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SEPTEMBER 2015

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THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

Inland Valley Association of REALTORS® and the Professional Affiliates and Realtors® Activities Committee (PARAC)

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Two years after FHA loan limit reduction, impact continues

MIKE STOFFEL,
2015 IVAR PRESIDENT

Two years ago, FHA loan limits in the Inland Empire reached $500,000. That level allowed tens of thousands of Riverside and San Bernardino County residents to take advantage of the low down payments and more forgiving lending rules offered by the Federal Housing Administration.

During the real estate downturn, as other lending options dried up and credit tightened severely, about one in three financed transactions relied on FHA in our region. FHA had a significant role in giving the Inland Empire housing market a tool to recover. The statistics bear that out.

Unfortunately, a series of policy decisions have made FHA loans less useful and, in many cases, unavailable for many transactions. The most significant of these decisions led FHA to lower loan limits from $500,000 to $355,350. In much of western Riverside and San Bernardino County, this limit puts middle-class housing out of reach of FHA support.

As of August, 17 cities in western Riverside and San Bernardino Counties had median home prices above the FHA limit. Twelve of those are above $400,000, according to data from IVAR's most recent housing reports which are compiled from CRLMS information.

The result has been to put moderate-priced homes out of reach of many would-be borrowers. That includes families who have recovered after losing a home to foreclosure or short sale during the Great Recession and would benefit from FHA lending to once again become responsible homeowners. In other cases, it's first time homebuyers and young families who are facing exclusion from the housing market and from historically low interest rates that would benefit them for years to come.

IVAR has worked to bring attention to the issues created by low FHA loan limits in our region. That effort began almost as soon as the loan limit reduction was announced in December of 2013. At that time, IVAR worked to research how the limits would impact the region and show that the lowered limits would be out of step with median prices of western Riverside County.

Since then, median home prices have only continued to rise while FHA limits have not. That has squeezed out even more buyers who would otherwise benefit.

As we enter the fourth quarter of 2015, IVAR is once again seeking information on how FHA loan limits have impacted buyers and sellers in our region. If you have clients who have had to put ownership on hold or listings that suffered from the inability to accept FHA-backed offers, please contact Paul Herrera, our Government Affairs Director, at pherrera@ivaor.com or 951-500-1222.

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Together we'll go far

REALTORS® Asked to Help Stop Proposed Hidden Tax on Mortgages

PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

In the next few weeks, Congress will be asked to consider a bill designed to keep highway infrastructure projects on track across the nation. REALTORS® will be asking that insurance fees on conventional loans not be siphoned for this unrelated purpose.

A proposal currently in the House of Representatives would extend a .1 percent fee on conventional loans backed by Fannie Mae and Freddie Mac and transfer the proceeds to cover portions of highway funding programs. The fee was initially implemented in 2011 to offset the cost of bad loans during the Great Recession and cover oversight of Fannie Mae and Freddie Mac. It was designed to help ensure the safe operation of the secondary market necessary to make mortgages available to consumers.

The proposal to divert these funds to a new, unrelated use turns the concept into a new tax that asks homeowners to pay thousands of additional dollars each. Over the course of a loan, the owner of a median-priced home in California (currently $489,560) would pay approximately $8,100 additional dollars into the highway fund, according to analysis from the California Association of REALTORS®

In addition to the added consumer cost, the fee would no longer fortify the nation's mortgage infrastructure and avoid future taxpayer bailouts. Mortgage giants Fannie Mae and Freddie Mac, which are currently operated and directly backed by the federal government, would have a reduced safety net as they're asked to fund other programs in the Federal Government.

In recent weeks, REALTORS® have been asked to respond to a Call for Action to help persuade Congress to not deliver the bill for highway infrastructure to homeowners with conventional loans. Details of that Call for Action may be accessed at http://goo.gl/TGmjne. Every member can help by connecting with their representative in Congress.

In addition, we're asking members to help us take the message to consumers and affiliates through a new site that helps explain the issue. Please help direct your clients, neighbors and friends to http://www.nomortgagetax.com. The site provides a short form for anyone to use to contact their member of Congress to let them know they oppose this proposal.

Finally, the National Association of REALTORS® has weighed in directly with both the Senate and House of Representatives. The link below will take you to a letter from NAR President Chris Polychron asking Congress to reject the tax proposal.

NAR letter to Congress: http://www.ksefocus.com/billdatabase/clientfiles/172/2/2407.pdf

In the coming weeks, please keep an eye out for more information on this issue from CDAR, CAR and NAR. We will update the issue and continue asking your help to mobilize our industry and communities to oppose this new tax.

