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THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

Higher Rates Soon, More Buyers Later

New households, higher wages will mitigate
impact of rising rates on home sales pace

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JUNE 2015

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IVAR Board of Directors Takes Position to Seek Reform of HERO Program



MIKE STOFFEL,
2015 IVAR PRESIDENT

This month, the IVAR Board of Directors voted to take a position opposing the HERO Program until it implements a series of reforms designed to address concerns raised by members.

The resolution of the Board of Directors marks the first time that IVAR has adopted an official opinion. Earlier in the month, about 200 people packed the IVAR breakfast meeting to listen and participate in a forum discussion on HERO.

For those unfamiliar with the program, HERO (which stands for Home Energy Renovation Opportunity), allows homeowners to borrow funds for home improvements related to energy or water conservation. The program's driving feature is the fact that the loan attaches to the property taxes and is repaid as a tax assessment. This gives it priority over any other debt on the property, including the first mortgage.

That issue has created a series of expensive problems for owners looking to sell or refinance their property. The Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac, and the Federal Housing Administration have stated that they will not participate by funding loans on properties with such assessments unless they are paid off first.

For IVAR, the failure to resolve this lending dispute is a primary concern. However, it's not the only one.

The full resolution states:

"IVAR opposes the HERO Program until and unless:

- 1) It meets accepted consumer protection standards for disclosure and transparency of consumer lending,
- 2) Receives appropriate regulatory scrutiny,
- 3) Refrains from making any claims about loan transferability until lending issues with FHA and FHFA have been settled
- 4) Refrains from making general claims about increases in property values until appraisal issues are resolved."

The resolution was developed by the IVAR Housing Policy Committee, which debated issues, spoke to members and crafted the language of the resolution as a recommendation to the board.

I'd like to offer my thanks to that Committee, chaired by former IVAR President Doug Shepherd, for taking more than five hours over three meetings to work on the position.

From here, IVAR intends to use this resolution as a statement of our principles as they relate to this issue and a guidepost to the work ahead. Based on member outreach, this issue now carries the highest priority of anything we are facing in our region. IVAR is working closely with other associations in the region to make sure the REALTOR® voice is heard and effective.

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PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

IVAR Forum on HERO Program Draws More Than 200 to Breakfast Meeting

Questions and concerns over the HERO Program brought the largest gathering in recent memory to IVAR as June began. Nearly 200 people packed into the Walt McDonald Room, filling every seat and leaving almost 80 more to stand throughout the 90-minute discussion.

It was the largest meeting IVAR has hosted. The figure would have topped 200 if lack of space hadn't forced some late arrivals to be turned away at the entrance.

At the forum, IVAR hosted Warren Divan, an attorney for the Western Riverside Council of Governments who served as a chief legal architect of the HERO Program and Riverside County Deputy District Attorney Raymond Ramirez. Government Affairs Director Paul Herrera served as moderator.

The audience included staff representing offices of 13 elected officials, including members of the California Assembly, California Senate, U.S. Congress, County Supervisors from Riverside and San Bernardino County and City Councils.

Since last Fall, the HERO (Home Energy Renovation Opportunity) Program has become IVAR's top concern among local issues. As designed, the program allows homeowners to borrow up to 15 percent of the total value of their home to use toward energy and water efficient renovations. These may include new windows, HVAC, drought-tolerant landscaping,

solar energy systems and dozens of other projects that meet the program specifications.

New loans are added to property taxes as a tax assessment, placing this new debt into a higher priority position than the mortgage used to purchase the property in the first place. The Federal Housing Finance Agency and Federal Housing Administration, which together back about 85 percent of all mortgages in the Inland Empire, have both repeatedly stated that the program violates their terms.

In practical terms, that means the program often has to break one of its key selling promises – the notion that the payments are transferable to a future owner should the property sell during the course of the repayment period – which may be as long as 20 years. In recent years, this has come as an expensive shock to homeowners seeking to sell their properties, routinely resulting in tens of thousands in unanticipated costs.

These issues and numerous others were raised by attendees during a lengthy question-and-answer session that covered the majority of the forum.

The audience questioned the program's sales tactics and marketing approach, which several attendees said did not forthrightly disclose the issues that have come to light. Representatives of the HERO Program noted that the issues raised are disclosed in existing documents and discussed their efforts to listen

to critics and improve on many of the issues raised at the forum and in the months prior.

Members also expressed bewilderment when told that the program is not regulated by institutions at the federal or state level that otherwise oversee all lending tied to real estate. The program is instead regulated by local government agencies who authorize its ability to access customers in any given community. Some of these agencies simultaneously promote the program and receive financial benefits from each loan.

