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JANUARY 2017

INLAND VALLEYS REALTOR®

THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

Home Sales Expected to Expand Modestly in 2017

FOR MORE INFORMATION GO TO PAGES 18-19

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Get Involved at IVAR and Join Our Leadership Team

FRANK LICEA,
2017 IVAR PRESIDENT

On January 13th, I was honored to receive the pin as the 2017 President of IVAR. My predecessors, including 2016 President Scott Gieser, have done an outstanding job to build and hand down an organization that has emerged to be among the best among its peers.

IVAR's strength has been built by the leadership of members who have taken time to build our association over the years. We've recruited an outstanding staff, built an acclaimed government affairs program, focused on member services and helped to foster the dedication and professionalism of our members.

A lineup of former presidents have volunteered their time to make this happen. They've done so alongside a dozen volunteer members of the board of directors and dozens more who have invested many hours of dedicated service on committees and task forces to do everything from providing financial oversight to planning networking events like our annual golf tournament, Oktoberfest and our recent Installation gala.

My theme at the installation and throughout this year will be about the importance of getting involved. I didn't volunteer at IVAR in order to become President. I believe that in order to be an expert in this industry – to serve your clients and your business well – you must constantly evolve and learn. In doing so, you build leadership skills and knowledge that you contribute back to our association, our industry and the ideals of property rights and homeownership. This feedback loop is what makes our efforts possible.

It's not enough to sit on the sidelines and hope others will do the work. For those who take the time, I believe that they'll discover – as I have, as presidents before me have – that the time you invest pays back dividends for yourself, your business and your ability to make a difference.

Here's a short list of reasons that I hope will help persuade you to get involved at IVAR and join our leadership team:

1) Getting involved in your industry helps us keep the American Dream of homeownership alive

2) Learning about new issues and trends in our industry sharpens your expertise

3) Being involved as a leader demonstrates to your clients and community that you have a commitment to your profession and to them

4) Education should never stop. You stop learning. You stop growing. Being involved keeps you at the cutting edge of issues and knowledge

5) Little-known secret – all of this volunteering away from your business actually helps your business

The most important factor in being successful in our business is helping our clients buy and sell homes. The most effective way to do that is to be educated! IVAR offers you the opportunity to get involved around your busy schedule. If you have two hours a month, then you have time to learn. I challenge you to give us two hours a month. I promise you that it will be time well spent and a valuable opportunity to meet like-minded professionals.

Who will take up the challenge?

WHY WE STAND OUT

There are so many reasons why Finance of America Mortgage may be the solution to your financing needs. Above all, we believe that our unique ability to fit a variety of client needs is the key to our success. Not only are our clients vital to our success, so are our employees and referral partners!

MORE REASONS TO CHOOSE FINANCE OF AMERICA MORTGAGE:

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- FHA, VA and Conventional with fewer lender requirements
- Marketing strategies for our business partners and employees

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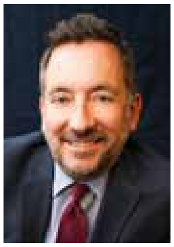

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"I love working at FAM because it continues to grow and is always creating better ways and opportunities to serve the consumer. FAM equips us with tools for continued growth as Mortgage Professionals as well as the necessary team support.

Our leaders are accessible and open to our suggestions. Collectively our team is always striving for the highest goals together. The friendly working environment and support is encouraging and invigorating."

—Ruth Pacheco, Mortgage Advisor | **NMLS-252846**

Government Affairs Updates

PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

New Administration Suspends Planned FHA Insurance Rate Reduction

At the beginning of January, REALTORS® welcomed the announcement of a quarter point reduction in annual FHA mortgage insurance premiums. The reduction, which would lower premiums from 0.85 percent to 0.60 percent, would save about 800,000 home owners save an average of $500 annually while allowing between 30,000 and 40,000 more American households to afford a home.

However, shortly after taking office, President Trump suspended the mortgage insurance rate cut. The reduction would have taken effect on Jan. 27th. That action does not mean the lowered rate is dead. The administration suspended the rate cut pending further review of the health of the FHA insurance fund. However, the news was disappointing nonetheless. The administration did not release a timeline for reconsideration or final decision.

The FHA rate reduction would have brought it near its pre-crisis level of 0.55 percent. Following the housing crash, the FHA insurance fund began to draw down and eventually fell below the required 2 percent reserve required by law. Taxpayers "bailed out" the fund with a $1.7 billion cash injection to make up the shortfall, which was repaid by FHA through insurance rate increases and the generally improving health of the housing market.

At its peak, the FHA rate reached 1.35 percent, costing homeowners thousands of dollars annually but also bringing the insurance fund to stable, growing reserves even while the economy and housing market continued to rebound.

While the quarter point rate cut would have saved the average American borrower $480 per year (based on $190,000 loan, the savings in California would average much more. FHA loans in California are well above the national level, with loan limits at near $380,000 in the Inland Empire and $630,000 in coastal counties.

NAR Resources on Rate Cut:
https://www.nar.realtor/articles/fha-lowers-premiums

http://realtormag.realtor.org/daily-news/2017/01/23/trump-puts-halt-fha-mortgage-cuts

IVAR Recruiting Members to Serve on Housing Policy Committee – San Bernardino

IVAR continues to work on growing its San Bernardino County-focused Housing Policy Committee. The committee, which works parallel to a similar group in Riverside County, reviews issues that impact REALTORS®, their clients and issues of housing and property rights. That includes meetings with elected and appointed officials, discussion and advising the IVAR Board of Directors on positions to adopt on public policy.

