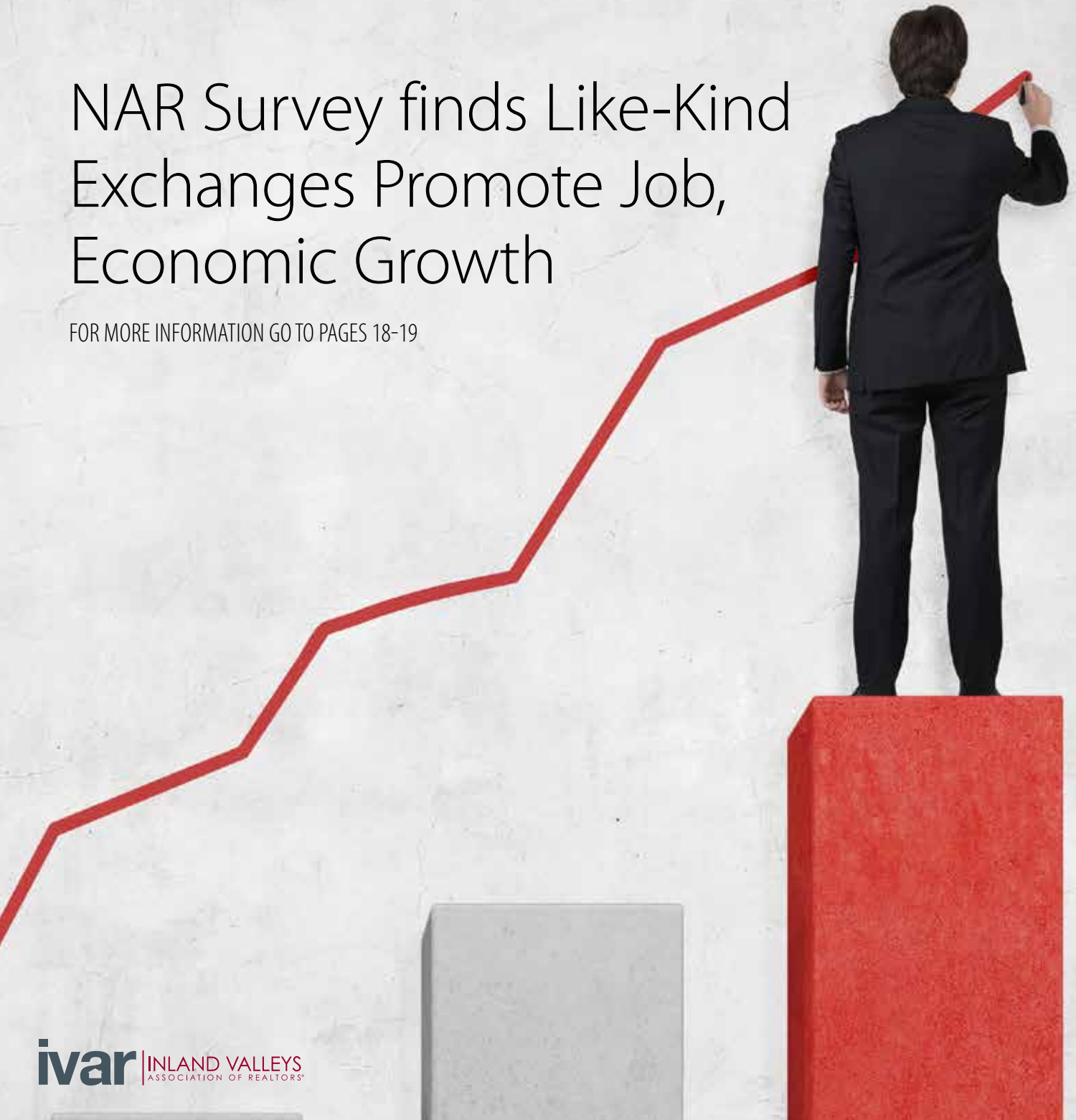


INLAND VALLEYS REALTOR®

THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

NAR Survey finds Like-Kind Exchanges Promote Job, Economic Growth

FOR MORE INFORMATION GO TO PAGES 18-19





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IVAR HERO Position Letter to Rick Bishop, Executive Director - WRCOG



MIKE STOFFEL,
2015 IVAR PRESIDENT

Dear Mr. Bishop,

Since November 2014, the Inland Valleys Association of REALTORS® (IVAR) has received an alarming number of complaints from members whose clients have been ensnared in often expensive problems related to their participation in a consumer lending program known as the Home Energy Renovation Opportunity, or HERO program. The program, which has approved more than 20,000 applications in western Riverside County alone, is in need of significant reform to improve protections for consumers.

In response to member concerns and the inadequate pace of reforms thus far implemented by HERO, the Inland Valleys Association of REALTORS® has adopted the following position on this program, as administered through the Western Riverside Council of Governments:

"The Inland Valleys Association of REALTORS® (IVAR) opposes the HERO Program until and unless:

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

For reasons well known to the program's

administrators but rarely explained to borrowers, promises related to the ease of transferability of these loans to new borrowers have often not held true when actually tested in the sale or even refinancing of a home. Federal agencies such as the Federal Housing Finance Administration and the Federal Housing Administration, which together back more than 8 in 10 mortgages in the Inland Empire, have steadfastly refused to allow these loans to transfer onto any new mortgages in their portfolio.

Furthermore, most existing borrowers who use HERO financing for home improvements are in violation of their existing mortgage agreements. The homeowners' only course is to hope that the status quo will hold and these agencies will take no action against those who unwittingly engaged in this breach.

These issues were raised, contemplated and assumed to have been resolved when the HERO Program began operations. Unfortunately, they were not – and remain unaddressed. Based on our research into the matter, we believe that these facts and their consequences have not been adequately addressed to borrowers. Recent improvements to HERO disclosure forms come closer, but still fall short of placing these significant issues front and center before consumers.