Other audience questions dealt with perceptions that homeowners are over-charged for projects and that sales tactics target older or working class homeowners. For now, IVAR considers these issues to be anecdotal notes based on complaints raised by its members and members of the public.

The HERO Program was established in Riverside County in 2012. In three years, the program has processed more than 22,000 applications from homeowners in western Riverside County at a value of more than \$800 million.

HOW YOU CAN HELP

IVAR is collecting any and all examples, questions and concerns from both members and the public regarding the HERO Program. To be part of our efforts, please contact Paul Herrera, Government Affairs Director, at 951.500.1222 or pherrera@ivaor.com.

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Four Reasons To Claim Your .REALTOR Web Address

.REALTOR

If any professional knows the importance of an address, it's a REALTOR®. We recognize that the key difference among most properties is location, location, location – and more often than not, that comes down to the address. It's no different online, because your web address – or URL – matters.

Anyone can create a .com web address, but only REALTORS® have the privilege of securing a .REALTOR address, distinguishing them from every other profession in the vast universe of the Internet.

The Internet is changing, opening new doors for more effective branding and increased credibility. Here are four reasons why claiming one of the new top-level domains (TLDs) is more important than ever, and easier than you may think:

1. New domains offer new opportunities. These days, just about every company uses the same all-purpose domain: .com. This generic domain doesn't make it easy for users to search by specialization because most every website looks identical to all the others. But new domain names are changing the way customers perceive and search for companies, allowing professionals to brand themselves with a more descriptive web address to make them stand out and easier to find. There are already more than five million new TLD web addresses on the Internet today. These top level domains are helping users cut through the clutter by using monikers to denote their industry, like .travel to promote tourism at the highest levels; geographical locations, like .NYC; or even international company names, like .Google.
2. Make it easier for consumers to find you. The introduction of more TLDs means the Internet is becoming increasingly segmented and more organized. This benefits consumers, as it immediately identifies the products and services they're looking for. After all, you know exactly where you're headed if you're visiting a website with a domain like .bike or .yoga, whereas the former .com or .net web addresses could have led you anywhere, including astray.

Likewise, these new domains can benefit companies or professionals by offering an attractive branding opportunity, making you easier to find – and easier to trust.

3. Instant credibility. There are two types of TLDs: restricted and unrestricted domains. Websites ending in .com and .net are unrestricted, meaning anyone can use them. A restricted domain, like .gov or .edu, can only be used by permitted groups and have strict usage rules. For instance, only U.S.-affiliated institutions of higher education can use the .edu domain. These restrictions offer an inherent level of trust since the company has been vetted by an authority.
4. Brand yourself as forward-thinking. The Internet is evolving, but it's not going to happen overnight. That means early adopters of a new TLD domain will reap the benefits and the status that comes with being a tech pioneer. Obtaining a .REALTOR domain is one more example that REALTORS® like you are leading the way.

A Restricted Domain Exclusively for REALTORS®. It's easy to claim your piece of the new Internet landscape with a web address ending in .REALTOR, and take advantage of this exclusive marketing tool that instantly offers the credibility you deserve. Like our esteemed trademark, this restricted online domain encompasses everything the REALTOR® brand stands for: ethics, trust, professionalism and service.

When consumers see your web address ending in .REALTOR, they'll know they have found a trustworthy source for real estate information. Take advantage of this exclusive benefit of NAR membership to brand yourself online as an ethical real estate professional, in a way that a .com address never could.