The committee has updated its meeting schedule and will not meet monthly on the first Thursday of each month at 9am at IVAR's Rancho Cucamonga office. If you are interested, contact Paul Herrera, Government Affairs Director, at pherrera@ivaor.com or by phone at 951-500-1222.

Support our Mission, Support the REALTOR® Party

The most important thing each member can do to support our government affairs work is to stay informed and help spread the word on important issues to your colleagues, clients, friends and neighbors. Nothing is more important than your time, including the time you devote to making your voice heard at the ballot box each election day.

Our work is supported through voluntary contributions made by members to the REALTOR® Action Fund. These annual contributions of $49 or more help ensure that we have the resources to research important issues, communicate with our members and mobilize our industry to have the impact necessary to make a difference.

You can make a contribution as you renew your membership – or anytime by going to www.car.org/governmentaffairs/raf.

Questions? Comments? You can reach Paul Herrera, Government Affairs Director, at pherrera@ivaor.com or on his cell phone at 951-500-1222.

Water Conserving Plumbing Fixtures

As a reminder, beginning January 2017, California Civil Code § 1101.4 requires that all homes built on or before January 1, 1994 must be equipped with water conserving plumbing fixtures (toilets not more than 1.6 gallons per flush, showers not more than 2.5 GPM, and interior faucets not more than 2.2 GPM).

The following forms changes and new FAQ can help with compliance:

- Water-Conserving Plumbing Fixtures and Carbon Monoxide Detector Notice (WCMD): The new WCMD sets out the requirements for both Water Conserving Plumbing Fixtures and Carbon Monoxide Detectors. (Although this law does not create a point of sale requirement (unlike water heater strapping and smoke alarm compliance), it does trigger a disclosure to the buyer (like carbon monoxide detectors)).
- Seller Property Questionnaire (SPQ) and the Exempt Seller Disclosure (ESD): Both the SPQ and the ESD have been modified to include a question for the seller to disclose whether they are aware of any non-compliant plumbing fixtures.
- NEW Client FAQ: C.A.R. has created a plain language FAQ for clients setting out in a straightforward and simple fashion the new requirements. The FAQ, which can be given separately to both sellers and buyers, will also include a copy of relevant portions of the new WCMD. It will be available soon on the new C.A.R. website.

The questions and answers from the new QA&A are below.

2017 Water Conserving Plumbing Fixtures - What You Need to Know

Q. What does the law require?
A. In a nutshell, starting in 2017, the law requires installation of water conserving plumbing fixtures if you own a single-family home, and it is built before 1994 – whether or not it is being sold.

Q. I am selling my house. Are there any special disclosures that I must make?
A. The law requires you to disclose whether there are any non-compliant plumbing fixtures on the property. The form on the other side of this FAQ [portions of the new WCMD] has the specifications. But if you are unsure, then you should consult with someone who has expertise in the matter like a contractor or plumber.

Q. I am selling my house. Are there any installation requirements under this law?
A. No. There is nothing in this law that requires installation of water-conserving plumbing fixtures as a condition of sale. However, if you haven't already installed water conserving plumbing fixtures on your pre-1994 single-family house, then you are in violation of the basic requirement of the law.

Q. I own a property in a city where there is an existing retrofit law for water-conserving fixtures as a point of sale requirement (such as Los Angeles, San Diego or San Francisco). Are those retrofit laws still in force?
A. Yes. Local laws passed before July of 2009 requiring retrofit of plumbing fixtures remain in effect. The state law also allows a locality to pass more restrictive requirements at any time.

Q. I would like to install water conserving plumbing fixtures. What can I do?
A. Call an expert such as a contractor or plumber. You can also go to your local home improvement store. You may wish to contact your local water service provider to find out if they offer low-cost or even no-cost plumbing fixtures.

Wave of Short Sale Deposit Scams in the Los Angeles Area

While we all are concerned about cybercrime and identity theft, it appears taking someone's money the old-fashioned way has reappeared in short sale scams in Southern California. The alleged scams appear to follow the same basic format. A short sale agreement was entered into four to six months ago. The buyer made an initial deposit in the $5,000 to $15,000 range into the listing broker's non-independent broker escrow. As with most short sales, the process takes several months and the selling agent is assured that the listing agent is working towards lender approval – it is just taking more time. Then the communication slows down, the selling agent begins to get concerned and calls the listing broker's escrow. There is no answer and no return call and no other number to contact.

A case has been opened with the Long Beach Police Department, Financial Crimes Division. The officer in charge is Detective Robert Ryan (562) 570-7391. As of late December, there were approximately 20 victims. However, the C.A.R. Hotline has received more than 15 calls since the first of the year which have been referred to the Long Beach Police. The California Bureau of Real Estate is also aware of this case.

Additionally, the Los Angeles County Sheriff has made an arrest in what appears to be an identical scam involving at least 32 victims with a total loss of $498,000. To contact the LA Sheriff's office call Detective Keith Clark at (562) 946-7217 or tips can be made anonymously at Crime Stoppers, (800) 222-TIPS (8477).

If you believe you or your buyer has fallen victim to a short sale scam, you should contact the police and the Bureau of Real Estate.

To protect short sale buyers going forward, remember to include a Short Sale Addendum (C.A.R. Form SSA) in the offer. The default agreement in the SSA is that the buyer is not required to submit any deposit to escrow until three days after receiving all short sale lenders' written approval.