The lack of appropriate disclosure to borrowers is the most troubling aspect of HERO's operations in Riverside County. The fact that no regulatory agency appears to have the responsibility to enforce such requirements on HERO, as they do on virtually every other form of consumer lending, appears to have assisted the troubled introduction of this program into the local marketplace.

IVAR believes that without regulatory accountability, the HERO Program will not meet levels of consumer protection and disclosure that are commonplace in other parts of the financial industry. Whether the program submits to some form of regulation at the state or federal level or a new regulatory function is created to provide oversight is a choice that may be debated. What should not be in question is whether a regulatory office is necessary to enforce at least minimum standards of consumer protection.

However, those measures may take time. In the interest of protecting consumers as soon as possible, we are asking that the HERO Program move immediately to refrain from making any claims about loan transferability until lending issues with FHA and FHFA have been settled.

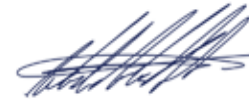
Furthermore, IVAR is concerned about other promises made through the program's marketing efforts.

Specifically, past claims, qualified as they may have been, indicated that property value and marketability may increase significantly and disproportionately as a result of home improvements funded through HERO. To our knowledge, these claims have not been supported in the marketplace. It has further become apparent that the debt – and the form of the debt – incurred by borrowers has cast further doubt on how these home improvements impact market value and marketability. For these reasons, IVAR requests that the program refrain from making claims about increases in property values until these market and appraisal issues have been resolved.

We believe that none of these issues present impossible hurdles to the responsible deployment of PACE lending in our communities. In fact, we are eager to work closely with local governments to help build this option for consumers who may not find a better option to finance such

home improvements or needed repairs. However, the lack of attention paid to these issues during the rapid expansion of HERO since 2012 is unacceptable.

Sincerely,



Michael Stoffel
President



Mark Dowling
CEO



Paul Herrera
Government Affairs Director

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PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

IVAR Takes Position to Oppose HERO Program Unless Reformed

The Board of Directors of the Inland Valleys Association of REALTORS® took a stand opposing the financing program known as HERO in Riverside County unless it is reformed to protect consumers and adopts higher standards of regulatory scrutiny.

IVAR made its position known to the Western Riverside Council of Governments (WRCOG) and local policymakers in a letter sent in the past week. That letter, which is available in full in this edition of Inland REALTOR, spells out the position and why IVAR took this step.

The Inland Gateway Association of REALTORS, based in Corona, adopted the same position and recently sent its own correspondence to policymakers and WRCOG.

For those unfamiliar with the topic, the HERO Program is the largest provider of what are known as PACE loans in California. HERO is also the only provider of this financing in western Riverside County. PACE loans allow homeowners to borrow up to 15% of their property's value for home improvements related to energy and water efficiency. The

loan is repaid through an assessment on the property tax bill, which may extend for up to 20 years.

Unfortunately, the Federal Housing Administration (FHA) and the Federal Housing Finance Administration (FHFA), which together back about 8 in 10 home loans in our region, have rejected efforts to transfer these loans onto any properties they are asked to finance or insure. That severely limits borrowing options for anyone seeking to buy or refinance a home with a HERO loan. This reality is at the heart of concerns raised by IVAR in recent months and articulated in the recently adopted position.

IVAR's official position is as follows:

"The Inland Valleys Association of REALTORS® (IVAR) opposes the HERO Program until and unless:

- 1) HERO meets accepted consumer protection standards for disclosure and transparency of consumer lending.
- 2) HERO Receives appropriate regulatory scrutiny

- 3) HERO refrains from making any claims about loan transferability until lending issues with FHA and FHFA have been settled
- 4) HERO refrains from making general claims about increases in property values until appraisal issues are resolved."

The position adopted by IVAR's Board of Directors was developed and authored by a volunteer task force of members who spent nearly a month researching the issue, taking input and focusing on the most critical items that emerged from that effort. IVAR's understanding of HERO was greatly enhanced by a public forum organized at the association in early June. That forum drew nearly 200 members and guests to a discussion centered around rising concerns related to HERO loans.

HOW YOU CAN HELP

IVAR continues to seek more input about PACE and HERO in our marketplace. If you have a question or information to share, please contact Paul Herrera at pherrera@ivaor.com or by phone at 951.500.1222.

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Legal Live Webinar: Solar Leases and HERO/PACE Liens Through Government Programs - Problems of Transfer and Superliens

This Legal Live Webinar will answer questions about HERO/PACE liens and solar leases and take a look at the pros and cons of such leases. In particular, the webinar will take a look at solar liens and leases in the context of a real estate transaction. Join C.A.R. Attorney Sanjay Wagle on Tuesday, August 4th from 1:30 to 2:30 p.m. for a webinar exploring issues that can result from HERO/PACE liens and leases. Those

attending this Legal Live Webinar may want to review the PACE Programs and Solar Lease Q&A before hand.

You can sign up for this webinar at <http://www.car.org/legal/LegalWebinars/live/>. Space is limited and may fill up fast. You may want to sign up as quickly as you can. As soon as you register you should immediately receive a confirmation email which you will need to attend the webinar.

Problems with getting your offer presented? No access to a property? Change in compensation during an offer process? Everyday Ethics Webinar: Article 3: Cooperating Brokers

The Code of Ethics requires REALTORS® to cooperate with other brokers except when cooperation is not in the client's best interest. What conduct crosses the line and what is really in a client's best interest? What about changes in compensation during the offer? Do REALTORS® violate the Code when they offer zero commission? In this webinar, C.A.R. Attorney Brian Polinsky will explain the key concepts you need to know about Article 3 and will provide examples of

specific real estate practices that violate Article 3. The webinar will be conducted on Friday, August 7th, from 1:30 to 2:30 pm.