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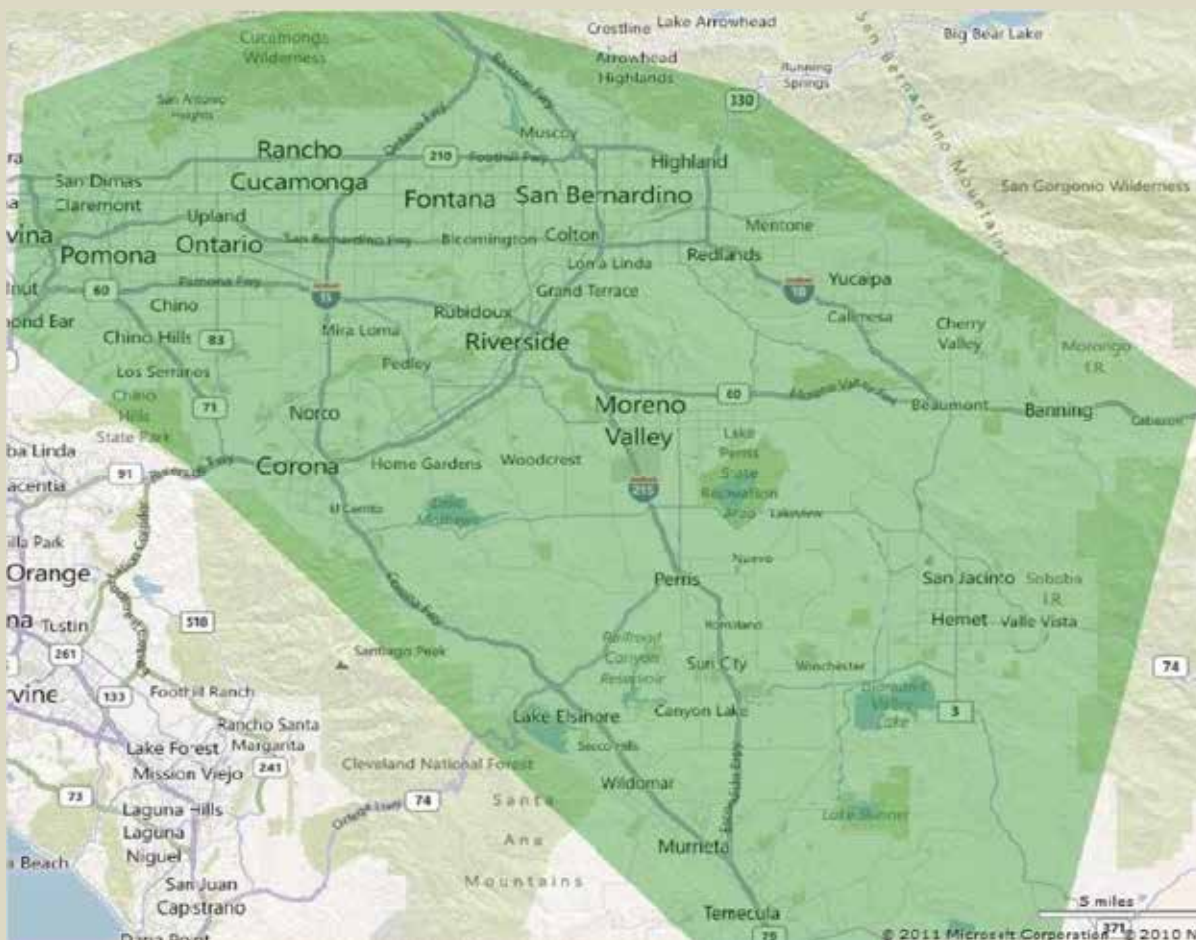
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Housing Data – May 2015



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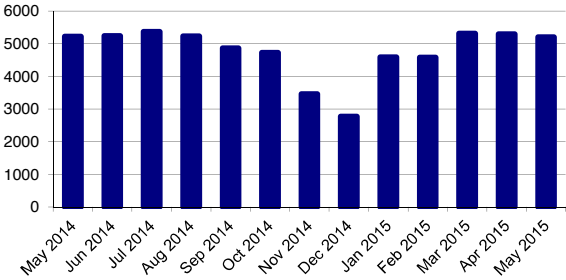
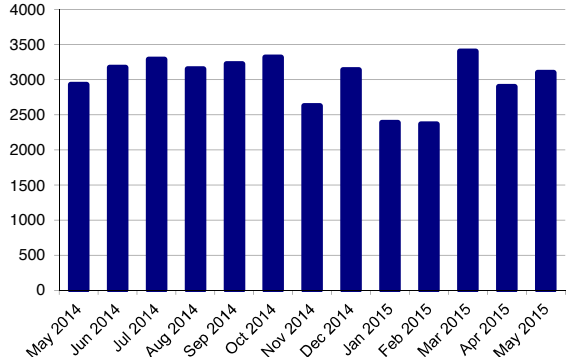