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Housing Data Report December 2016

The Voice of Real Estate in the Inland Empire℠

A report brought to you by the Inland Valleys Association of REALTORS® (IVAR)
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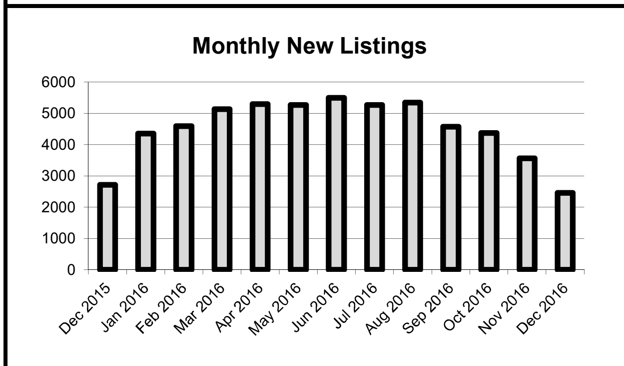
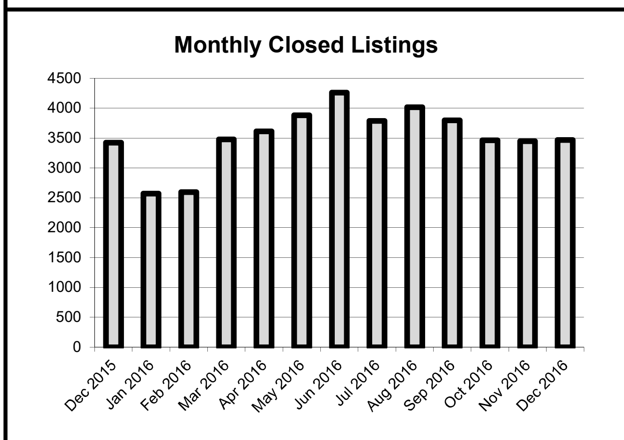
Mark Dowling, Chief Executive Officer

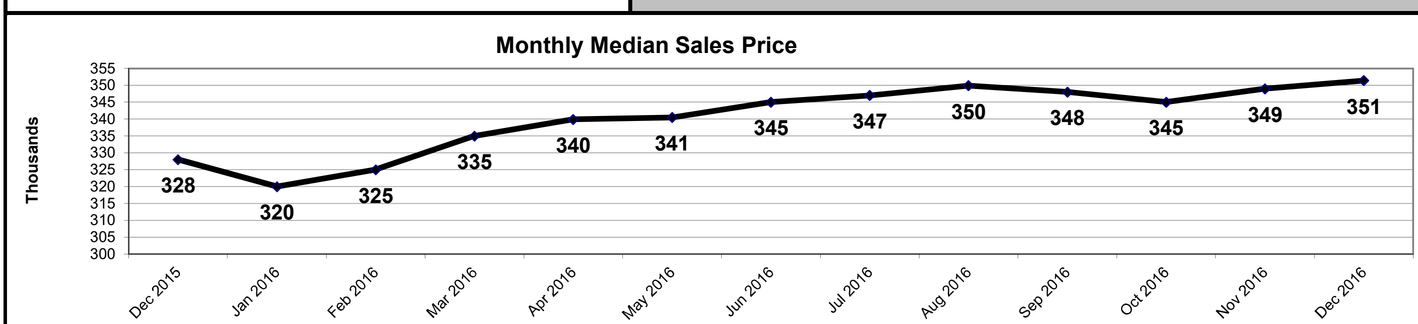
- Year-end regional housing data through 2016 showed strong increases in Sold Listings (up 4.6%), Sales Volume (up 10.5%) and Pending Sales (up 5.3%). However, New Listings were down very slightly (1.2%)
- Heightened demand has also caused a decrease in "Combined Days on Market" which fell 11.8% for the year
- Median Sales prices ended the year at $351,000 for the month of December which is a 6.2% month-over-year increase.
- 2016 reflected a strong regional housing market with annual increases in nearly every statistical





	Dec-2015	Dec-2016	Annual Change
New Listings	2,715	2,460	-10.4%
Pending Sales	2,483	2,885	13.9%
Sold Listings	3,422	3,469	1.4%
Median Sales Price	$328,000	$351,419	6.7%
Sales Volume ($M)	$1,222	$1,307	6.5%
Price/Sq.Ft.	$181	$193	6.3%
Sold $/List $	98.08%	98.16%	0.1%
Days on Market	54	38	-42.1%
CDOM	63	42	-50.0%

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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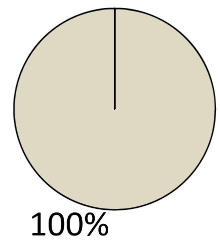
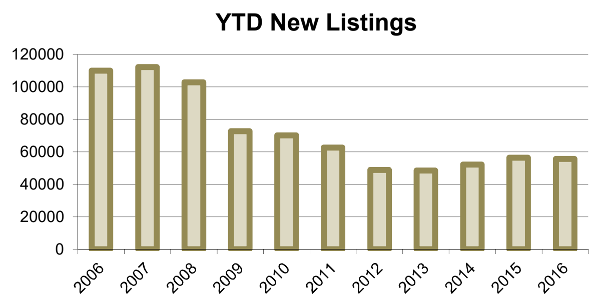
The statistics shown below are for all 12 months of the years represented.

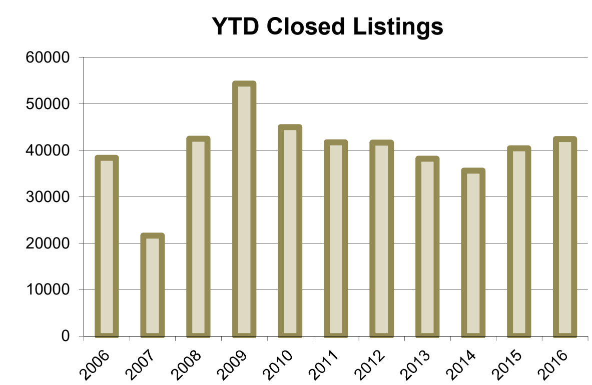
Month to month comparisons give you a quick way to see what is recently changing in the region. However, by comparing Year-To-Date (YTD) information across several years, you can observe more signifiant trends.