Questions? Feel free to contact Government Affairs Director Paul Herrera at 951-500-1222 or pherrera@ivaor.com.

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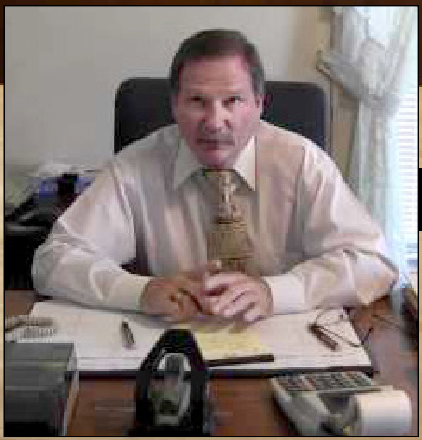

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TRID: Many Myths, Some Reality

It's no surprise that a system of rules as complex as TRID (the TILA-RESPA Integrated Disclosure) would lead to confusion. Rumors and myths abound and some have even used the word "hysteria" as the implementation date rapidly approaches. While it will take some time for the industry to be completely comfortable, a look at some of the myths already circulating may help to lower the collective anxiety, at least a bit. Below are some of the myths most heard on the C.A.R. Legal Hot Line.

Myth: "Appraisals will be delayed because of the new rules"

The procedure for ordering an appraisal is essentially the same under the old and new rules with only minor differences. An issue that has appeared in various guises is that lenders won't order an appraisal until they receive the buyer's intent to proceed with the loan. This is true. But this has been true since 2010. Currently, lenders are not entitled to charge a buyer for the cost of an appraisal until they receive the buyer's intent to proceed with the loan.

One difference under the new rules is that lenders will be required to document the buyer's intent to proceed in writing. For this purpose, some lenders may create their own in-house forms and require buyers to send it in. Buyer's agent should be aware that the buyer's call to the lender saying that they wish to proceed with the loan may not be sufficient and that, depending on the lender, the buyer may have to complete the lender's own form.

Something else that has been true since 2010 is that the Good Faith Estimate and now the Loan Estimate typically cannot be revised for 10 business days, but may be revised after ten business days if the buyer has not confirmed their intent to proceed. In light of this, the Consumer Finance Protection Bureau (CFPB) recommends that the buyer express their intent to proceed within 10 business days after delivery of the Loan Estimate. Once the buyer has confirmed their intent to proceed, then the lender will be bound by the charges in the Loan Estimate with the exception of only a few specific circumstances.

More importantly, it is the buyer who can speed up the appraisal and loan process by selecting a lender early, supplying all the requested documentation to the lender in a timely fashion, and keeping communications with the lender timely.

Myth: "Any change in the Closing Disclosure will reset the waiting period"

This is a myth. Although most last minute changes to the purchase agreement will require a new Closing Disclosure, they typically will not reset the waiting period. In most cases minor changes to the Closing Disclosure should not lead to extended delays. However, you should avoid any last minute changes to the Closing Disclosure if at all possible. A change in the Closing Disclosure will likely require a lender approval. Or, in a worst case scenario, it may require an appraisal review, which of course may significantly delay the closing.

Remember there are only three changes that trigger a new waiting period: 1) the loan type changes (for example, a fixed rate loan is now an adjustable rate); 2) the APR increases above a certain amount (1/8 of a percent for fixed rate loans); and 3) a prepayment penalty is added. This is confirmed in the Consumer Finance Protection Bureau fact sheet.

Myth: "The new forms cannot be separated into seller and buyer Closing Disclosures"

The new rules clearly allow for the possibility of leaving out information from the buyer's Closing Disclosure so that the seller's payout information remains confidential and visa-versa. Additionally, there is an optional two-page Closing Disclosure form to be used exclusively for the seller keeping the buyer's closing information confidential. However, using the seller Closing Disclosure form and leaving out information are the option of the escrow or title company. It is not required.

Not all escrows may be aware of the possibility of keeping certain seller's information from the buyer or visa-versa. If you would like one of these escrows to generate a modified Closing Disclosure or a separate seller Closing Disclosure then you should encourage the escrow to speak to the lender for clarification of how information may be presented to the buyer and seller.

Myth: "The CFPB is funded out of the penalties and fines it collects"

The CFPB, which wrote and enforces the new TRID rules, gets its money from the Federal Reserve System, up to specific caps set by law. The Fed can't turn down requests under that cap. Thus, the funding for the CFPB has been called "independent funding." The caps are fixed at 12% of the Fed's operating expenses, which presently works out to about $600 million a year. There have been various efforts in Congress to remove the CFPB's "independent funding" and put the agency under direct Congressional oversight, something which consumer rights organizations have opposed.

