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JUNE 2016

# INLAND VALLEYS REALTOR®

THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

## 71 Percent Believe Student Debt Delays Homeownership

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# IVAR, Industry, Homeowners Enjoying Strong 2016 at the Halfway Mark

SCOTT GIESER,
2016 IVAR PRESIDENT

The first six months of 2016 have delivered a strong business climate for both IVAR and its members to grow. Our association membership is on pace for a fifth straight year of growing membership. IVAR's membership growth through the first half of this year is the strongest in a decade.

Meanwhile, real estate values continue to post strong growth. Since 2012, median sales prices in the region are up 40 percent. Those increases in sales prices have reintroduced the move-up market and given consumers increasing confidence in the strength of the housing market.

The combination of increasing values and time have also virtually eliminated the distressed market. Four years ago, short sales and REOs made up nearly two-thirds of all sales in the region. Standard equity sales, meanwhile, hovered around one third to 40% of the market. Now, 93 percent of all sales are standard equity sales. REOs and short sales make up less than 4 percent of the total market.

Overall, sales are going strong in 2016. Year-to-Date gross sales are on pace to exceed last year's sales volume by nearly $1 billion. Not surprisingly, cities such as Riverside, Rancho Cucamonga, Fontana, Corona, Temecula and Murrieta are again the top sales cities in the region.

On the advocacy front – IVAR continues making strides on a host of important issues. In December, years of legislative efforts led to a series of tax relief measures to support investment in both residential and commercial real estate (http://bit.ly/28KJhcY). These included:

- Extension of tax forgiveness on forgiven mortgage debt through 2016 tax year
- Extension of mortgage insurance deductibility through 2016 tax year
- Extension of energy efficiency tax credits through 2016 tax year
- A permanent extension of the 15-year depreciation schedule for leasehold improvements.
- Extension of the national flood insurance program.

In California, REALTORS® have so far kept several bad bills at bay and kept up momentum on PACE reform and other positive issues before the California legislature.

Locally, IVAR continues to work to build greater consumer protections on PACE program issues while working to find solutions to transactional problems created by PACE financing.

We continue to be grateful to our members for making all of our work on government affairs possible. In 2016, about 20 percent of our members will make voluntary contributions to the REALTOR® Action Fund, putting IVAR above its goal and helping to support our work on behalf of REALTORS® and their clients. This vital support has helped to ensure that IVAR continues to make a significant impact for the issues we believe in. Thank you!

Scott Gieser is the 2016 President of the Inland Valleys Association of REALTORS®.

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# REALTORS® Urge Senate to Take Action on FHA Condo Financing Reform

PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

Beginning mid-June, the National Association of REALTORS® launched a Call for Action asking the United States Senate to take action on HR 3700. The bill contains a series of reforms designed to remove obstacles that have made it difficult for prospective home buyers to use FHA financing for condominiums.

The legislation includes a series of provisions that have been thoughtfully developed over a number of years. Those efforts secured a remarkable, bipartisan 427-0 vote as HR 3700 passed the House of Representatives. However, nearly four months later, the Senate has yet to consider action on the bill.

In response, the REALTOR® Party is asking members across the nation to reach out to their Senators to ask for action on this critical bill. To send your letter to Sens. Diane Feinstein and Barbara Boxer, please go to www.realtoractioncenter.org or go directly to the Call for Action through http://bit.ly/1PpwATo.

Also, keep an eye on your inbox for updates and direct links for additional information.

## HR 3700 "Housing Opportunity Through Modernization Act"

Despite the fact that condominiums are typically a more affordable option for working class buyers, young families and first time homeowner, they make up only 4.1 percent of FHA's portfolio. That's largely because longstanding FHA financing rules severely restrict the agency's ability to support purchases in multifamily developments and have failed to keep up with changing consumer interests.

FHA requires that no less than 50 percent of units in a development be owner-occupied. This rule alone disqualifies many properties from FHA financing. By contrast, this rule does not exist with Fannie Mae and Freddie Mac-backed loans when the buyer is an owner-occupant, which is already required for FHA financing. While HR 3700 doesn't completely eliminate this rule, it does reduce the threshold to 35 percent to make it easier for condominiums to meet the standard.

FHA rules also require that no more than 25 percent of the property be commercial. This misses the trend toward mixed-use, multifamily, town center style developments that have helped revitalize neighborhoods across the country. Furthermore, under current rules, parking garages count as commercial space. HR 3700 gives FHA greater flexibility to work with mixed-use developments.

*continued on page 7*

*continued from page 6*

FHA also carries an overly restrictive ban on transfer fees. HR 3700 would match FHA rules on transfer fees with those now carried by Fannie Mae and Freddie Mac. Those rules allow transfer fees so long as those fees benefit the homeowner.

The proposed legislation would also direct FHA to streamline the condo recertification process. Often, condominiums will work to achieve FHA standards only to fall out of certification due to an expensive and unnecessarily burdensome recertification process. This requirement for a new streamline process will keep more condos eligible for FHA financing and reduce burdens on the homeowners associations and management companies tasked with keeping that option open.

### View the HR 3700 Fact Sheet

For more information on these issues, download the complete issue fact sheets at [http://bit.ly/26857PQ](http://bit.ly/26857PQ).

## Support our Mission, Support the REALTOR® Party

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.

To contact Paul Herrera, Government Affairs Director, call 951-500-1222 or email pherrera@ivaor.com.

# Survey: Stable, Affordable Homes More Unattainable

*DAILY REAL ESTATE NEWS | FRIDAY, JUNE 17, 2016*

Fewer Americans believe the housing crisis that began eight years ago is over, with the vast majority — 81 percent — saying housing affordability is a problem the country faces today, according to the MacArthur Foundation's 2016 How Housing Matters survey.