You can sign up for this webinar at <http://www.car.org/legal/LegalWebinars/Ethics/>. Space is limited and may fill up fast. You may want to sign up as quickly as you can. As soon as you register you should immediately receive a confirmation email which you will need to attend the webinar.

CFPB Finalizes Two-Month Extension of Know Before You Owe

The Consumer Finance Protection Bureau (CFPB) has issued a final rule extending to Saturday, October 3, 2015 the effective date of the Know Before You Owe or TILA-RESPA integrated disclosure rule (TRID). While the ostensible reason for the change was to correct an administrative error, the CFPB believes that delaying the effective date may benefit both the lending industry and consumers with a smoother transition to the new rule.

Although the CFPB declined to include a "hold harmless" or "safe harbor" period as requested by many in the real estate industry, it did reaffirm that its oversight of the new rule will be sensitive to those making good-faith efforts to comply. The Loan Estimate and Closing Disclosure Forms Q&A may be of particular interest. It has been revised to include the Consumer Finance Protection Bureau's delayed implementation date of the new loan disclosure rule.

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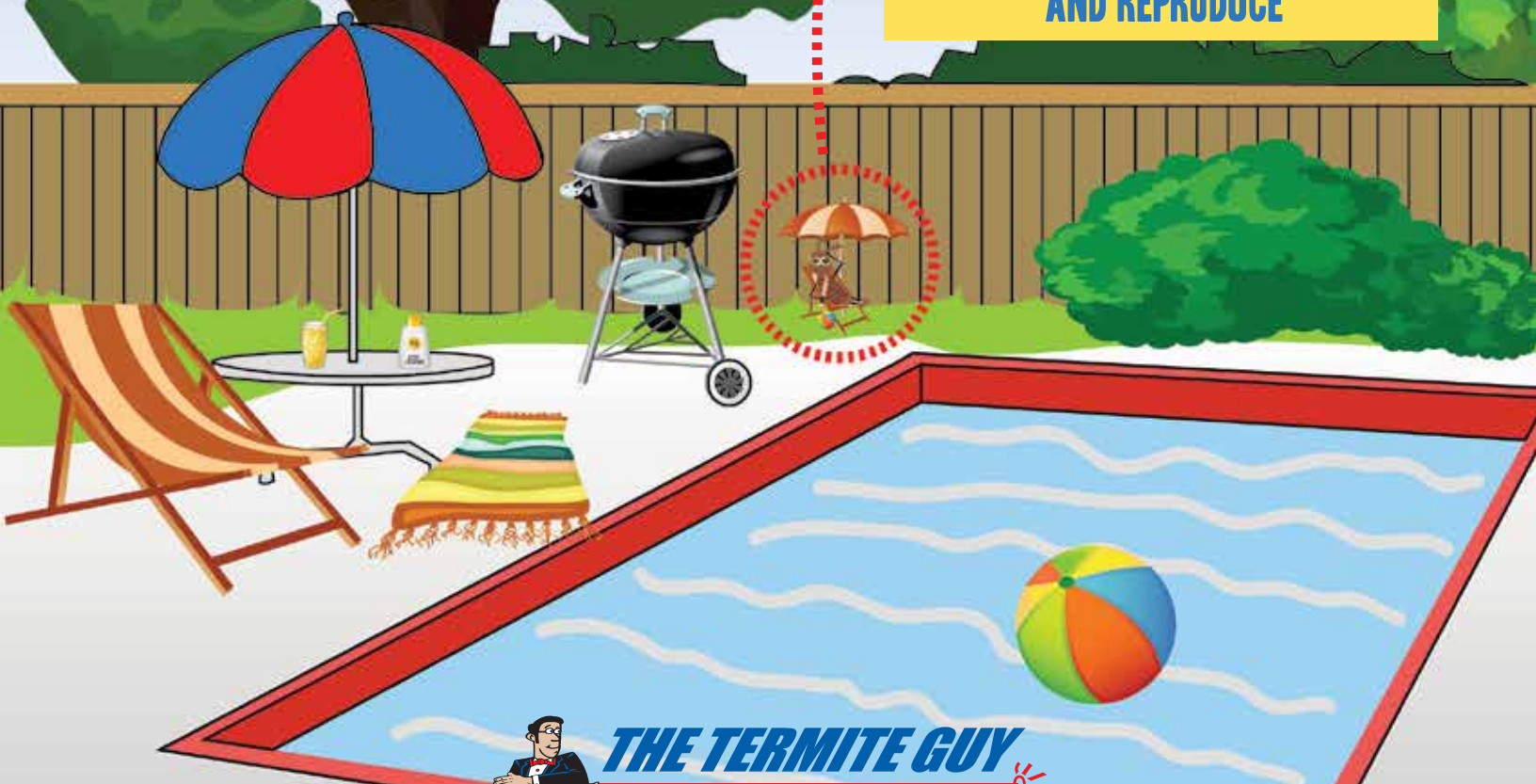