Money that the CFPB collects in fines and penalties goes into the "Civil Penalty Fund" which is used to provide some compensation to consumers who were harmed by activities for which the civil penalties were imposed. However, to the extent that these consumers cannot be found, the CFPB may use the money for "consumer education and financial literacy programs." (See the CFPB's June 2015 FAQ on the Civil Penalty Fund).

Myth: "Lenders can now require the buyer to use a variety of third party service providers"

This is a myth because it has always been true. Lenders have always been able to designate certain third party service providers that the borrower must use, such as an appraiser. To see this you need look no further than the second page of the Good Faith Estimate itself where the lender must list the services that they require. The form actually says, "We will choose the providers of these services." The current GFE rules also require the lender to provide a list of identified third-party settlement service providers on a separate piece of paper.

So what has changed under TRID? Not much. It's probably because the new Loan Estimate form is so extremely clear in requiring the lender to state what services the borrower may shop for and which ones they can't that people have perceived it as a new requirement. The TRID rules also require, just as current rules do, a separate list of identified third party settlement providers, but the CFPB has created a new "model" form for showing both required and non-required service providers.

Some Reality: "Closings will be delayed"

This may be true even though the CFPB says there will be no delay in closing for just about everybody. The requirement of having to deliver the Closing Disclosure anywhere between three and seven days prior to signing loan docs is a change in the way business is done. Even though a three day disclosure rule has been in place for changes in the APR since 2009, implementation of the new TRID rules will be complex for escrows, title companies, mortgage brokers and lenders. Almost no one expects a smooth implementation. Therefore, there may be delays in the closing process.

Attorneys who work closing with the National Association of Realtors® have recommended as conservative advice to build into your escrows an extra 15 days for closings. If for example, you had expected a 30 day closing, now plan for a 45 day escrow as a precautionary measure. The same attorneys have also said "Breathe easy. The changes will soon become old hat and by January no one will remember the old forms."

CFPB Issues Real Estate Professional's Guide to TRID

Acknowledging the central role of real estate professionals in the purchase and sale transaction, and perhaps also acknowledging the anxiety in the real estate community as a whole, the CFPB has issued the Know Before You Owe, Real Estate Professional's Guide.

The CFPB is providing this Guide to help ensure smooth and on-time closings. A goal we all share! Certainly more guidance and clarity on TRID from the CFPB (they prefer the name "Know Before You Owe") is going to help dispel the rumors and misinformation that is in the field. Some highlights from the Guide (click on the links below for further information):

- Smooth and on-time closings – Five steps to prepare your clients
  - o Encourage your clients to think through mortgage choices first.
  - o Once a property has been identified, encourage your clients to apply for Loan Estimates from multiple lenders.
  - o Make sure your clients indicate their intent to proceed.
  - o Be the source of accurate and timely information about the property and the transaction.
  - o Find out who provides the Closing Disclosure.
- New disclosures streamline the process
- What has and hasn't changed about the mortgage process – Facts you need to know about the mortgage process
  - o Preapprovals and pre-qualifications are unchanged by the rule.
  - o Your clients must indicate their intent to proceed.
  - o Once your clients indicate their intent to proceed, lenders can charge fees.
  - o A changed circumstance may mean a revised Loan Estimate or a revised Closing Disclosure.
  - o Your client must receive the Closing Disclosure at least three business days prior to closing.
  - o Extra three-day reviews are unlikely.
- Extra three-day reviews are unlikely
- Share CFPB resources with your clients – links to other Know Before You Owe resources
  - o Your home loan toolkit
  - o Owning a Home
  - o Detailed interactive guide to the disclosure forms

As you can see, there is some duplication in the Guide, such as the repeated assurance that additional three-day reviews are unlikely. But at this stage, repetition is clearly warranted. It is going to take some time for the industry to gain confidence in this new process. Sharing the Guide and other factual information such as this Realegal® may help in this very important transition in the real estate industry.