Sixty percent say affordability is a "serious" problem, the survey found, while only 29 percent believe "the housing crisis is pretty much over," down from 35 percent last year.

Survey respondents view a stable, affordable home as fundamental to economic security, but it's becoming more unattainable, with 68 percent saying it's harder to find now than it was for previous generations.

"Too many Americans today believe the dream of a decent, stable home and the prospects for social mobility are receding," says Julia Stasch, president of the MacArthur Foundation. "Having a decent, stable, affordable home is about more than shelter: It is at the core of strong, vibrant, and healthy families and communities."

But many have hope that the issue of housing affordability can be solved, and the majority wants their elected officials to address it with more urgency. Nearly two-thirds of survey respondents say actions can be taken to address the growing affordability gap, and 76 percent say it's "very or fairly important" for leaders in Washington, D.C., to support and enact such policies. But 63 percent believe housing affordability has not received enough attention from presidential candidates, according to the survey.

More than half of Americans are making some sacrifice to afford their mortgage or rent, such as working additional jobs, stopping investments in retirement funds, accumulating credit card debt, or cutting back on healthcare, the survey finds.

*—Tamarah Webb, REALTOR® Magazine*

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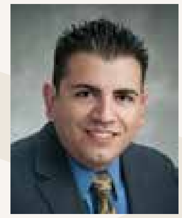

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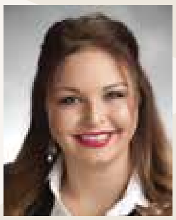

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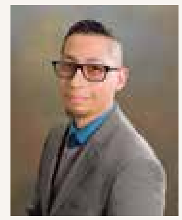

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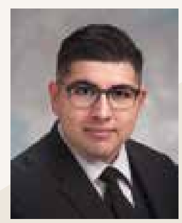

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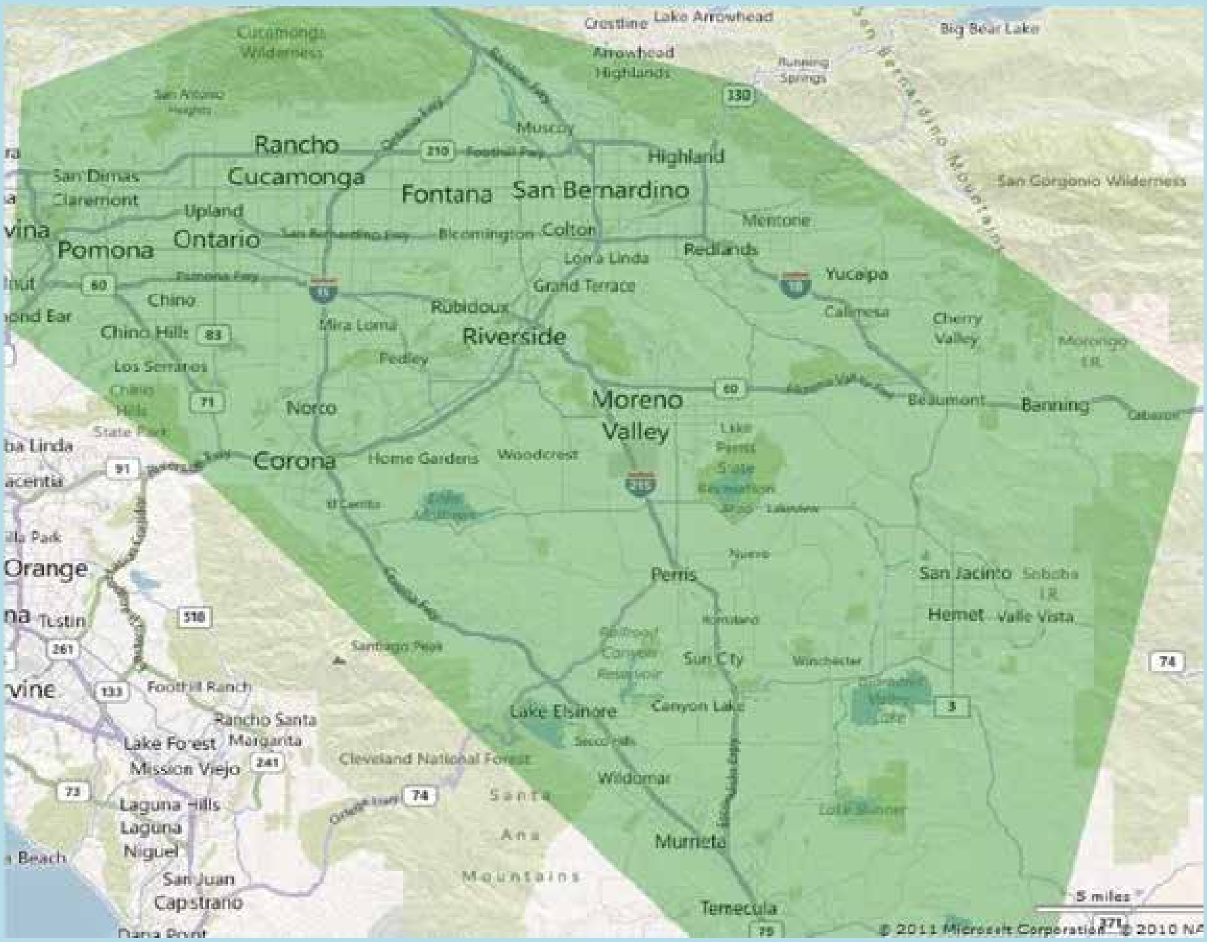
# Housing Data – May 2016