We are 12 months through the year:



	Jan-Dec 2015	Jan-Dec 2016	Year-Over-Year Change
New Listings	56,397	55,722	-1.2%
Pending Sales	41,280	43,589	5.3%
Sold Listings	40,422	42,386	4.6%
Median Sales Price	$320,000	$341,000	6.2%
Sales Volume ($M)	$13,983	$15,632	10.5%
Price/Sq.Ft.	$177	$190	6.6%
Sold $/List $	98.36%	98.67%	0.3%
Days on Market	48	43	-11.6%
CDOM	57	51	-11.8%





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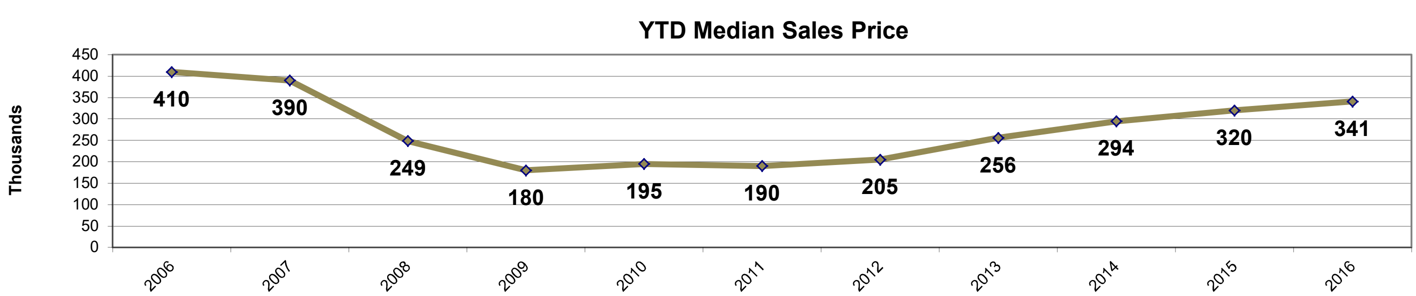
CRMLS California Regional Multiple Listing Service, Inc.



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Dec 2016 City Overview

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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.

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 $	Inventory	Price per Sq.Ft.	Total Days on Market
Banning	15%	0%	$ 210,000	67	$ 151	42
Beaumont	-4%	5%	$ 290,000	106	$ 150	45
Bloomington	-33%	3%	$ 255,000	32	$ 192	21
Canyon Lake	5%	-9%	$ 336,000	49	$ 170	75
Cherry Valley	63%	28%	$ 299,999	15	$ 178	44
Chino	-11%	7%	$ 460,000	96	$ 241	40
Chino Hills	6%	18%	$ 649,000	123	$ 304	48
Claremont	-32%	-6%	$ 565,000	42	$ 323	59
Colton	-17%	23%	$ 270,000	60	$ 202	45
Corona	1%	6%	$ 437,000	281	$ 219	41
Diamond Bar	15%	-2%	$ 550,000	66	$ 337	45
Eastvale	55%	5%	$ 507,000	64	$ 181	51
Fontana	-14%	-1%	$ 347,000	258	$ 205	38
Grand Terrace	183%	25%	$ 336,500	18	$ 223	29
Hemet	3%	14%	$ 211,000	250	$ 134	32
Highland	0%	9%	$ 322,500	84	$ 177	41
Jurupa Valley	0%	24%	$ 439,990	71	$ 194	59
La Verne	42%	16%	$ 588,000	36	$ 321	31
Lake Elsinore	7%	5%	$ 335,000	143	$ 156	48
Loma Linda	-21%	15%	$ 390,000	23	$ 212	70
Menifee	-3%	6%	$ 334,900	188	$ 156	44
Mentone	267%	58%	$ 264,000	7	$ 160	34
Montclair	-28%	7%	$ 380,500	31	$ 250	37
Moreno Valley	1%	7%	$ 282,500	341	$ 169	31
Murrieta	19%	5%	$ 375,000	246	$ 175	40
Norco	37%	-12%	$ 442,000	47	$ 240	55
Nuevo/Lakeview	20%	0%	$ 275,000	20	$ 150	16
Ontario	-3%	2%	$ 358,000	152	$ 247	30
Perris	18%	6%	$ 270,000	150	$ 148	34
Pomona	4%	11%	$ 360,000	110	$ 267	38
Rancho Cucamonga	-3%	7%	$ 449,800	224	$ 259	41
Redlands	-10%	14%	$ 365,000	92	$ 211	50
Rialto	-1%	2%	$ 295,000	105	$ 199	34
Riverside	4%	4%	$ 354,000	608	$ 209	43
San Bernardino	-18%	3%	$ 225,000	337	$ 175	49
San Dimas	29%	-4%	$ 505,000	38	$ 308	35
San Jacinto	2%	13%	$ 244,000	103	$ 120	38
Sun City	-31%	9%	$ 220,000	25	$ 173	41
Temecula	-1%	4%	$ 425,000	240	$ 193	52
Upland	37%	19%	$ 510,000	89	$ 262	25
Wildomar	-17%	8%	$ 345,000	74	$ 159	48
Winchester	-8%	5%	$ 379,000	65	$ 158	54
Yucaipa	17%	5%	$ 330,000	91	$ 184	51

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Dec 2016 - Sales Volume per City