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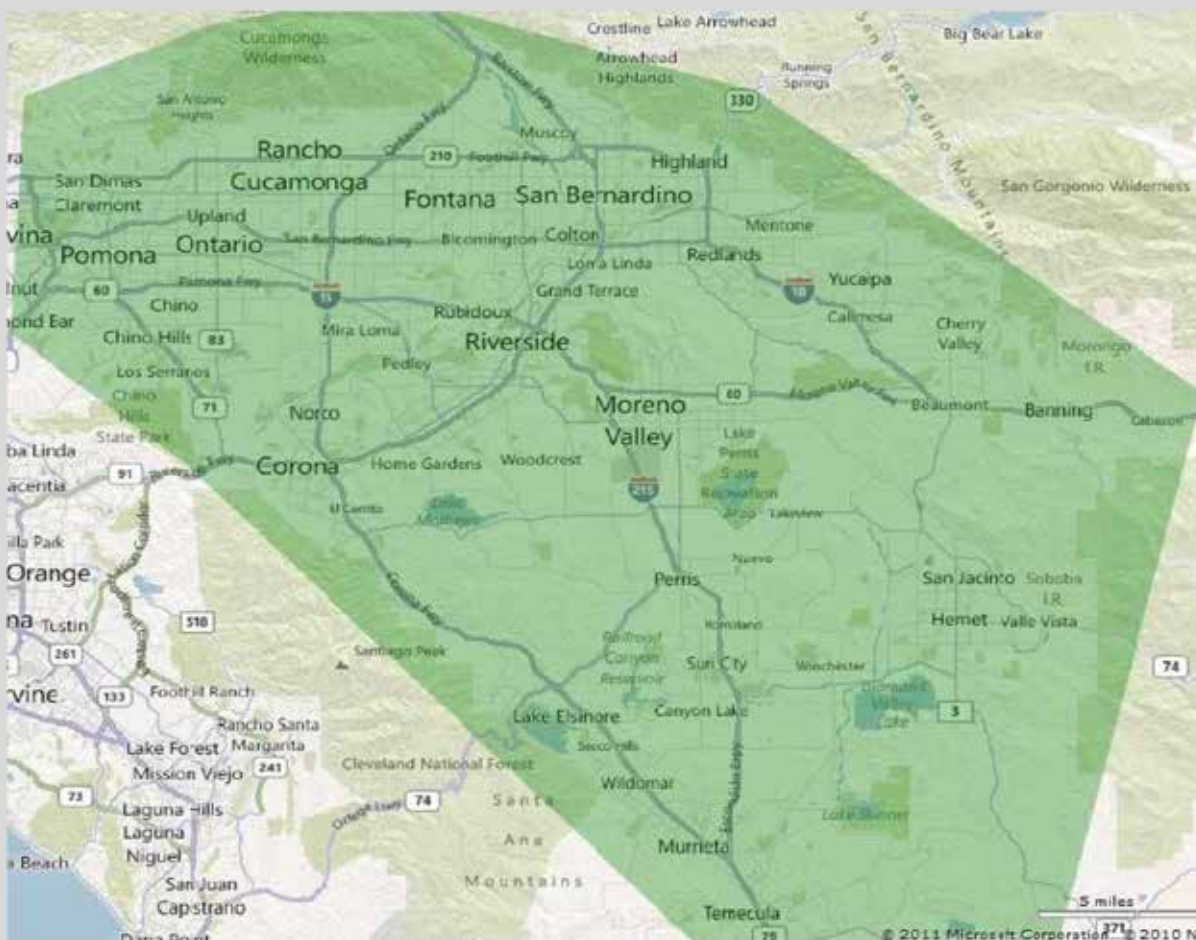
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Housing Data – June 2015



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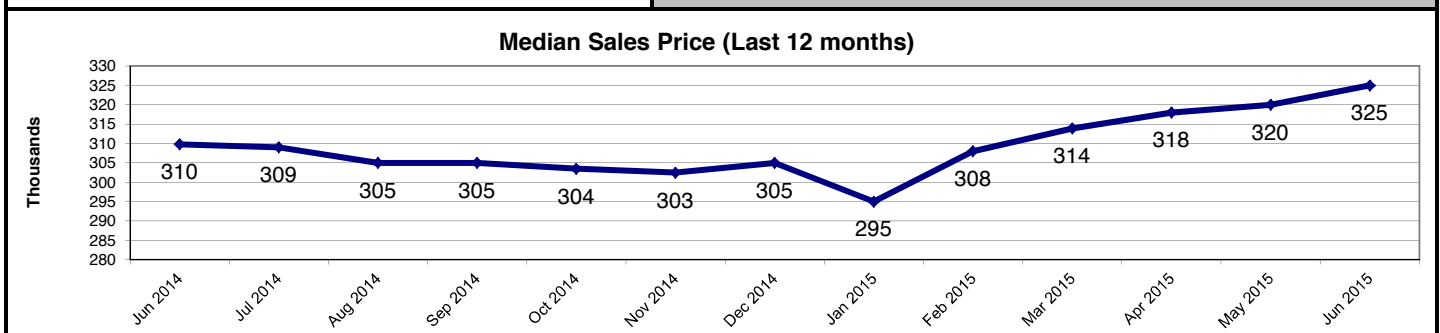
Mark Dowling, Chief Executive Officer

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:

- The housing market continues to show strength through the first half of 2015 with solid increases in New Listings, Pending Sales, Sold Listings, Median Sales Price and Sales Volume.
- Pending Sales over the last two months have been up a whopping 21% in May and 22% in June, and Sales Volume for the month of June, year-over-year, is up 18%.
- The market continues to demonstrate increased demand with steady increases in the Median Sales price reflected by a 5.5% over the last five months.