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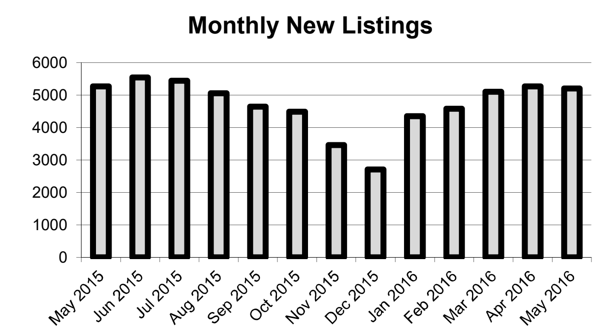
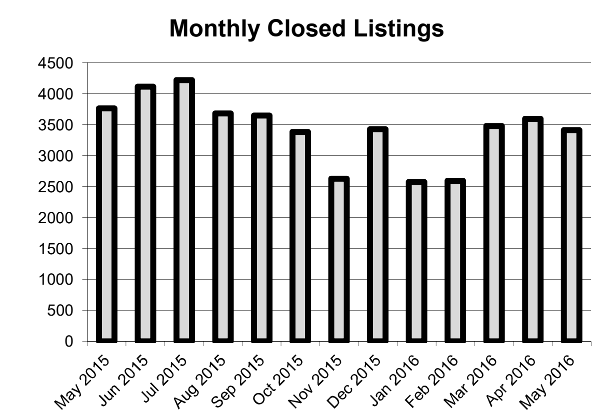
**Mark Dowling, Chief Executive Officer**

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 5 months of 2016 New Listings were down 2.2%, coupled with a 4th Quarter 2015 decrease in New Listings, the region has experienced 8 straight months of decreased New Listings.
- Concurrent with the decrease in New Listings, year-to-date Sold Listings are down slightly as well at 1%. Moreover, Days on Market has experienced an 8.7% decrease.
- With a decrease of New Listings (inventory), Median Sales prices have jumped nearly seven percent year-to-date (6.9%)
- If New Listings continue to lag, then the resulting impact will cause a tightening of inventory, and an increase in home values.

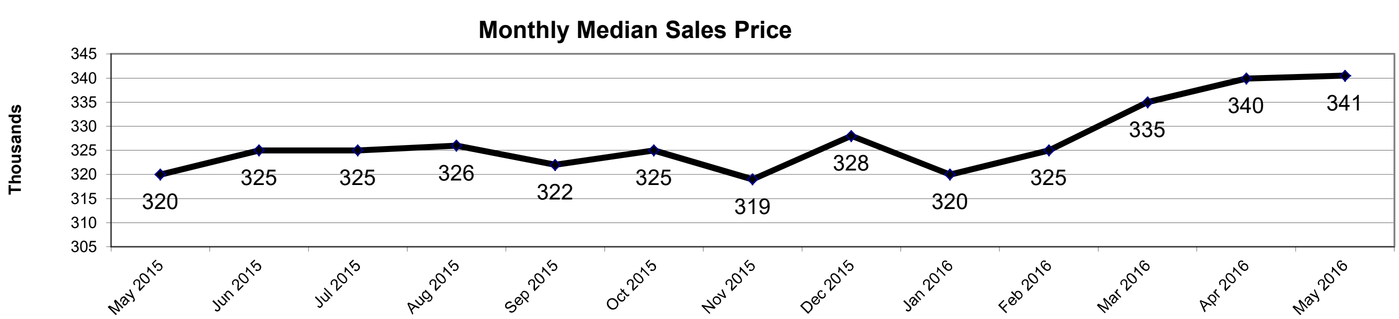



| | May-2015 | May-2016 | Annual Change |
|---|---|---|---|
| New Listings | 5,270 | 5,210 | -1.2% |
| Pending Sales | 3,839 | 4,339 | 11.5% |
| Sold Listings | 3,763 | 3,414 | -10.2% |
| Median Sales Price | $320,000 | $340,500 | 6.0% |
| Sales Volume ($M) | $1,302 | $1,253 | -3.9% |
| Price/Sq.Ft. | $177 | $191 | 7.3% |
| Sold $/List $ | 98.58% | 99.46% | 0.9% |
| Days on Market | 44 | 37 | -18.9% |
| CDOM | 54 | 44 | -22.7% |

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.

CRMLS California Regional Multiple Listing Service, Inc.

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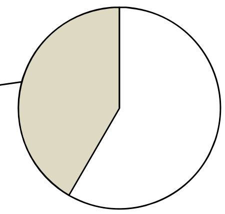
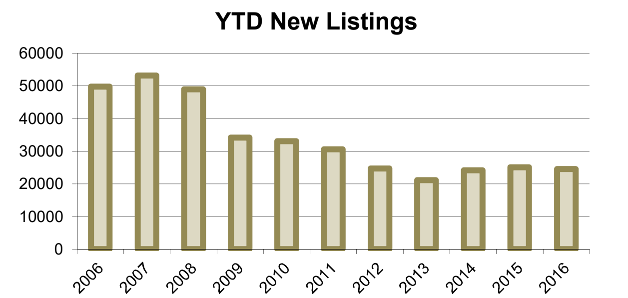
The statistics shown below are only for the first 5 months of the years represented.

