization Act," (H.R. 3700) to address these concerns. The bill was introduced by Reps. Luetkemeyer (R-Mo.) and Cleaver (D-Mo.), and passed the House unanimously in February.

H.R. 3700 addresses owner-occupancy rate concerns as well as makes improvements to FHA's recertification process. It's time for H.R. 3700 to get a vote in the Senate and head to the President's desk.

Condo regulations, however, are far from the only issue holding back buyers.

NAR's buyers and sellers survey found that student debt was listed as an important factor by the majority of buyers who say saving for a down payment is their biggest impediment to purchasing a home. Additionally, the median student debt for all buyers is \$25,000, and for many it's even higher.

[Sen. Elizabeth Warren](#) (D-Mass.) addressed Realtors® at their Washington convention and told them that their participation in addressing student debt is critical to success.

To that end, NAR recently adopted policy seeking to help more student borrowers refinance their debt and streamline income-based repayment programs. NAR also supports proposals that promote education and simplification of student loans, as well as steps to ensure that mortgage underwriting guidelines related to student loan debt are standardized in a way that supports homeownership.

What's clear is that more needs to be done.

NAR data show that the share of first-time buyers declined to 32 percent in 2015, marking the second-lowest share since 1981. Historically, nearly 40 percent of primary purchases are from first-time home buyers, meaning this matters not just to them, but to the broader economy as well.

As we look to get more first-time buyers into the market, however, we need to ensure that homeowners have the tools to protect their investment.

Realtors® in Washington reminded lawmakers

about the importance of extending the National Flood Insurance Program before it expires in September of 2017, while also making critical reforms and clearing the way for private options to enter the marketplace.

The fact that first-time buyers are stuck on the sidelines is a missing link to a housing recovery that has benefited so many other Americans, and it's holding back further progress that would benefit all of us.

There are common-sense policy measures we can take to clear the way for creditworthy borrowers to make a purchase, protect homeowner's most valuable asset, and help students make good financial decisions on their loans.

It's time for us to get it done.



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