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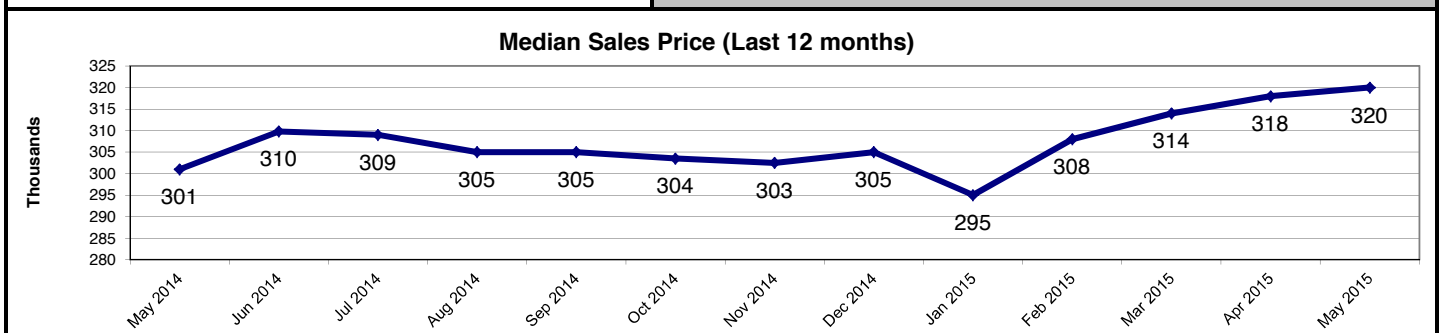
Mark Dowling, Chief Executive Officer

Welcome to the Inland Valleys Association of REALTORS (IVAR) monthly housing update. As a member benefit, IVAR produces monthly and quarterly housing reports to help members and area leaders better understand what's going on in the regional housing market. When reviewing the latest housing data from the region, there are a few noticeable trends emerging over the last several months:

- Continuing the trend over the last several months, the IVAR regional housing market saw increases in Pending Sales, Sold Listings, Median Sales Price and Sales Volume.
- Pending Sales are up a whopping 21% year-over-year, and Sold Listings were up 6%.
- The market continues to demonstrate increased demand with increases in Median Sales price and Sales Prices reflecting nearly 100% of the Listing Price.



	May-2014	May-2015	Annual Change	
<div><div>New Listings (Last 12 Months)</div><div></div></div>	New Listings	5,219	5,195	↓ -0.5%
	Pending Sales	3,217	4,087	↑ 21%
	Sold Listings	2,928	3,103	↑ 6%
	Median Sales Price	\$301,000	\$320,000	↑ 6%
	Sales Volume (\$M)	\$963	\$1,069	↑ 10%
<div><div>Closed Listings (Last 12 Months)</div><div></div></div>	Price/Sq.Ft.	\$171	\$180	↑ 5%
	Sold \$/List \$	99.23%	99.13%	↓ -0.1%
	Days on Market	34	36	↑ 6%
	CDOM	43	43	→ 0%
<div>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.</div> <div></div>				