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 5 months through the year:**




| | Jan-May 2015 | Jan-May 2016 | Year-Over-Year Change |
|---|---|---|---|
| New Listings | 25,069 | 24,526 | -2.2% |
| Pending Sales | 18,364 | 19,227 | 4.5% |
| Sold Listings | 15,818 | 15,658 | -1.0% |
| Median Sales Price | $310,000 | $333,000 | 6.9% |
| Sales Volume ($M) | $5,358 | $5,616 | 4.6% |
| Price/Sq.Ft. | $173 | $186 | 6.6% |
| Sold $/List $ | 98.18% | 98.66% | 0.5% |
| Days on Market | 50 | 46 | -8.7% |
| CDOM | 63 | 57 | -10.5% |





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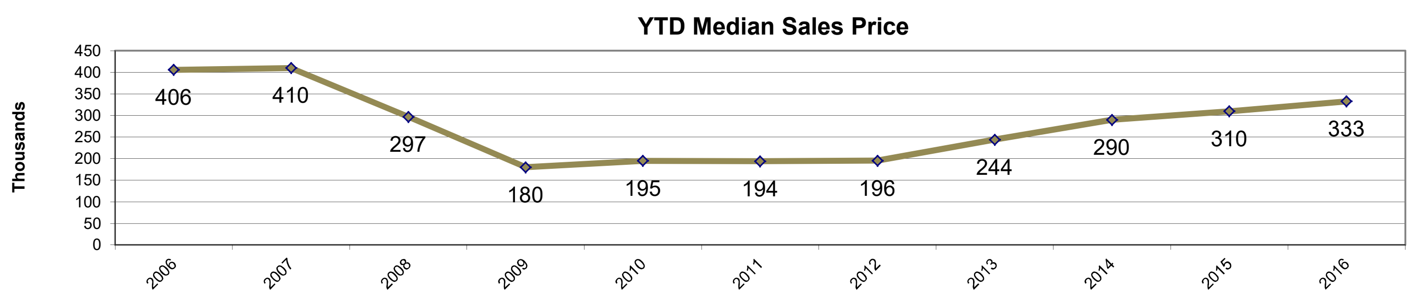


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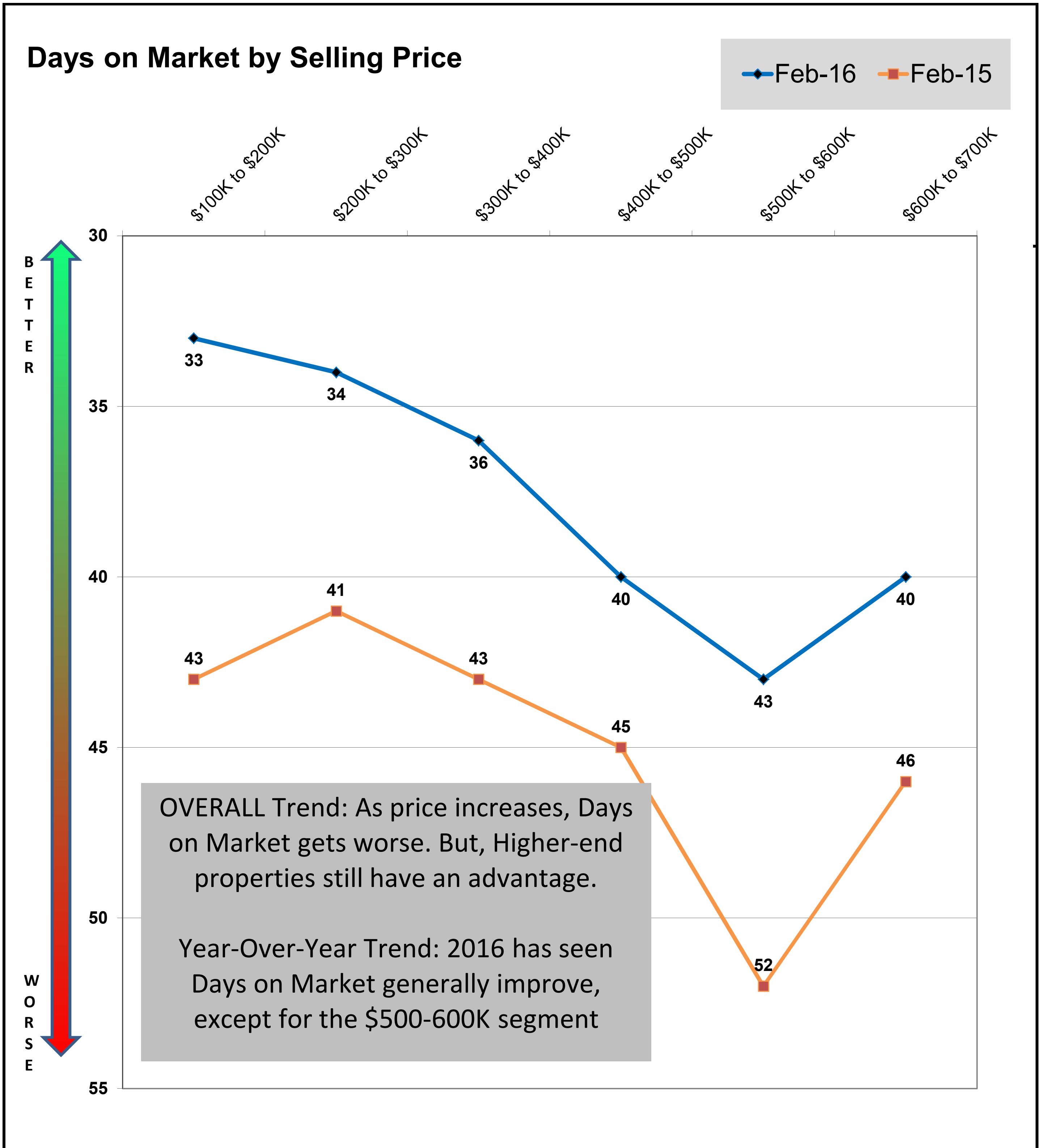