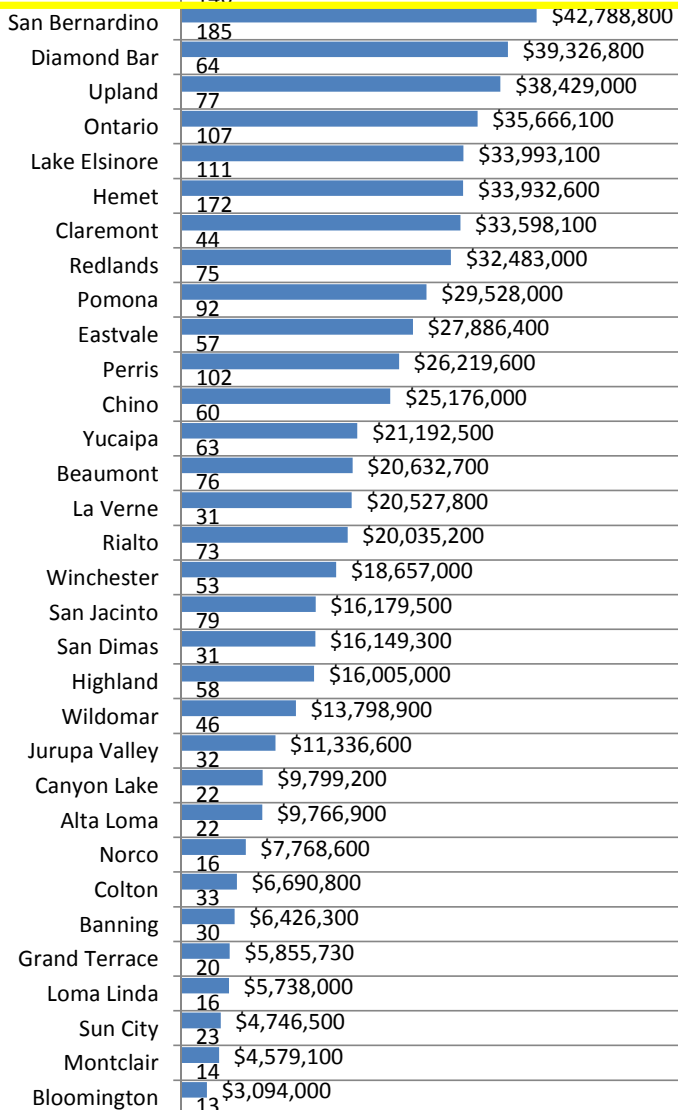
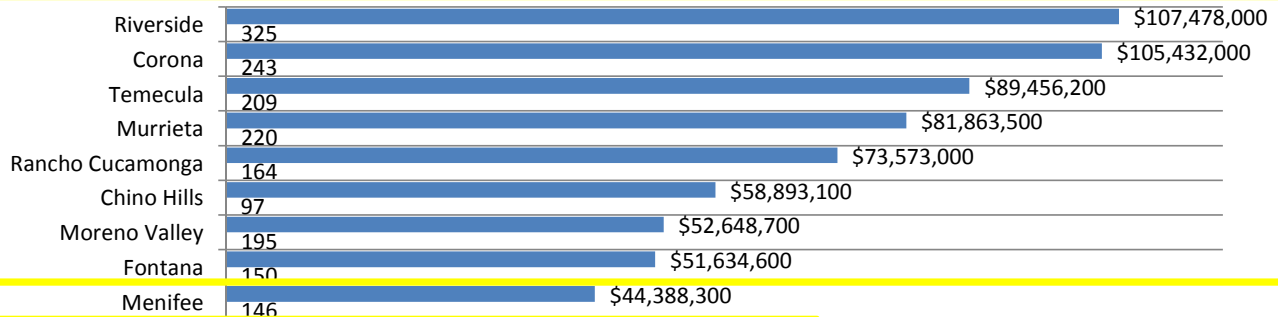
	Jun-2014	Jun-2015	Annual Change
New Listings (Last 12 Months) 	New Listings 5,233	5,461	↑ 4%
	Pending Sales 3,191	4,092	↑ 22%
	Sold Listings 3,172	3,691	↑ 14%
	Median Sales Price \$309,800	\$325,000	↑ 5%
	Sales Volume (\$M) \$1,081	\$1,314	↑ 18%
Closed Listings (Last 12 Months) 	Price/Sq.Ft. \$173	\$181	↑ 4%
	Sold \$/List \$ 99.11%	98.95%	↓ -0.2%
	Days on Market 36	40	↑ 10%
	CDOM 44	48	↑ 8%
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 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	↓ -4%	↓ -4%	\$ 448,000	\$ 237	46
Banning	↓ -3%	↑ 11%	\$ 199,900	\$ 138	63
Beaumont	↑ 36%	↑ 3%	\$ 273,000	\$ 138	49
Bloomington	→ 0%	↑ 1%	\$ 232,000	\$ 177	53
Canyon Lake	↓ -12%	↑ 16%	\$ 399,999	\$ 177	63
Chino	↓ -13%	↑ 7%	\$ 413,800	\$ 220	38
Chino Hills	↑ 43%	↑ 6%	\$ 595,000	\$ 290	48
Claremont	↑ 38%	↑ 9%	\$ 651,000	\$ 322	48
Colton	↑ 10%	↑ 1%	\$ 215,000	\$ 164	39
Corona	↑ 25%	↓ -1%	\$ 405,000	\$ 212	49
Diamond Bar	↑ 14%	↑ 1%	\$ 555,000	\$ 329	43
Eastvale	↑ 4%	↓ -1%	\$ 485,000	\$ 173	63
Fontana	↓ -3%	↑ 10%	\$ 347,625	\$ 190	44