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Housing Data – August 2015

Inland Valleys Association of REALTORS® (IVAR)

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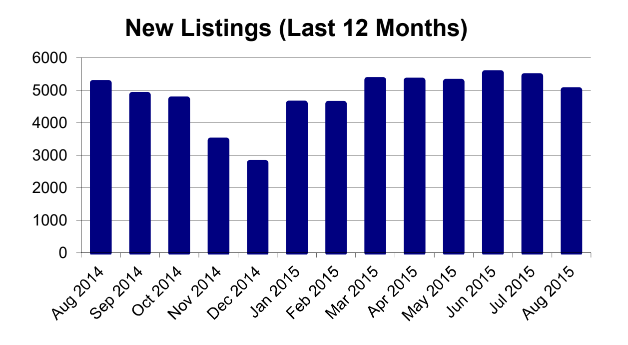
Mark Dowling, Chief Executive Officer

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:

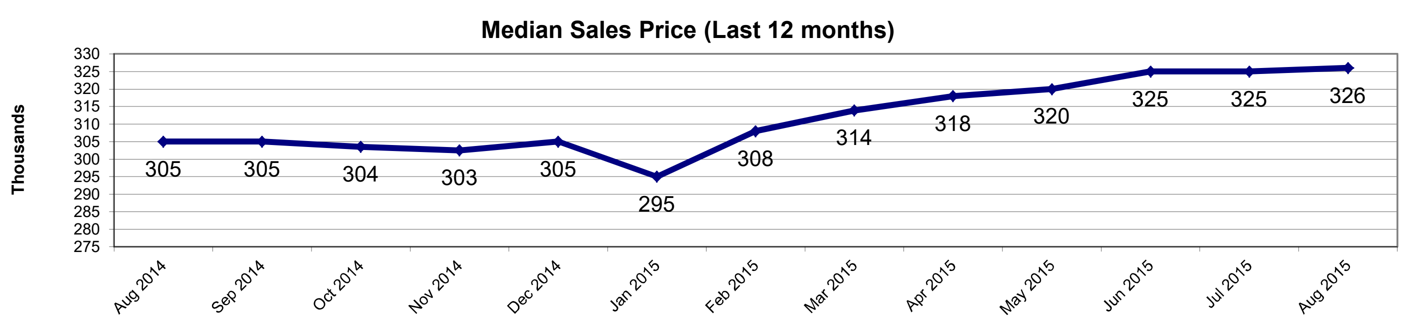
· The housing market continues to show strength through the first half of 2015 with solid increases in Pending Sales, Sold Listings, Median Sales Price and Sales Volume.
· Pending Sales continue to represent the biggest area of improvement with August, year-over-year numbers oup over 19%.
· The market continues to reflect a steady Median Sales price for the region, demonstratedby a year-over-year increase of 6.7%.



	Aug-2014	Aug-2015	Annual Change
New Listings	5,221	5,005	-4.3%
Pending Sales	3,223	4,000	19.4%
Sold Listings	3,151	3,505	10.1%
Median Sales Price	$305,000	$326,000	6.4%
Sales Volume ($M)	$1,063	$1,248	14.9%
Price/Sq.Ft.	$171	$184	6.7%
Sold $/List $	98.25%	98.67%	0.4%
Days on Market	43	43	0.0%
CDOM	51	51	0.0%

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.

CRMLS California Regional Multiple Listing Service, Inc.



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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	129%	14%	$ 585,000	$ 248	40
Banning	-18%	11%	$ 197,000	$ 146	55
Beaumont	30%	-1%	$ 268,000	$ 143	59
Bloomington	-42%	18%	$ 270,000	$ 195	31
Canyon Lake	-27%	-10%	$ 350,000	$ 192	76
Chino	24%	8%	$ 420,000	$ 225	55
Chino Hills	-6%	-4%	$ 525,000	$ 297	48
Claremont	17%	4%	$ 590,000	$ 299	57
Colton	31%	6%	$ 232,500	$ 173	61
Corona	33%	8%	$ 410,000	$ 212	61
Diamond Bar	4%	-4%	$ 530,000	$ 319	64
Eastvale	-5%	-5%	$ 459,000	$ 175	53
Fontana	13%	15%	$ 350,000	$ 189	48
Hemet	6%	11%	$ 200,000	$ 123	48
Highland	-24%	7%	$ 279,900	$ 172	42
Jurupa Valley	100%	9%	$ 319,000	$ 215	35
La Verne	24%	-10%	$ 517,650	$ 311	41
Lake Elsinore	-3%	4%	$ 295,000	$ 146	52
Loma Linda	29%	5%	$ 405,000	$ 196	34
Menifee	2%	7%	$ 308,000	$ 146	53
Montclair	-33%	6%	$ 360,000	$ 236	59
Moreno Valley	9%	6%	$ 255,000	$ 156	44
Murrieta	6%	5%	$ 368,500	$ 160	44
Norco	70%	26%	$ 480,000	$ 238	89
Ontario	31%	0%	$ 331,000	$ 231	47
Perris	-3%	9%	$ 245,000	$ 142	49
Pomona	4%	5%	$ 335,000	$ 244	51
Rancho Cucamonga	25%	4%	$ 405,000	$ 236	56
Redlands	27%	21%	$ 356,500	$ 208	65
Rialto	-3%	12%	$ 280,000	$ 185	26
Riverside	16%	2%	$ 326,000	$ 197	47
San Bernardino	5%	8%	$ 215,000	$ 163	51
San Dimas	0%	-19%	$ 449,000	$ 294	47
San Jacinto	-3%	20%	$ 218,000	$ 114	55
Sun City	17%	-8%	$ 175,000	$ 146	79
Temecula	13%	2%	$ 398,777	$ 185	53
Upland	14%	-10%	$ 439,900	$ 260	50
Wildomar	-16%	9%	$ 323,000	$ 149	62