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The following monthly data shows "YEAR-OVER-YEAR" (YOY)changes as well as current conditions in the real estate market

| | YOY Sales Transactions | YOY Median Sales Price % | Median Sales Price $ | Price per Sq.Ft. | Total Days on Market |
|---|---|---|---|---|---|
| Alta Loma | 0% | 1% | $ 525,000 | $ 266 | 62 |
| Banning | -20% | 21% | $ 230,000 | $ 159 | 39 |
| Beaumont | -7% | 10% | $ 295,000 | $ 140 | 59 |
| Bloomington | -18% | 21% | $ 285,000 | $ 201 | 42 |
| Canyon Lake | -16% | -16% | $ 350,000 | $ 175 | 102 |
| Cherry Valley | 120% | 67% | $ 438,000 | $ 168 | 51 |
| Chino | 10% | 4% | $ 415,000 | $ 246 | 42 |
| Chino Hills | 23% | -1% | $ 599,000 | $ 313 | 36 |
| Claremont | 12% | 2% | $ 605,000 | $ 338 | 43 |
| Colton | 0% | 14% | $ 257,000 | $ 192 | 36 |
| Corona | -23% | -1% | $ 417,000 | $ 232 | 52 |
| Diamond Bar | 0% | 14% | $ 615,000 | $ 351 | 47 |
| Eastvale | -19% | 7% | $ 503,000 | $ 179 | 44 |
| Fontana | -15% | 5% | $ 338,000 | $ 200 | 45 |
| Grand Terrace | 8% | 3% | $ 303,000 | $ 199 | 47 |
| Hemet | -5% | 5% | $ 199,900 | $ 127 | 42 |
| Highland | -20% | 8% | $ 313,000 | $ 179 | 38 |
| Jurupa Valley | -6% | 12% | $ 389,900 | $ 209 | 49 |
| La Verne | -33% | -9% | $ 545,000 | $ 299 | 58 |
| Lake Elsinore | 5% | 15% | $ 325,000 | $ 164 | 52 |
| Menifee | -5% | 7% | $ 330,000 | $ 151 | 43 |
| Montclair | 50% | 14% | $ 398,765 | $ 251 | 38 |
| Moreno Valley | -5% | 9% | $ 275,000 | $ 162 | 40 |
| Murrieta | 4% | 9% | $ 375,000 | $ 169 | 41 |
| Norco | -47% | 14% | $ 535,000 | $ 237 | 92 |
| Ontario | -1% | 10% | $ 362,000 | $ 249 | 42 |
| Perris | 7% | 7% | $ 260,000 | $ 142 | 34 |
| Pomona | -12% | 14% | $ 360,000 | $ 254 | 46 |
| Rancho Cucamonga | -14% | 5% | $ 439,000 | $ 255 | 44 |
| Redlands | 12% | 16% | $ 390,000 | $ 215 | 53 |
| Rialto | -13% | 17% | $ 303,000 | $ 198 | 39 |
| Riverside | -11% | 10% | $ 345,000 | $ 213 | 40 |
| San Bernardino | -16% | 7% | $ 225,000 | $ 177 | 48 |
| San Dimas | -12% | 30% | $ 545,000 | $ 345 | 39 |
| San Jacinto | 5% | 18% | $ 242,000 | $ 126 | 43 |
| Sun City | -30% | -2% | $ 181,900 | $ 146 | 33 |
| Temecula | -25% | 4% | $ 402,000 | $ 194 | 37 |
| Upland | -9% | 6% | $ 475,000 | $ 267 | 48 |
| Wildomar | -12% | 5% | $ 344,900 | $ 164 | 50 |
| Winchester | -12% | 3% | $ 364,500 | $ 150 | 25 |
| Yucaipa | 2% | 8% | $ 323,000 | $ 192 | 58 |

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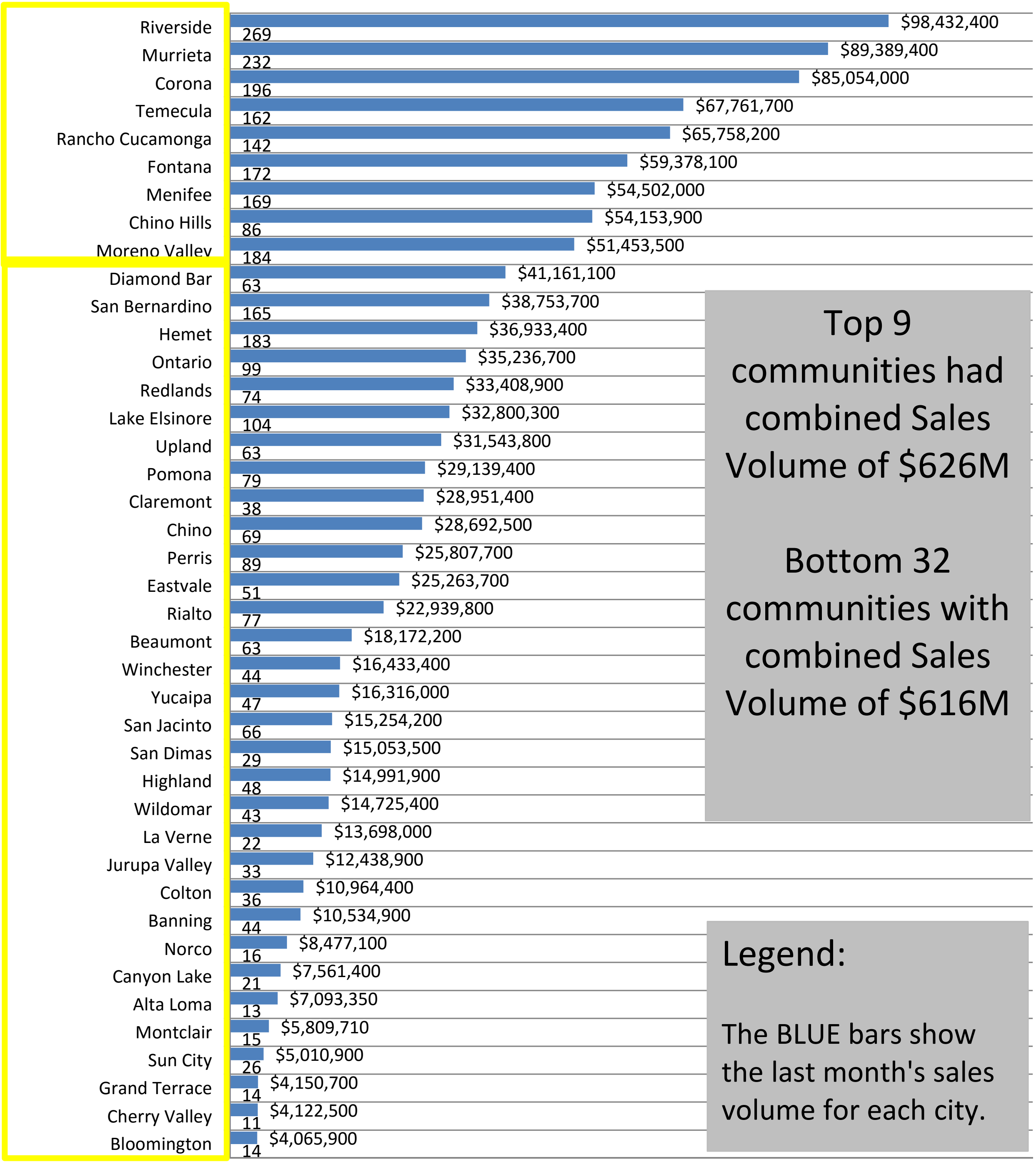
# May 2016 - Sales Volume per City