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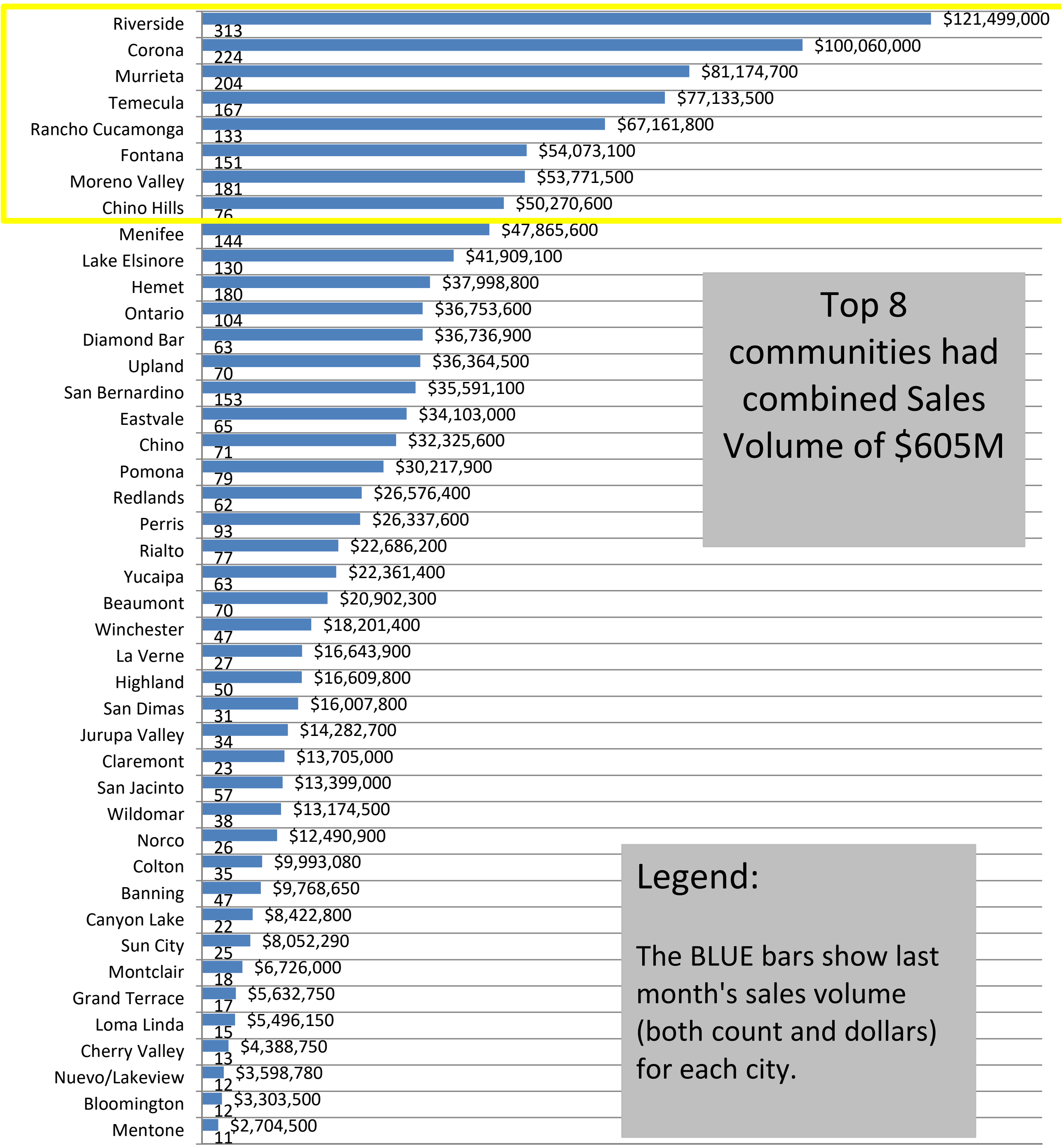

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Dec 2016 - Top Communities with New Listings (year-over-year)