Grand Terrace	↑ 567%	↑ 1%	\$ 288,750	\$ 172	35
Hemet	↑ 18%	↑ 7%	\$ 198,000	\$ 118	54
Highland	↑ 26%	↑ 4%	\$ 255,000	\$ 166	43
Jurupa Valley	↑ 28%	↑ 3%	\$ 350,000	\$ 200	45
La Verne	↑ 7%	↑ 28%	\$ 619,000	\$ 337	43
Lake Elsinore	↑ 37%	↑ 16%	\$ 310,000	\$ 150	52
Loma Linda	↑ 33%	↑ 6%	\$ 365,000	\$ 204	30
Menifee	↑ 25%	↑ 9%	\$ 309,000	\$ 147	44
Montclair	↓ -22%	↑ 2%	\$ 320,000	\$ 222	47
Moreno Valley	↑ 27%	↑ 10%	\$ 265,000	\$ 152	50
Murrieta	↑ 12%	↑ 5%	\$ 355,650	\$ 159	52
Norco	↓ -16%	↓ -1%	\$ 430,000	\$ 217	66
Ontario	↓ -1%	↑ 9%	\$ 345,000	\$ 236	43
Perris	↑ 34%	↑ 2%	\$ 230,000	\$ 146	43
Pomona	↑ 31%	↑ 10%	\$ 320,000	\$ 251	38
Rancho Cucamonga	↑ 32%	↓ -5%	\$ 396,000	\$ 252	51
Redlands	↑ 15%	↑ 21%	\$ 385,000	\$ 217	47
Rialto	↓ -13%	↑ 8%	\$ 281,000	\$ 177	36
Riverside	↑ 10%	→ 0%	\$ 310,000	\$ 195	48
San Bernardino	↑ 9%	↑ 7%	\$ 207,000	\$ 156	50
San Dimas	↓ -6%	↑ 4%	\$ 497,000	\$ 302	49
San Jacinto	↑ 98%	↑ 2%	\$ 210,000	\$ 111	49
Sun City	↑ 21%	↑ 24%	\$ 209,900	\$ 151	50
Temecula	↑ 11%	↑ 4%	\$ 399,900	\$ 179	45
Upland	↑ 15%	↑ 9%	\$ 500,000	\$ 259	57
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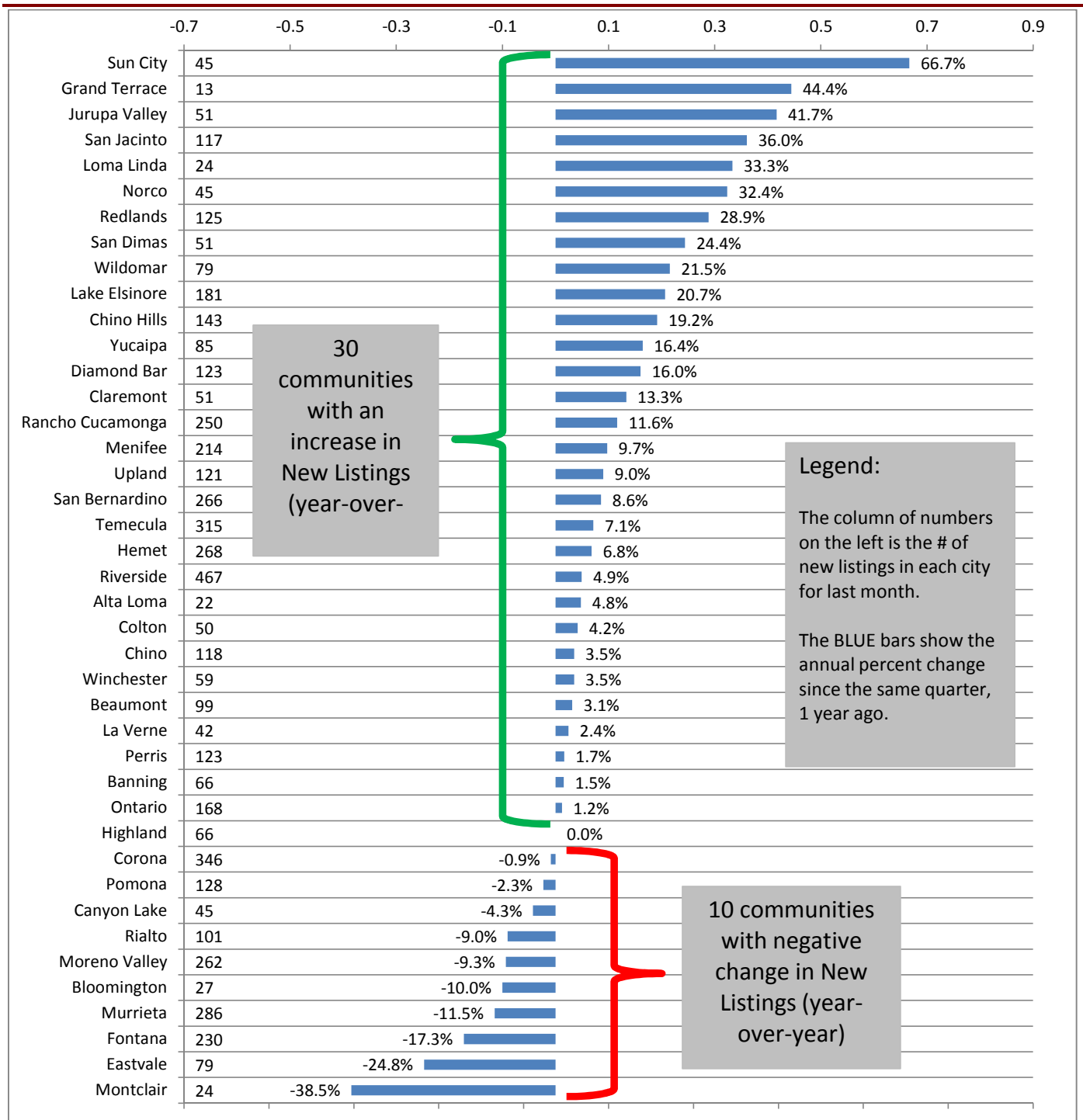