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.

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## May 2016 - Top Communities with New Listings (year-over-year)

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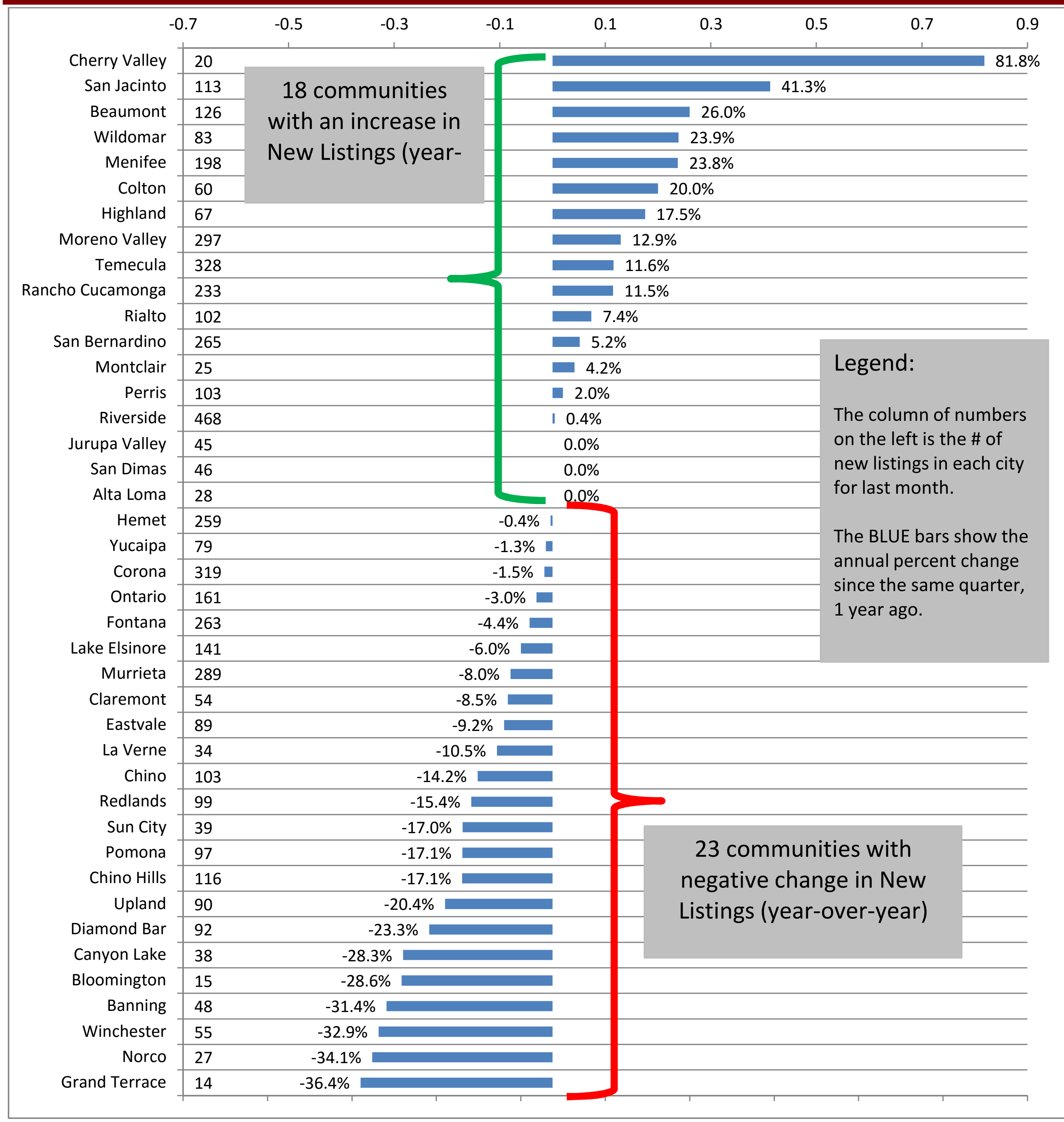


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# Sell Price vs Original List Price