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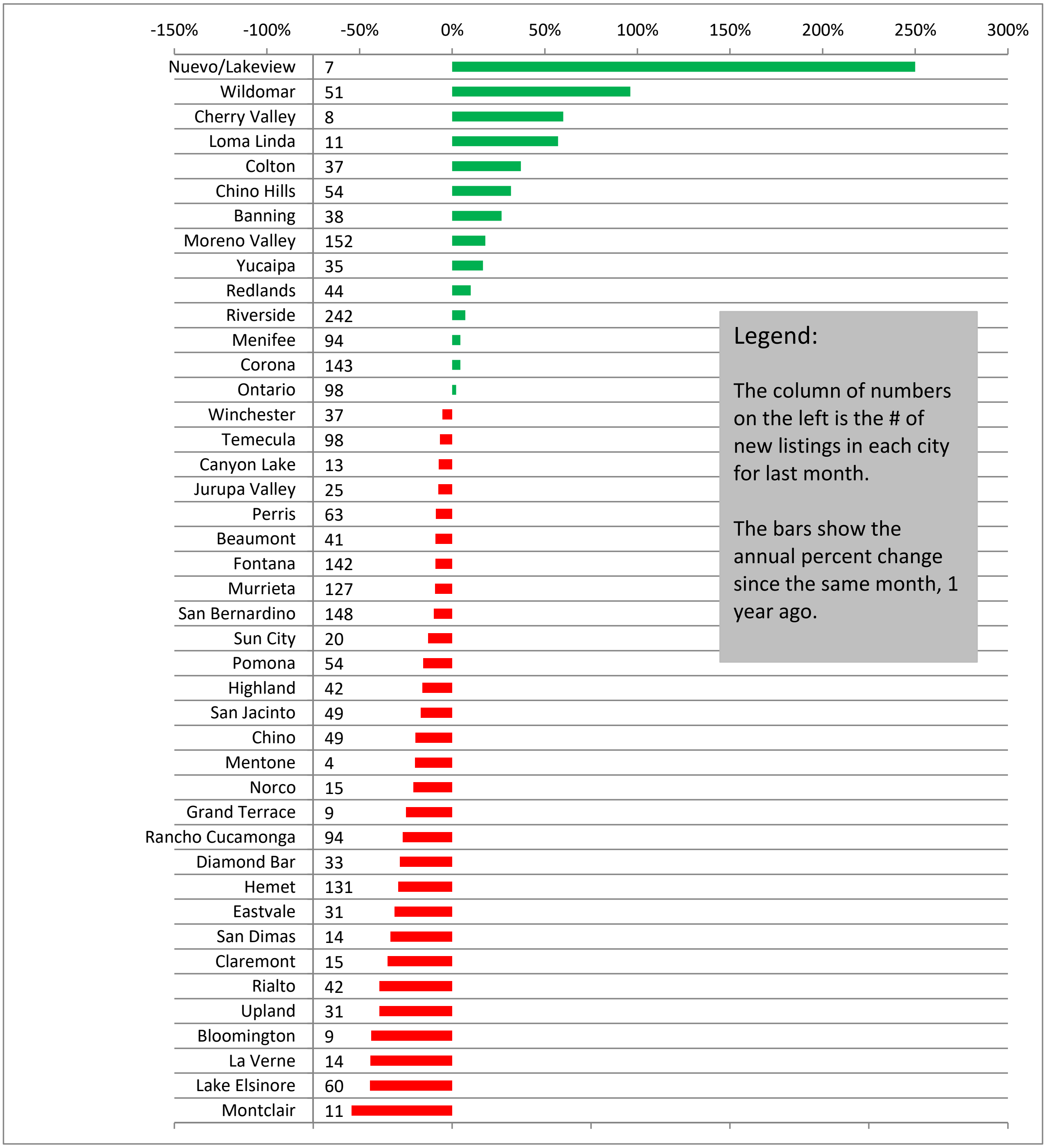

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Sell Price vs Original List Price

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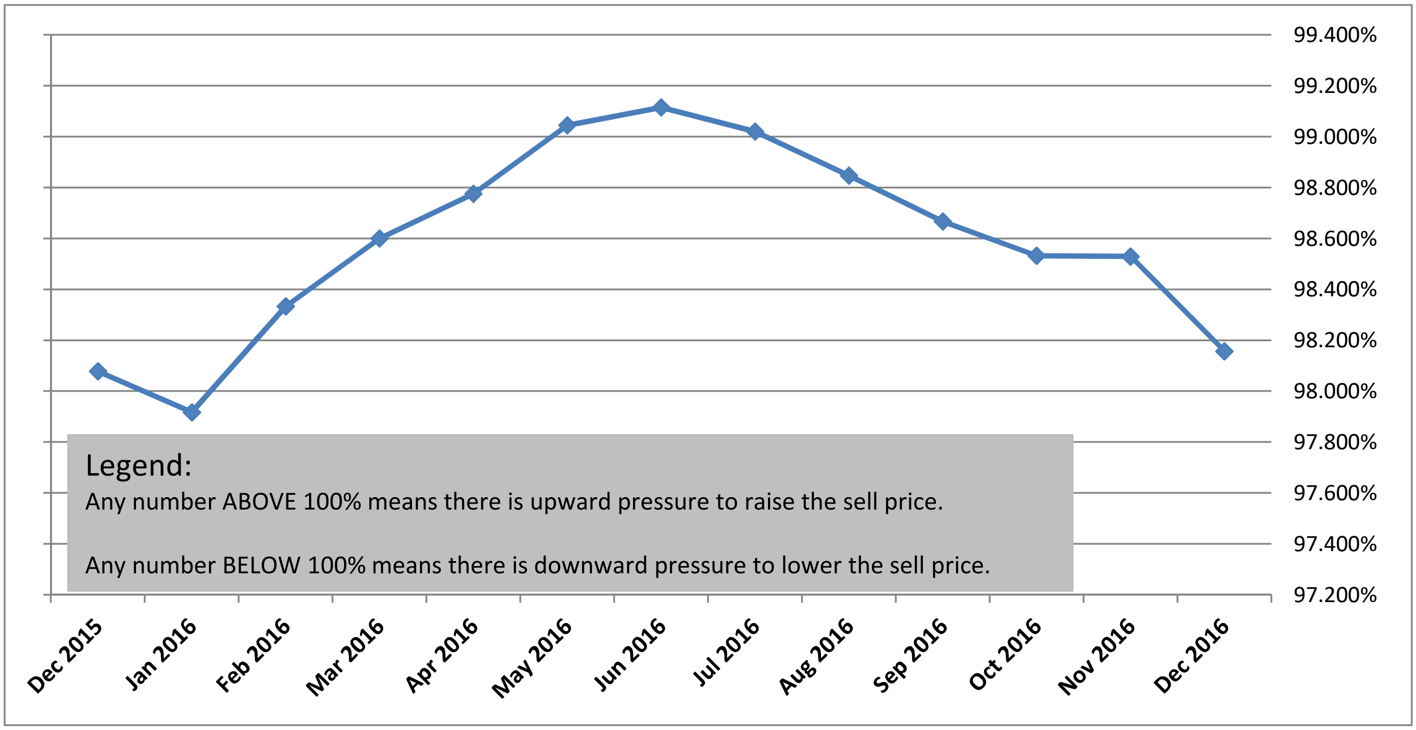
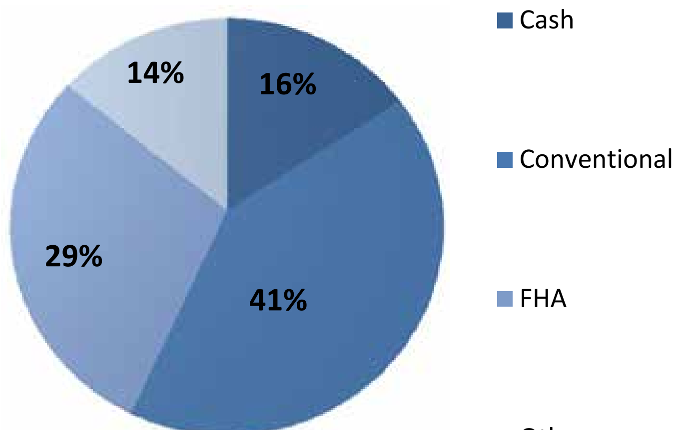