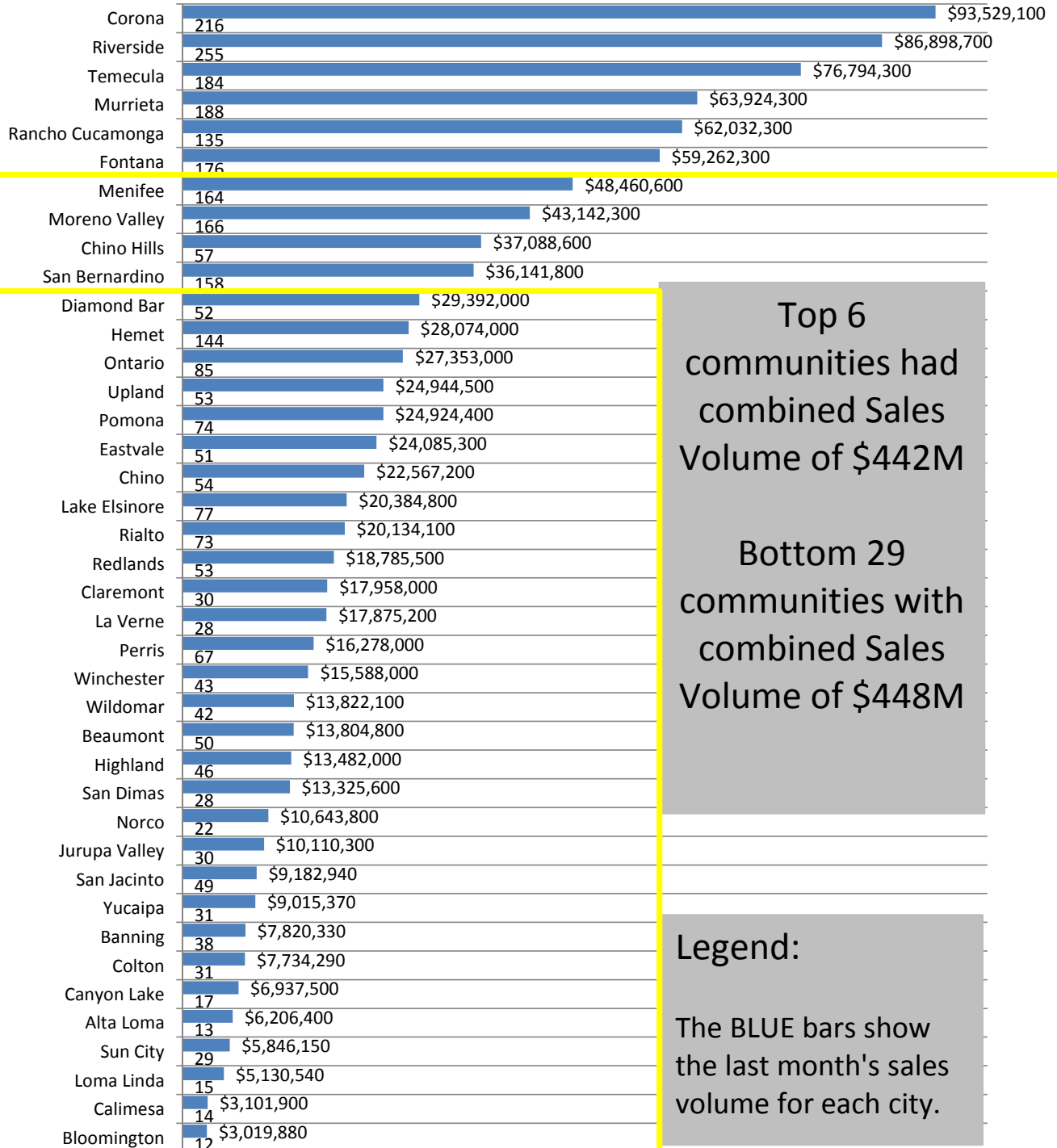


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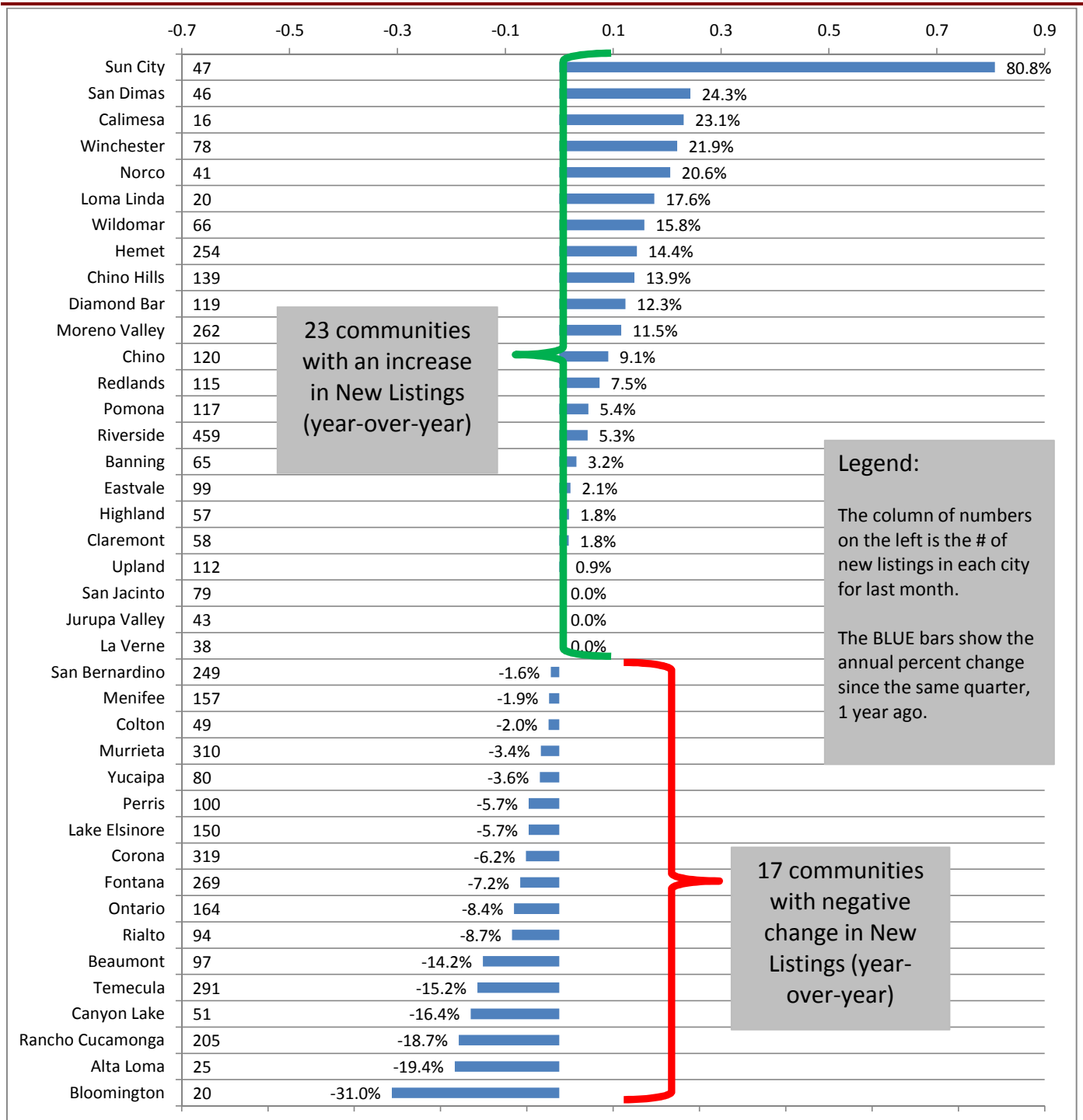
The following monthly data shows "YEAR-OVER-YEAR" (YOY) changes as well as current conditions in the real estate market