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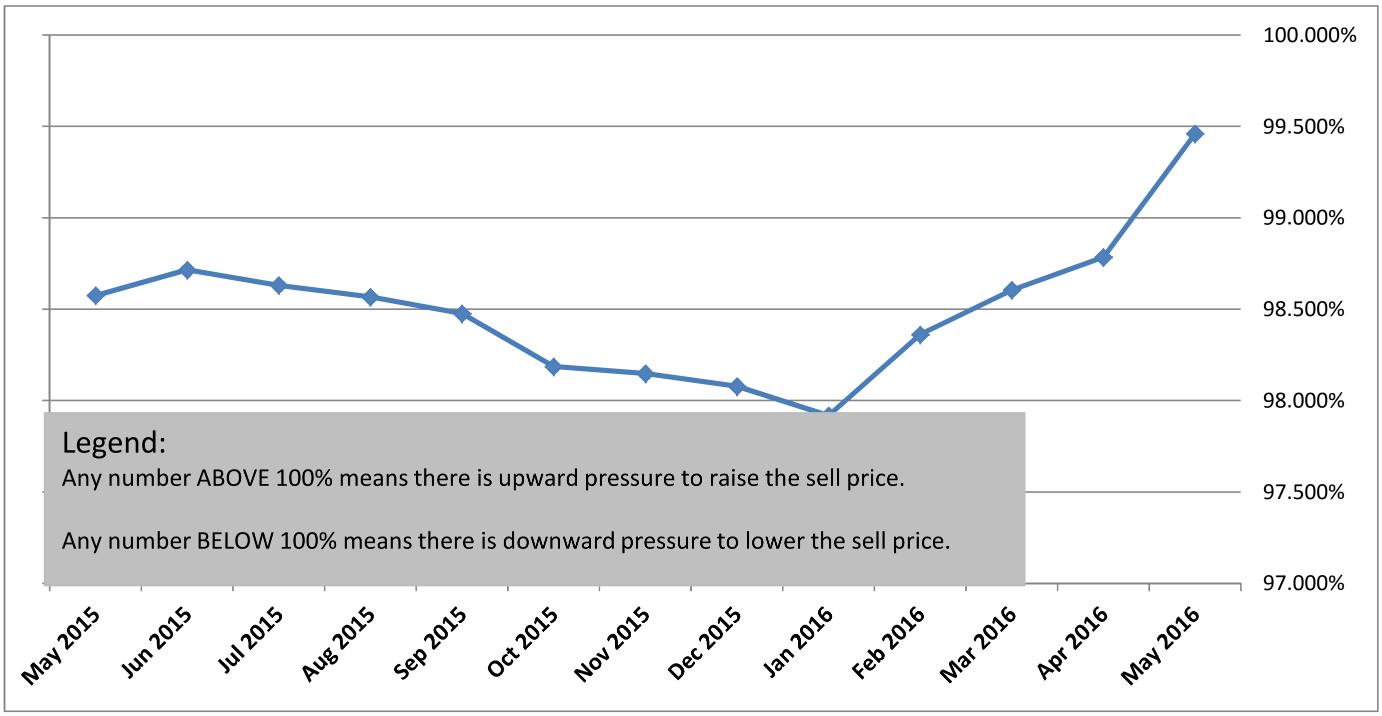


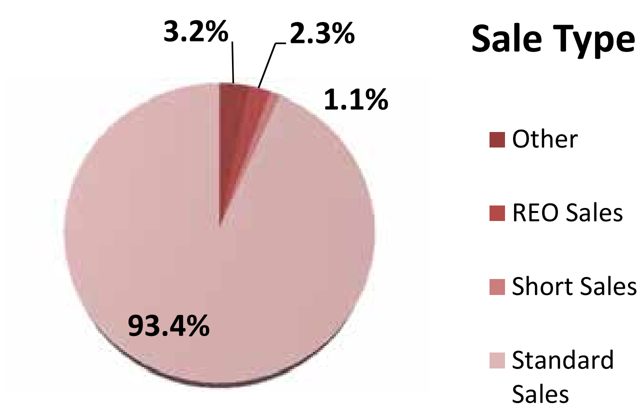


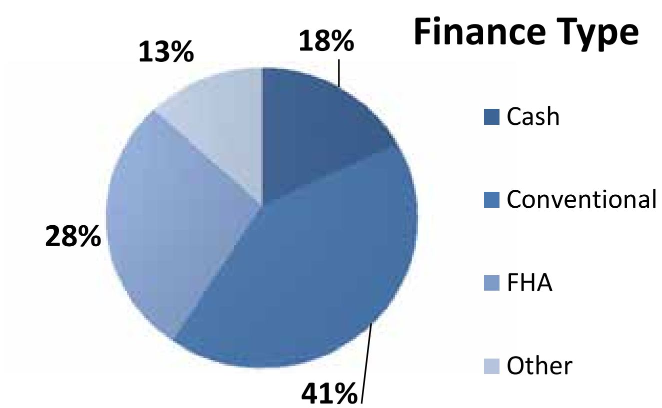


The IVAR team has worked hard to improve services and make IVAR a better business association. IVAR is committed to defining its service and building member relationships not with promotional gimmicks and giveaways, but rather by refining a business-minded approach to serve our members' professional 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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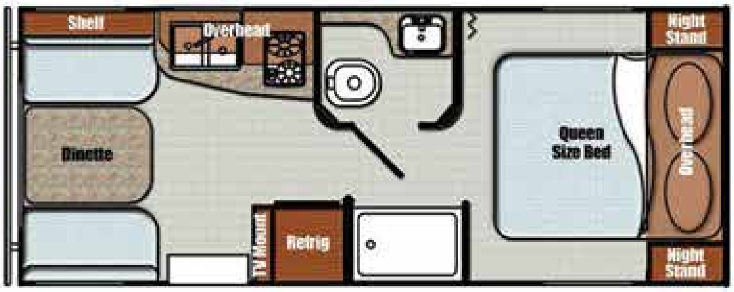


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# 71 Percent Believe Student Debt Delays Homeownership

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*NAR Chief Economist Lawrence Yun and NAR 2016 Vice President Sherri Meadows*

WASHINGTON (June 13, 2016) — Seventy-one percent of non-homeowners repaying their student loans on time believe their debt is stymieing their ability to purchase a home, and slightly over half of all borrowers say they expect to be delayed from buying by more than five years.