This report is brought to you by IVAR:

As a service to the more than 4 million residents of the Inland Empire, the **Inland Valleys Association of Realtors**® is proud to distribute this data report on the housing market in the 50 communities served by our Realtor Members.

The core purpose of IVAR is to help its members become more professional and profitable, while promoting and protecting real property rights.

Finance Type



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As part of our efforts to keep you informed in a prompt and convenient manner IVAR offers a text-messaging service for weekly alerts, news and information.

To Register

Send the text "subscribe all" to 951-999-4354

The following English-language commands will also work: STOP, STOPALL, UNSUBSCRIBE, CANCEL, END, and QUIT will stop you from receiving messages.

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Home Sales Expected to Expand Modestly in 2017 As Affordability Pressures Temper Buyer Enthusiasm

MEDIA CONTACT: ADAM DESANCTIS / 202-383-1178

WASHINGTON (December 14, 2016) — Existing-home sales are forecast to muster only a small gain in 2017 because of increasing mortgage rates and shrinking consumer confidence that now is a good time to buy a home, according to new consumer survey findings and a 2017 housing forecast update from the National Association of Realtors®.

In NAR's fourth quarter Housing Opportunities and Market Experience (HOME) survey 1, respondents were asked about their confidence in the U.S. economy and their housing expectations in 2017.

With the calendar turning to a new year in a couple weeks, the survey found that a majority of households believes now is a good time to buy a home. However, confidence has retreated by a considerable amount amongst renters. Fifty-seven percent of renters said now is a good time to buy, which is down from 60 percent in September and 68 percent a year ago. Seventy-eight percent of homeowners (unchanged from September; 82 percent in December 2015) think now is a good time to make a home purchase.

Lawrence Yun, NAR chief economist, says declining affordability in many parts of the country is behind the weakening morale. "Rents and home prices outpacing incomes and scant supply in the affordable price range has been a prominent headwind for many prospective buyers this year," he said. "Making matters worse, the unwelcoming reality of higher mortgage rates since the election is likely further holding back confidence. Younger households, renters and those living in the costlier West region — where prices have soared in recent months — are the least optimistic about buying."

Even with this year's slow dip in buyer enthusiasm, existing-sales are still expected to close 2016 3.3 percent higher than 2015 and reach around 5.42 million — the best year since 2006 (6.47 million). In 2017, sales are forecast to grow roughly 2 percent to around 5.52 million. The national median existing-home price is expected to rise to around 5 percent this year and 4 percent in 2017. By the end of next year, mortgage rates are expected to reach around 4.6 percent, and the Federal Reserve is expected to raise the Fed funds rate a few more times to 1.25 percent.

"Although the economy is expected to continue to expand with around 2 million net new job creations, existing home sales are expected to see little expansion next year because of affordability tensions from rising mortgage rates and prices continuing to outpace income growth," said Yun.

Despite these headwinds, Yun is hopeful that the continued job growth, any economic stimulus from the new administration and more millennials reaching their prime buying years will keep demand for the most part on solid footing. The key will ultimately come down to what the housing market desperately needs: more inventory. However, more expensive mortgage rates could also slow the pace of homeowners listing their home for sale.

"Some would-be sellers may be reluctant to move up or trade down — especially if they've refinanced in recent years," said Yun. "That's why it's extremely necessary for homebuilders to step-up their production of homes catered to buyers in the affordable price range. Otherwise the nation's low homeownership rate will struggle to shift higher in 2017."

NAR President William E. Brown, a Realtor® from Alamo, California, says buyers searching for available homes in a tight market next year can get ahead by working with a Realtor® who's very familiar with the buyers' targeted area. "A Realtor® will have their pulse on current market conditions and can ensure a buyer is only searching for and making offers on a home that fits within the budget."

Brighter enthusiasm about the direction of the economy, personal financial outlook mostly unchanged

This quarter's survey found that another full year of robust job gains and lower unemployment is finally translating into stronger confidence about the economy. The share of households believing the economy is improving has increased quite a bit (to 54 percent) since the third quarter (48 percent), and is currently at its highest share since the survey's debut a year ago. The most optimistic about the economy are those under the age of 44, living in urban areas and with higher incomes.

The HOME survey's monthly Personal Financial Outlook Index, 2 showing respondents' confidence that their financial situation will be better in six months, has picked up a tad (to 59.8 in December) since September (58.6) and is mostly in line with the sentiment from respondents a year ago (59.6). In 2016, the index was its highest in May (61.1).

Roughly two-thirds think it's a good time to sell, most expect prices to hold steady or increase

With price growth holding steady in most of the country since the summer, roughly the same amount of homeowners (62 percent) believe it is a good time to sell compared to the third quarter of this year (63 percent). As has been the case all year, respondents in the West continue to be the most likely to think now is a good time to sell, while also being the least likely to think it's a good time to buy.