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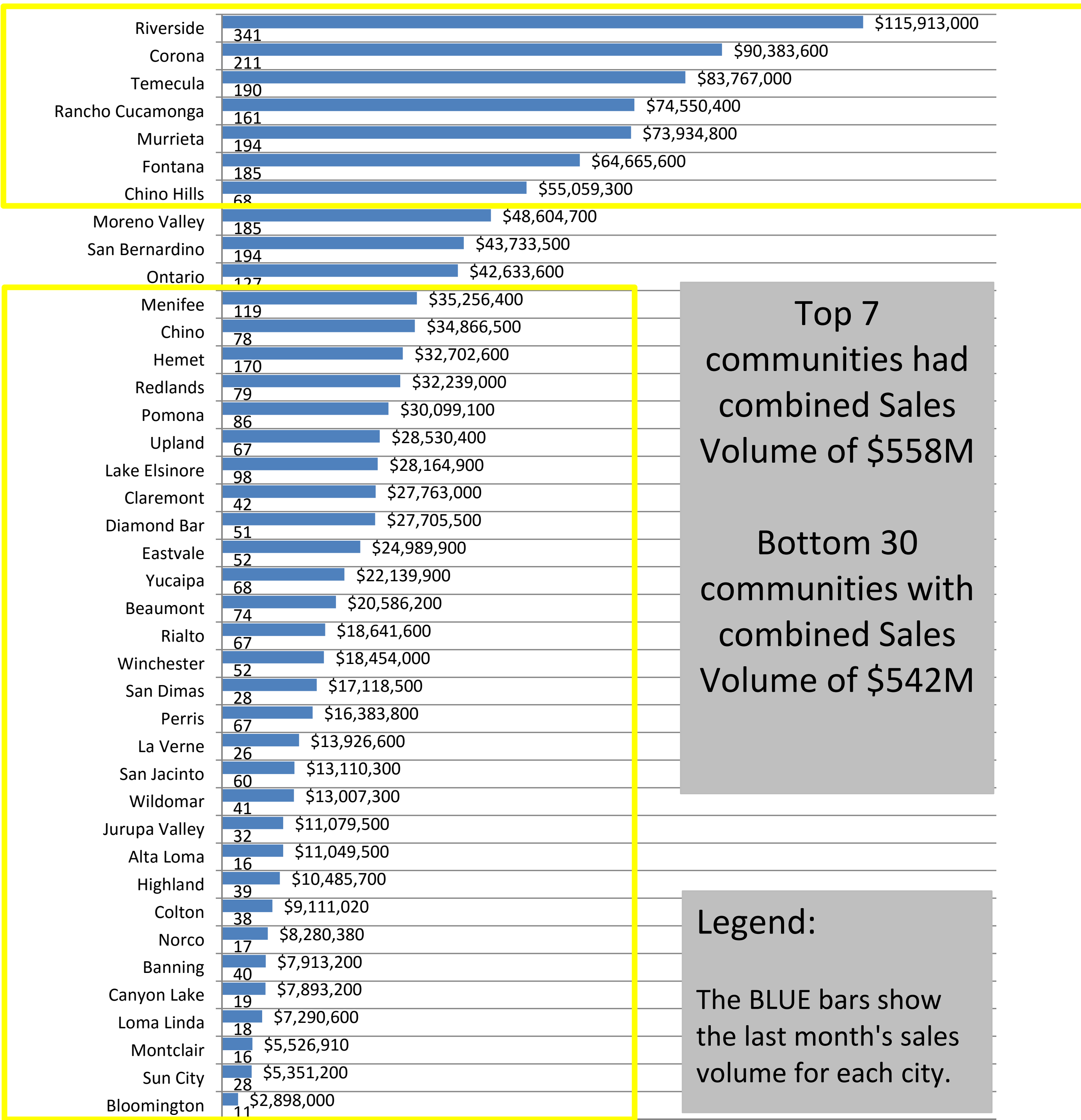