This is according to a new joint survey on student loan debt and housing released today by the National Association of Realtors® and SALT®, a consumer literacy program provided by nonprofit American Student Assistance®. The results also revealed that student debt postponed four in 10 borrowers from moving out of a family member's household after graduating college.

Nearly three-quarters of non-homeowners polled in the survey believe their student loan debt is delaying them from buying a home. Broken down by each generation[1] and debt amount, the percent share is the highest among older millennials approximately aged 26 to 35 (79 percent)[2] and those with $70,000 to $100,000 in total debt. Regardless of the outright amount of student debt, more than half of non-homeowners in each generation report that it's postponing their ability to buy.

The survey, which only polled student debt holders current in their repayment, yielded responses from borrowers with varying amounts of debt from mostly a four-year public or private college. Forty-three percent of those polled had between $10,001 and $40,000 in student debt, while 38 percent had $50,000 or more. The most common debt amount was $20,000 to $30,000.

Lawrence Yun, NAR chief economist, says the survey findings bring to light the magnitude student debt is having on the housing market and the budget of even those financially able to make on-time payments. While obtaining a college degree increases the likelihood of stable employment and earning enough to buy a home, many graduating with this debt are putting homeownership on the backburner in part because of the multiple years it takes to pay off their student loans at an interest rate that's oftentimes nearly double current mortgage rates.

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"A majority of non-homeowners in the survey earning over $50,000 a year – which is above the median U.S. qualifying income needed to buy a single-family home2 – reported that student debt is hurting their ability to save for a down payment," he said. "Along with rent, a car payment and other large monthly expenses that can squeeze a household's budget, paying a few hundred dollars every month on a student loan equates to thousands of dollars over several years that could otherwise go towards saving for a home purchase." Among non-homeowners who believe student debt is delaying their ability to buy, over three-quarters – including over 80 percent of millennials – said their delay is because they can't save for a down payment. Additionally, 69 percent don't feel financially secure enough to buy, and 63 percent can't qualify for a mortgage because of high debt-to-income ratios.

A little over a majority of those polled (52 percent) expect to be delayed by more than five years from purchasing a home because of repaying their student debt. One in five anticipates being held back three to five years as well as over 60 percent of baby boomers. Not surprisingly, those with higher amounts of student loan debt and those with lower incomes expect to be delayed the longest.

"Realtors® work closely with our clients and consumers everyday; we understand the severity of the problem. This is not an abstract issue for us. This is why Realtors® are leading the real estate industry in the discussion of student loan debt and its impact on housing by generating the most encompassing research on this topic," said NAR Vice President Sherri Meadows, a Realtor® from Ocala, Florida.

## Student debt preventing many young adults from leaving the nest

Mirroring other recent data on young Americans being more likely to live with their parents than in any other living situations3, almost half (46 percent) of young millennials polled currently live with family (both paying and not paying rent). Furthermore, 42 percent of respondents indicated student debt delayed their decision to move out of their family member's home after college.

Highlighting the difficulty many college graduates faced finding employment either before or immediately after the Great Recession, those who graduated six to 10 years ago had the longest delay, with 33 percent saying it took more than two years to move out of a family home.

"Nearly three-quarters of older millennials, many of whom graduated at the peak or immediately after the downturn, said their ability to purchase a home is affected by student debt," added Yun. "Add in the detrimental effects of low inventory as well as rents and home price growth outpacing wages and it's mainly why the share of first-time buyers remains at its lowest point in nearly three decades4."

## Student debt holding back some would-be sellers

The survey also found that student debt is affecting overall housing supply by holding back some current homeowners who otherwise would like to sell. Nearly a third of current homeowners (31 percent) said their student debt is postponing them from selling their home and purchasing a new one. Of those, 18 percent believe it is too expensive to move and upgrade to a new home, 7 percent have problems with their credit caused by student loan debt, and 6 percent are underwater because student debt has limited their ability to pay more than the minimum payment on their mortgage.

"It is imperative to the nation's economy that we find immediate and practical solutions to financially empower the 43 million Americans with student debt," said SALT® President John Zurick. "SALT® is committed to demystifying the college financing process by giving consumers information, instruction and individualized advice. No one should fail to realize the full potential of their formal education simply because of finances. We invite the higher education community, the U.S. government, the private sector and others to join with us in this movement."

In April 2016, SALT® distributed a 33 question survey co-written with NAR to 75,000 student loan borrowers who are current in repayment. A total of 3,230 student loan borrowers completed the survey. The survey had a response rate of 4.3 percent. All information is characteristic of April 2016, with the exception of income data, which is reflective of 2015.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing 1.1 million members involved in all aspects of the residential and commercial real estate industries.

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*1 Survey generational breakdowns: younger millennials (born 1990-1998); older millennials (born 1980-1989); Generation X (born 1965-1979); younger boomers (1955-1964); and older boomers (born 1946-1954).*

*2 Data comes from NAR's first quarter of 2016 release on qualifying income needed to purchase a single-family home. The median income needed was below $50,000 for buyers making a down payment of 5 percent, 10 percent or 20 percent.*

*3 According to recent data from the Pew Research Center(link is external), living with a parent is the most common young adult living arrangement for the first time on record.*

*4 NAR's 2015 Profile of Home Buyers and Sellers found that the share of first-time buyers declined to 32 percent, which is the second-lowest share since the survey's inception (1981) and the lowest since 1987 (30 percent).*

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