Mirroring current conditions in most markets and unchanged from last quarter, nearly all of those surveyed (91 percent) believe that prices will stay the same or rise in their community in the next six months. Respondents living in suburban areas, renters and those from the West are most likely to believe prices will go up in their communities.

About NAR's HOME survey

In October through early December 2016, a sample of U.S. households was surveyed via random-digit dial, including half via cell phones and the other half via land lines. The survey was conducted by an established survey research firm, TechnoMetrica Market Intelligence. Each month approximately 900 qualified households responded to the survey. The data was compiled for this report and a total of 2,776 household responses are represented.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing over 1.2 million members involved in all aspects of the residential and commercial real estate industries.

1 NAR's Housing Opportunities and Market Experience (HOME) survey tracks topical real estate trends, including current renters and homeowners' views and aspirations regarding homeownership, whether or not it's a good time to buy or sell a home, and expectations and experiences in the mortgage market. New questions are added to the survey each quarter to reflect timely topics impacting real estate.

HOME survey data is collected on a monthly basis and will be reported each quarter. New questions will be added to the survey each quarter to reflect timely topics impacting the real estate marketplace. The next release is scheduled for Wednesday, March 15, 2017 at 10:00 a.m. ET.

2 Index ranges between 0 and 100: 0 = all respondents believe their personal financial situation will be worse in 6 months; 50 = all respondents believe their personal financial situation will be about the same in 6 months; 100 = all respondents believe their personal situation will be better in 6 months.

Fees Meant to Shield GSEs from Risk Are Hurting Homebuyers

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BY TOM SALOMONE
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There's a conversation happening right now within the housing industry about how best to manage risk inside the government-sponsored enterprises Fannie Mae and Freddie Mac. It's a good one to have.

But while we work to solve these complex problems, homebuyers are paying a steep price at the closing table in the form of unnecessary fees that, for some, put homeownership out of reach.

How did we get here? It started in 2008, when the Federal Housing Finance Agency and the GSEs implemented loan level price adjustments, or LLPAs. Loan-level price adjustments are fees paid by the borrower either as part of upfront closing costs or over the life of the mortgage. They were intended to help the GSEs manage risk.

To be clear, NAR believes that FHFA and the GSEs should continue taking responsible steps to manage their risk exposure. However, we also believe the GSEs can do so even after reducing or eliminating LLPAs.

Three significant factors have led us to this conclusion: improved mortgage credit quality, stricter regulations on risk management within the industry, and the fact that guarantee fees, or "g-fees," charged to homebuyers have risen steadily since 2011 to cover Fannie and Freddie's risk exposure.

We are not alone in this belief either.

Earlier this year, the National Association of Realtors® — along with 24 other organizations — sent a letter to FHFA Director Mel Watt on the need to reduce or eliminate LLPAs.

We didn't find agreement from FHFA. To the contrary, the FHFA released a report on the fees charged by the GSEs finding "no compelling economic reason to change the overall level of fees."

This is a politically safe position for Director Watt, but it doesn't make sense for consumers.

Like NAR, Director Watt has called on Congress to address housing finance reform, finding the ongoing conservatorship unsustainable. At the same time, the GSEs have a mandate to provide broad access to mortgage credit. Unfortunately, their overly burdensome fees are standing in the way of that mission.

It's important to remember that LLPAs aren't the only fees the GSEs charge to borrowers. Guarantee fees are also in place to help the GSEs manage the risk of guaranteeing loans.

Those fees have risen sharply since 2009, jumping 164% from 2011 to 2014 and bringing them to nearly 60 basis points today. What's odd is that these price increases — ostensibly intended to manage risk — have continued even as the portfolio of loans guaranteed by the GSEs has grown stronger, exposing the GSEs to less risk.

The result is that borrowers of conventional mortgages will potentially pay both LLPAs and g-fees when purchasing a home. This redundancy is unequivocally pricing qualified borrowers out of the conventional market, undermining the mission of the GSEs in the process.

There's no mystery as to how we got where we are today. Former FHFA director Ed DeMarco gambled on a policy to bring back the private label securities market by directing the GSEs to raise fees. It was not to protect against borrower default risk but to boost yields and make returns more attractive to other financial institutions.

This policy to encourage private market participation ignored the dislocation and distrust among Wall Street bond dealers and investors that continue to drive the lack of a private label securities market. NAR noted then that the increases would result in billions of dollars of profits for the GSEs, not a return of the private label securities market, and that's exactly what we've seen.

That doesn't mean we're stuck here forever. With the new "Duty to Serve" regulation, FHFA has an opportunity to recognize and rectify the issue. To that end, both Fannie and Freddie created mortgage products in 2015 that capped fees for particular borrowers in recognition of this concern, but these programs are limited in reach and won't do the job on their own.

It doesn't take an expert in risk modeling to recognize that expected losses over the last few years were widely overstated, leading to loan loss reserve releases quarter after quarter.

Put simply, the GSEs were charging homeowners for far more risk than they took on, driving tremendous profit.

This shouldn't surprise anyone. Rigorous underwriting standards are now in place, ensuring fully documented and high-quality mortgages at the GSEs. Steps have also been taken to enhance the reliability of mortgage insurers, generally support industry standards for loan data transparency, and drive fraud and predatory loan products out of the system.

The GSEs have a duty to serve the public by facilitating the availability of affordable mortgage credit to all qualified borrowers. That means ensuring affordable mortgage opportunities, especially for first-time homebuyers and low- and moderate-income families.

Excessive and unnecessary fees fly in the face of that mission.

We will continue this push, along with other efforts to open the credit box for responsible home buyers. In the meantime, millions of potential homeowners are being stymied in pursuing their American Dream.