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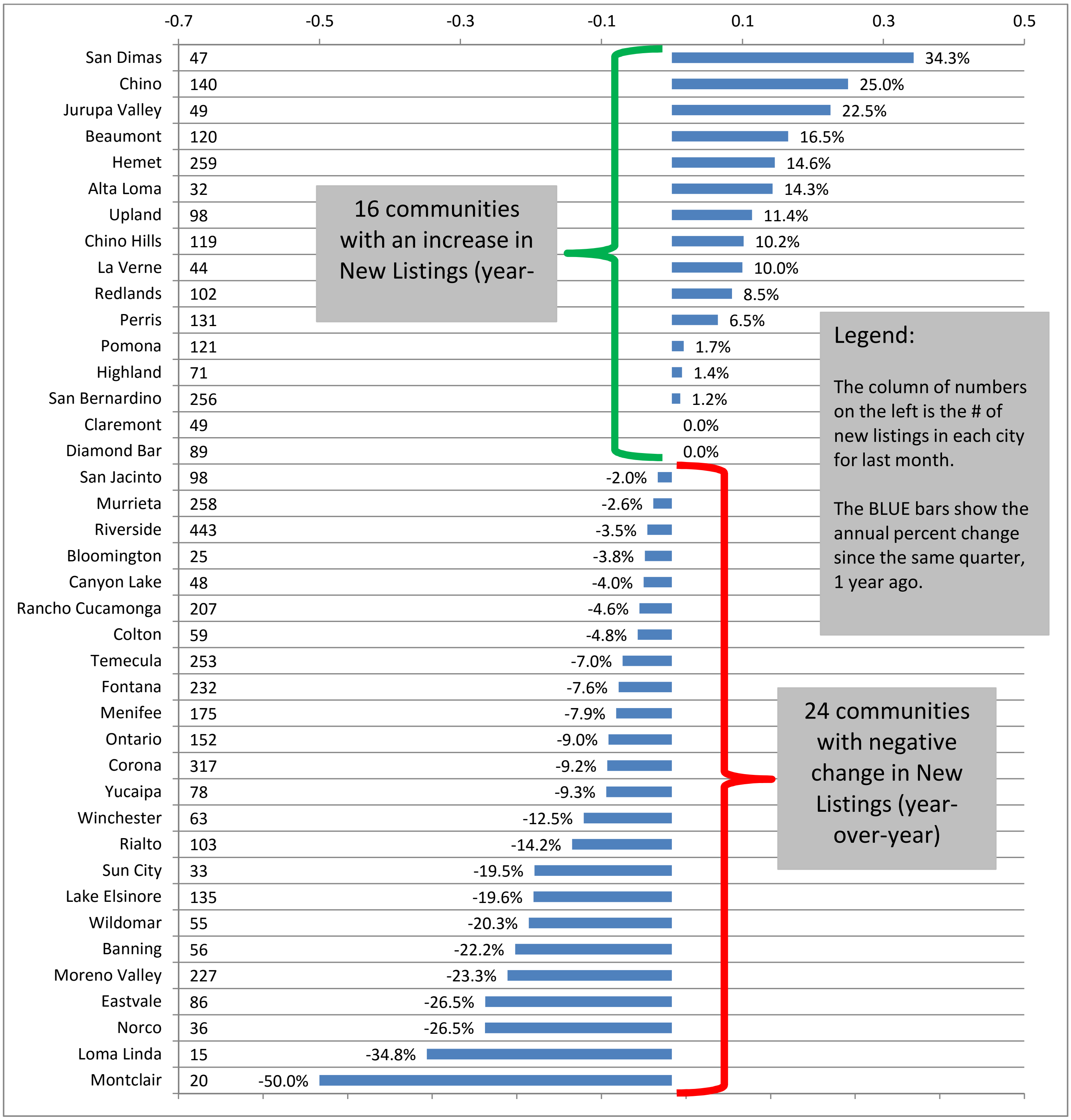