	YOY Sales Transactions	YOY Median Sales Price %	Median Sales Price \$	Price per Sq.Ft.	Total Days on Market
Alta Loma	↓ -28%	↑ 4%	\$ 517,500	\$ 262	24
Banning	↑ 46%	↑ 15%	\$ 195,500	\$ 142	73
Beaumont	↓ -21%	↑ 8%	\$ 274,500	\$ 130	46
Bloomington	↓ -8%	↑ 9%	\$ 255,000	\$ 193	31
Calimesa	↑ 250%	↓ -15%	\$ 245,000	\$ 142	37
Canyon Lake	↓ -19%	↓ -21%	\$ 345,000	\$ 190	47
Chino	↓ -16%	↑ 4%	\$ 405,000	\$ 226	43
Chino Hills	↓ -22%	↑ 10%	\$ 618,000	\$ 299	36
Claremont	↓ -9%	↓ -8%	\$ 595,000	\$ 308	42
Colton	↑ 19%	↑ 31%	\$ 217,000	\$ 172	39
Corona	↑ 32%	↑ 12%	\$ 415,000	\$ 213	49
Diamond Bar	↑ 33%	↓ -5%	\$ 520,000	\$ 335	54
Eastvale	↓ -7%	↑ 0%	\$ 476,000	\$ 184	42
Fontana	↑ 7%	↑ 7%	\$ 325,000	\$ 189	32
Hemet	↑ 3%	↑ 2%	\$ 191,500	\$ 120	43
Highland	↓ -18%	↑ 21%	\$ 290,000	\$ 169	39
Jurupa Valley	↑ 131%	↓ -6%	\$ 330,000	\$ 194	53
La Verne	↑ 4%	↑ 10%	\$ 595,000	\$ 318	28
Lake Elsinore	↔ 0%	↑ 2%	\$ 279,460	\$ 152	46
Loma Linda	↑ 7%	↓ -15%	\$ 275,000	\$ 190	64
Menifee	↑ 37%	↑ 8%	\$ 305,000	\$ 142	40
Moreno Valley	↑ 14%	↑ 6%	\$ 254,900	\$ 150	39
Murrieta	↑ 17%	↑ 2%	\$ 341,500	\$ 158	42
Norco	↑ 57%	↓ -7%	\$ 446,900	\$ 209	61
Ontario	↓ -3%	↑ 9%	\$ 328,000	\$ 223	42
Perris	↑ 20%	↑ 2%	\$ 242,000	\$ 137	52
Pomona	↓ -1%	↑ 2%	\$ 315,000	\$ 237	49
Rancho Cucamonga	↑ 3%	↑ 4%	\$ 415,000	\$ 243	39
Redlands	↓ -5%	↑ 4%	\$ 350,000	\$ 204	37
Rialto	↓ -6%	↑ 4%	\$ 275,000	\$ 185	37
Riverside	↑ 2%	↑ 8%	\$ 320,000	\$ 202	43
San Bernardino	↓ -11%	↑ 25%	\$ 219,000	\$ 159	37
San Dimas	↑ 4%	↓ -26%	\$ 420,000	\$ 323	43
San Jacinto	↓ -16%	↑ 8%	\$ 205,000	\$ 112	31
Sun City	↑ 4%	↑ 22%	\$ 189,000	\$ 147	68
Temecula	↑ 17%	↓ -2%	\$ 380,000	\$ 180	39
Upland	↓ -17%	↓ -2%	\$ 445,000	\$ 257	45
Wildomar	↑ 17%	↑ 28%	\$ 326,000	\$ 135	51