**Top 8
communities had
combined Sales
Volume of \$621M**

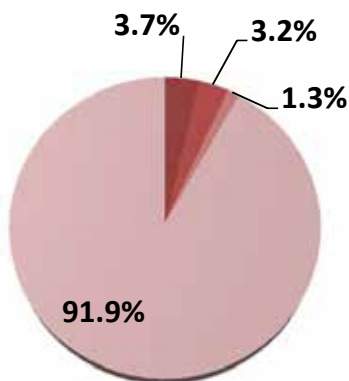
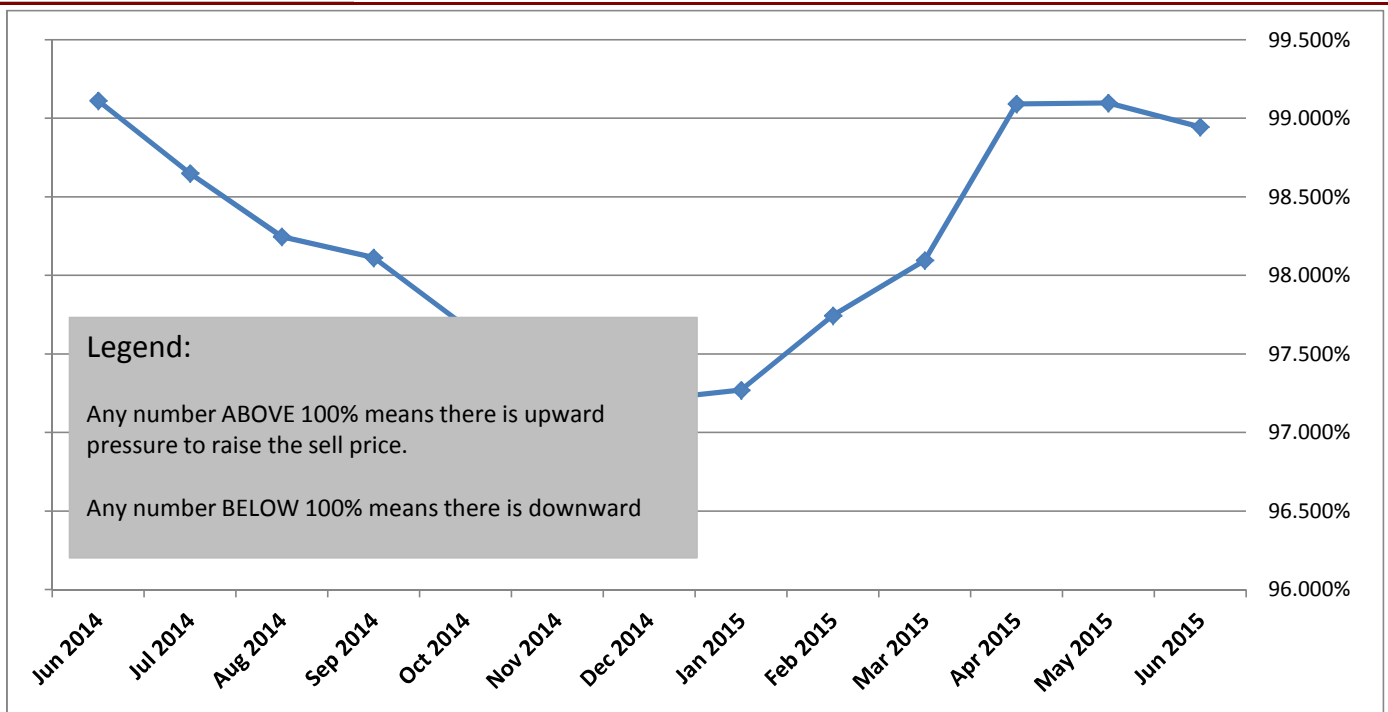
**Bottom 32
communities with
combined Sales
Volume of \$638M**

Legend:

The BLUE bars show
the last month's sales
volume for each city.

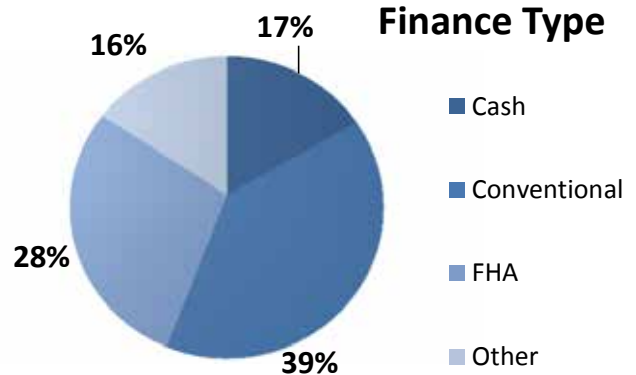


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Sale Type

- 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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Stay Ahead of Hackers

Scammers are targeting your e-mail. Here are steps to protect yourself.



JULY 2015 | BY SAM SILVERSTEIN

During the economic downturn, real estate pros were on high alert for scams by perpetrators who preyed on cash-strapped home owners desperate to stave off foreclosure. Today, a new wave of scammers is breaking into people's e-mail accounts to cull information about pending deals.

The hackers—posing as sellers, title company representatives, or even other real estate agents—instruct buyers, agents, or attorneys to transfer funds related to the purchase to accounts belonging to the scammers, potentially swindling victims out of sizable sums. In addition, agents lately have been the target of ruses involving overseas cash “buyers” who ask for bank account information so they can supposedly wire deposits.

Whatever the technique, hackers are finding ways to trick buyers, sellers, and practitioners by e-mail or phone to hand over large amounts of money. In many cases, the heists could have been prevented if the victim had verified that the instructions were legitimate before proceeding. “For anyone involved in real estate transactions, the key is vigilance and making sure that what is happening should be happening,” says Peter Bolac, trust account compliance counsel for the North Carolina State Bar, which has received multiple reports of fraud involving wired funds in real estate transactions, including one involving a loss of \$200,000. “Everyone involved in handling [transactions] has a duty to be sure their accounts are secure” and the procedures they follow include safeguards to protect clients.

Hacking incidents, sometimes referred to as “spear phishing,” have disrupted transactions in a number of states, including California, New Jersey, and North Carolina.

Any e-mail seeking a funds transfer from you or your client should be examined carefully. In one North Carolina case, the

hacker used an e-mail address that varied from the actual seller's address by a single letter—but the discrepancy went unnoticed until after the unsuspecting buyer had sent over money.

The best way to foil e-mail hackers is to keep them from getting into your account in the first place. “The nature of threats on the Internet is that you don't always know whether your systems are getting attacked,” says Les Sease, information technology director for Carolina One Real Estate in Charleston, S.C., underscoring the importance of paying close attention to how you manage your e-mail accounts.