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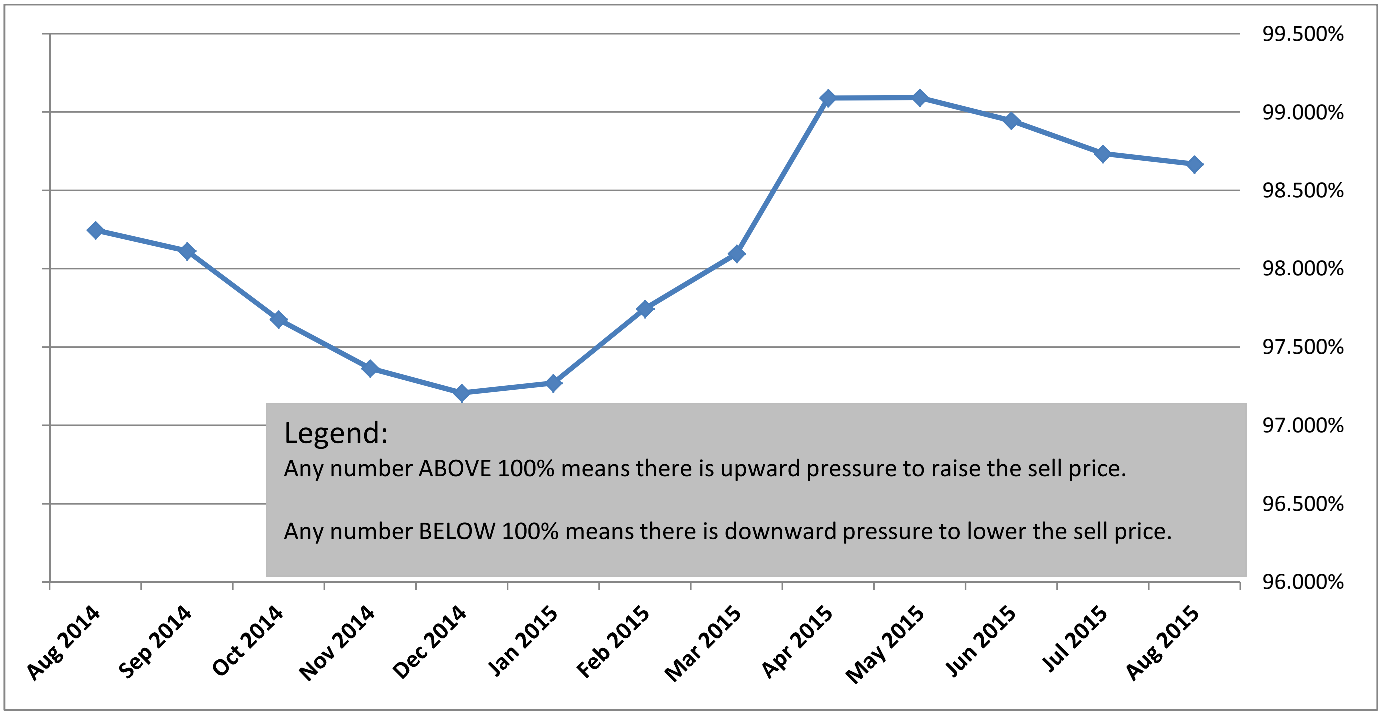

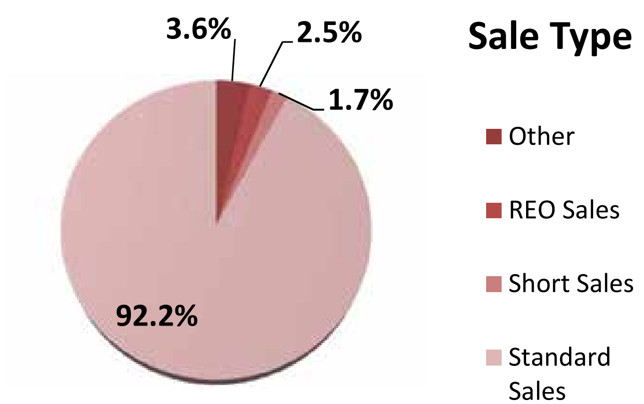

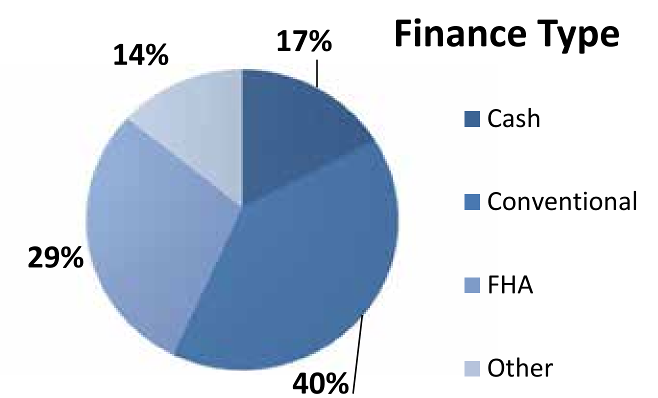

The IVAR team has worked hard to improve services and make IVAR a better business association. IVAR is committed to defining its service and building member relationships not with promotional gimmicks and giveaways, but rather by refining a business-minded approach to serve our members' professional 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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NAR Study: New Home Construction Trailing Job Growth in Majority of Metro Areas