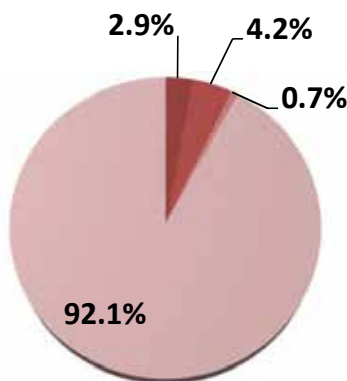
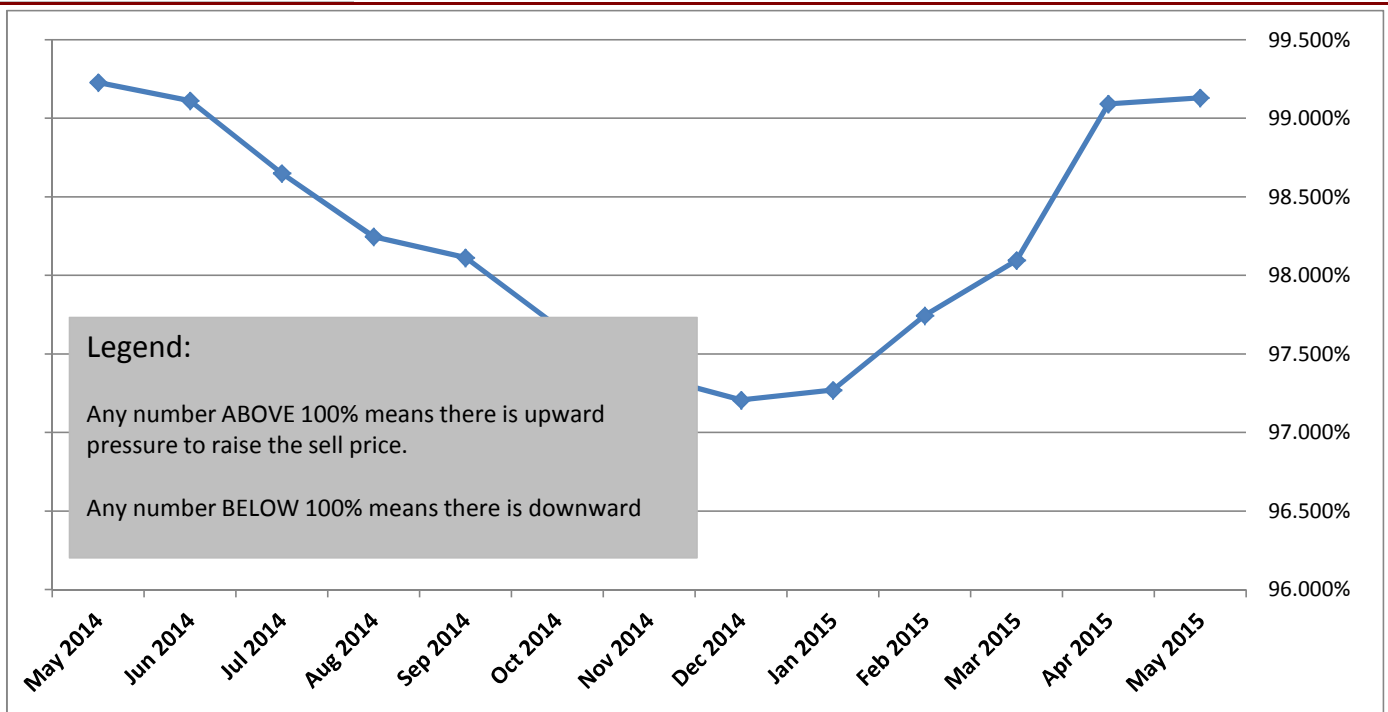
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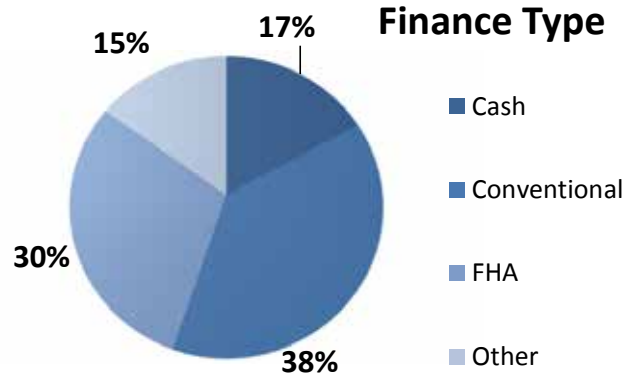


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Sale Type

- 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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Higher Rates Soon, More Buyers Later

New households, higher wages will mitigate impact of rising rates on home sales pace.