One of the strategies Sease recommends for keeping intruders out of your e-mail involves two-step verification, which requires you to log in using a unique code provided by text message or through a mobile app in addition to your password. The advantage of this method is that even if a hacker is able to figure out your password, he or she won't be able to enter your account without also knowing the code. E-mail providers such as Google and Yahoo offer this option.

Password strength is another factor to consider. Create passwords that are difficult to crack and change them often, says Robert Siciliano, a Boston-based personal security and identity theft expert. In addition, resist the temptation to use the same password for more than one account, and use passcodes to protect your smartphone and other mobile devices, he says.

Some real estate pros say reliance on electronic communications in business has contributed to the slackness. By contrast, the personal relationships that define the real estate industry are a powerful deterrent to fraud. Cameron Platt, owner of Platt Inc. Real Estate, in Oakland, Calif., says, when it comes to preventing information theft, “nothing beats face-to-face and voice contact” between parties in a transaction.

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NAR Survey finds Like-Kind Exchanges Promote Job, Economic Growth

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WASHINGTON (July 9, 2015) — Real estate like-kind exchanges are an important vehicle for disposing of and acquiring properties and support the nation's financial growth, job creation and economy, according to a new report from the National Association of Realtors®.

The Like-Kind Exchanges: Real Estate Market Perspectives 2015 survey of NAR's commercial and residential members found that real estate investors and commercial property owners place a very high priority on current like-kind exchange tax rules; 40 percent indicated that transactions would not have occurred in the absence of the tax provision, and 56 percent said even if the project would have occurred it likely would have been smaller in scale.

Realtors® are active participants in like-kind exchanges; 63 percent of Realtors® participated in a like-kind exchange transaction between 2011 and 2015. The survey found that like-kind exchanges in which Realtors® participated created between 10 and 35 new jobs, mostly resulting from spending on building improvements following acquisition.

"Like-kind exchanges that allow investors and businesses to defer capital gains taxes on the exchange of similar properties bring great advantages to investors, real estate markets and the economy," said NAR Chief Economist Lawrence Yun. "Realtors® and their clients often look for better economic use of existing properties that are underutilized, which helps promote local economic development and increase the nation's gross domestic product."

Internal Revenue Code Section 1031, a provision that has been in the tax code since 1924, provides individuals and businesses with critically needed tax deferment on gains after the disposition of a property as long as the proceeds are reinvested in a similar property through a like-kind exchange. Replacement properties must be identified in 45 days and the transaction completed within 180 days.

Survey respondents said the primary reason that they or their clients participated in a like-kind property exchange,

aside from the deferral of capital gains taxes, was for equity to acquire additional properties. Other reasons were for estate planning, portfolio diversification and completion of a development project.

The tax savings resulting from like-kind exchanges are also helping bring more capital into local markets. Eighty-six percent of respondents said the savings from tax deferment allowed them or their clients to invest additional capital and make improvement in their acquired properties; these investments are generally responsible for the creation of new jobs, such as in construction and property management.

According to the survey, in 68 percent of like-kind transactions, Realtors® acted as a broker or agent, and 24 percent participated as an owner or investor in the transaction. A larger percentage of commercial members (76 percent) reported engaging in a like-kind exchange transaction compared to residential members (45 percent). Of the total, 40 percent participated in between 1 and 3 transactions, and 23 percent participated in 4 or more transactions.

Residential properties comprised the largest portion of recent deals, accounting for 27 percent of disposed properties and 24 percent of acquired properties, followed by apartments (17 percent of dispositions and 22 percent of acquisitions). Land assets accounted for 19 percent of dispositions and 17 percent of acquisitions; retail properties accounted for 8 percent of dispositions and 13 percent of acquisitions; and office buildings comprised 11 percent of dispositions and 10 percent of acquisitions.

Investors tend to hold on to their properties for several years; 47 percent of respondents reported their holding period was between 5 and 9 years, and 27 percent indicated a holding period of 10 to 14 years.

NAR believes like-kind exchange transactions are fundamental to

the real estate investment sector, and repealing the tax provision would have negative effects across real estate markets and the industry.

"Like-kind exchanges help investors more efficiently allocate capital and resources with less borrowed money into new investments that drive economic activity in communities across the nation," said NAR President Chris Polychron, executive broker with 1st Choice Realty in Hot Springs, Ark. "Any tax reform plan repealing like-kind exchanges would hurt investors and small businesses, increase financial leverage, weaken growth and the economy, and result in the loss of jobs."

Survey respondents indicated that repealing like-kind exchange tax provisions would reduce equity in real estate; 67 percent indicated repeal would lead to a large increase in financial leverage. Realtors® said the negative result would be reduced purchase money and new construction loans, and increased property holding periods. Ninety-six percent of Realtors® also said real estate values would decrease if like-kind exchange provisions were repealed.

The National Association of Realtors® Like-Kind Exchanges: Real Estate Market Perspectives 2015 report is based on a survey of 49,593 commercial practitioners and 55,160 residential practitioners (total sample size of 104,753) in January 2015, which generated 3,450 responses from all 50 states and the District of Columbia. The survey had a response rate

of 3.3 percent. The report is available at www.realtor.org/reports/like-kind-exchange-survey.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing 1 million members involved in all aspects of the residential and commercial real estate industries.



MONDAY, AUGUST 3RD

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

WEDNESDAY, AUGUST 5TH

Networking
IVAR Breakfast Meeting
8:00am – 9:30am
IVAR Riverside Office

THURSDAY, AUGUST 20TH

Education
The New RPA
9:00am – 12:00pm
IVAR Riverside Office

WEDNESDAY, AUGUST 26TH

Education
8 Hour CA-DBO Safe Comprehensive: Relevant
Practices for the MLO
8:30am – 6:30pm
IVAR Riverside Office



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