Media Contact: Adam DeSanctis / 202-383-1178

WASHINGTON (September 9, 2015) — Despite positive improvements in the labor market in recent years, new home construction is currently insufficient in a majority of metro areas and is contributing to persistent housing shortages and unhealthy price growth in many markets, according to new research from the National Association of Realtors®.

NAR measured the volume of new home construction relative to the number of newly employed workers in 146 metropolitan statistical areas1 (MSAs) throughout the U.S. to determine whether homebuilding has kept up with the steadily improving pace of job growth in the past three years2. The findings reveal that homebuilding activity for all housing types is underperforming in roughly two–thirds of measured metro areas.

Lawrence Yun, NAR chief economist, says low inventory has been a prevailing headwind to the housing market in recent years. “In addition to slow housing turnover and the diminishing supply of distressed properties, lagging new home construction — especially single family — has kept available inventory far below balanced levels,” he said. “Our research shows that even as the labor market began to strengthen, homebuilding failed to keep up and is now contributing to the stronger price appreciation and eroding affordability currently seen throughout the U.S.”

NAR’s study analyzed job creation in 146 metro areas from 2012 to 2014 relative to single–family and multifamily housing starts over the same period. Historically, the average ratio for the annual change in total workers to total permits is 1.2 for all housing types and 1.6 for single–family homes. The research found that through 2014, 63 percent of measured markets had a ratio above 1.2 and 72 percent had a ratio above 1.6, which indicates inadequate new construction.

According to Yun, with jobs now being added at a more robust pace in several metro areas, the disparity between housing starts and employment is widening. In 2014 alone, the average ratio of single–family permits to employment jumped to 3.7, while the ratio for total permits increased 50 percent to 2.4.

“Affordability issues for buying and renting because of low supply are already well–known in many of the country’s largest metro areas, including San Francisco, San Diego and New York,” says Yun. “Additionally, our study found that limited construction is a widespread issue in metro areas of all sizes.”

The markets with the largest disparity of jobs versus home construction (single–family) and currently facing supply shortages are San Jose, Calif., at 22.6; San Francisco, 22.4; San Diego and New York, at 13.9; and Miami, 11.1.

“While construction is limited in some markets — such as Trenton–Ewing, N.J. and Rockford, Ill. — they aren’t facing inventory shortages despite having high ratios because their job gains are more moderate,” adds Yun.

Single–family housing starts are seen as nearly adequate to local job growth (a ratio of 1.6) in Jackson, Miss.; Colorado Springs, Colo.; Chattanooga, Tenn.; Amarillo, Tex.; and St. Louis.

Looking ahead, Yun says there’s no question the homebuilding industry continues to face many challenges, including rising construction and labor costs, limited credit availability for smaller builders and concerns about the re–emergence of first–time buyers. However, the strong job growth seen so far in 2015, and only muted gains in single–family housing starts, suggests that sustained price growth will continue to put pressure on affordability.

“The demand for buying has drastically improved this year and is propelling home sales to a pace not seen since 2007,” says Yun. “As local job markets continue to expand, the pool of homebuyers will only increase. That’s why it’s crucial for builders to begin shifting their focus from apartments to the purchase market and make up for lost time. If not, severe housing shortages and faster price appreciation will erode affordability and remain a burden for buyers trying to reach the market.”

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10:00am – 2:00pm
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MONDAY, OCTOBER 5TH
Education
CRMLS Training
10:00am – 3:00pm
IVAR Rancho Cucamonga Office

TUESDAY, OCTOBER 6TH
Networking
IVAR Affiliate Luncheon
12:00pm – 2:00pm
IVAR Riverside Office

WEDNESDAY, OCTOBER 14TH
Networking
IVAR Breakfast Meeting
8:00am – 9:30am
IVAR Riverside Office

THURSDAY, OCTOBER 15TH
Networking
Oktoberfest
6:00pm – 9:00pm
The Packinghouse Brewery

FRIDAY, OCTOBER 16TH
Education
New Member Orientation
9:00am – 12:00pm
IVAR Riverside Office

THURSDAY, OCTOBER 22ND
Education
First Time Buyer Specialist Certification
10:00am – 2:00pm
IVAR Riverside