MAY 2015 | BY SAM SILVERSTEIN

The growing tide of good economic news means the days of rock-bottom mortgage rates are over. That's the word from the Michael C. Fratantoni, chief economist of the Mortgage Bankers Association.

Interest rates will head up as the Federal Reserve eases accommodations it made to boost the weak economy, said Fratantoni, speaking at the National Association of REALTORS® office in Washington in May. On the positive side, wages are likely to increase, too, and with new household formation on the rise, the environment for housing is healthy. Fratantoni was speaking as part of the REALTOR® University Speaker Series.

A chief reason for optimism: the improving job market. On average, there are fewer than two job-seekers per open position, down from a post-economic crisis high of nearly seven, he said. Meanwhile, the unemployment rate continues to drop, putting pressure on employers to raise wages in order to compete for workers. Rising wages, in turn, will trigger inflation and more rate hikes.

Fratantoni expects the first Fed hike to come in September. The 30-year fixed mortgage, which has hovered below 4 percent, is likely to hit 4.4 percent by the end of 2015 and surpass 5 percent next year, he said. But home sales aren't likely to be adversely affected. "We think the improvements in the job market that we've already experienced, and that we're likely to experience the remainder of this year and into next year, are going to be enough to offset any headwind from that rise in rates," he said.

Another positive factor, Fratantoni said, is the number of younger buyers moving out on their own. "Household formation, which had been lagging for a while, is now running in excess of population growth," he said. "You had a lot of young adults who just did not venture out on their own for one reason or another that have now made the jump."

Even if most of these new households are starting as renters, the shift will eventually be good for housing sales because living independently is a prerequisite to the much bigger step of taking on the responsibilities of ownership, Fratantoni said. "You're getting some of these households

out on their own, experiencing all that it means when you're buying your own toilet paper and tuna fish. A couple of years down the road, they'll have that experience and will be ready to move on to home ownership."

Their transition into ownership won't be without challenges.

First, finding the right home may not be easy. Most real estate professionals have experienced the impact of low inventory on their buyer clients. It creates competition for listings, driving prices up. National Association of REALTORS® Chief Economist Lawrence Yun, who hosts the REALTOR® University speaker series, has said the problem will continue until home building picks up. Speaking at a residential trends



forum at NAR's Legislative Meetings & Expo in May, Yun observed that there were 880,000 new-home sales in 2000 and only 440,000 in 2014—despite a U.S. population increase of 37 million over that time period.

In his talk, Fratantoni identified two additional challenges for first-time buyers: tight credit and interest-rate volatility. The first, he said, is beginning to abate as policymakers focus on improving credit availability for people buying at the low end of the price scale. After a period of weakness in the market for smaller mortgages, he noted, “you’re seeing almost every loan-size bucket improving on a year-to-year basis.”

The volatility will come as banks try to predict when the Fed will act to raise interest rates and consumers try to figure out how much they can afford to pay. For buyers coming into the market in the next year, “I think there’s room for a substantial increase in rate volatility,” he said. “You’re going to feel it when you’re talking to your buyers.”

But none of those factors will keep buyers away, he said. After a moribund 2014, the MBA forecasts a 14 percent year-over-year increase in purchase-money mortgage originations in 2015 and nearly 9 percent in 2016.

OUTLOOK FOR ORIGINATIONS

	2014	2015	2016
Refinance (\$, in billions)	484	512	379
Single-family purchase money (\$, in billions)	638	729	791

Source: Mortgage Bankers Association forecast as of May 1, 2015

OUTLOOK FOR EXISTING HOME SALES

	2014	2015	2016
In millions	4.9	5.3	5.5

Source: National Association of REALTORS® forecast as of May 1, 2015



MONDAY, JULY 6TH

Education
CRMLS Training
10:00am – 3:00pm
IVAR Riverside Office

THURSDAY, JULY 9TH

Education
Transaction Talk
9:00am – 11:00am
IVAR Riverside Office

TUESDAY, JULY 14TH

Education
IPS Training
10:00am – 2:00pm
IVAR Rancho Cucamonga Office

WEDNESDAY, JULY 15TH

Education
The New RPA
9:00am – 3:00pm
IVAR Rancho Cucamonga Office

FRIDAY, JULY 17TH

Education
New Member Orientation
9:00am – 11:30am
IVAR Riverside

