

## 2010 RPAC ISSUES CONFERENCE REPORT

### Kit Cowperthwaite

Dear REALTOR® colleagues –

Recently I had the privilege of attending the REALTOR® Political Action Committee Issues Conference in San Diego. I was joined by several other CAR colleagues and believe we all came away with the impression that it represented a great opportunity to exchange ideas, look at real estate market conditions and trends and experience the value of listening to and interchanging ideas with many real estate experts and Congressional leaders. Significantly I believe we came away from this conference more convinced than ever of the need for our organization to nurture solid relationships with Congressional friends on both sides of the aisle. Perhaps Jerry Giovaniello, NAR's Chief Lobbyist, said it best when he emphasized that the lobbying power of our organization is best realized when we work in a bipartisan way to advance the priorities of the "REALTOR® Party." "NAR is the most bipartisan organization in Washington," he said, noting that our clients represent the entire spectrum of the political scale.

The following report will hit some of the highlights of this conference but by no means address all the myriad ideas, commentary and observations that were presented during this event. It is my hope that a few of these items will generate some background and enthusiasm for our upcoming trip to Washington and the Midyear meetings that lie ahead. In no particular order, here we go:

#### NAR's top 10 priority issues for 2010.

- Mortgage Interest Deduction/Capital Gains. Actively oppose proposals that would reduce the value of the mortgage interest deduction or erode the current exclusion on the sale of a principal residence.
- Fannie Mae/Freddie Mac restructuring. Promote policies to ensure adequate liquidity in the lending markets while providing greater safety and soundness for the government sponsored enterprises, Fannie Mae and Freddie Mac. Rep. Gary Miller (R-CA) spoke at the conference, pointed out that Fannie and Freddie have generally held good performing loans for most of their existence and urged that these GSE's not be discarded with the proviso, however, that they be much better regulated.
- Short Sales. Continue efforts to improve and expedite the short sales process and closely monitor the Home Affordable Foreclosure Avoidance Program that incorporates NAR's suggestions for a uniform process, standard forms and deadlines, including actions to assure that loan servicers, investors and second lien holders make this program a success.
- Commercial Real Estate Lending. Urge the adoption of federal policies that promote increased lending and access to credit in commercial mortgage markets.
- Eminent Domain. Support efforts to ensure that government takings are for legitimate public purposes and that affected property owners are compensated fairly.

- National Flood Insurance and Affordable Property Insurance. Support efforts to strengthen federal policies and programs, including the National Flood Insurance Program, to support nationwide access to affordable property insurance.
- Small Business Health Coverage. Continue efforts to control rising health care costs and increase access to affordable health insurance coverage for Realtors® and other self-employed individuals and small business owners.
- Depreciation – Tenant Improvements. Support efforts to renew, extend and make permanent rules that would permit a 15 year cost recovery period for leasehold improvements, the prior provision having expired on December 31, 2009.
- Wetlands/Clean Water Act & other water issues. Oppose federal legislation that would delete the word “navigable” from the definition of waters subject to the Clean Water Act wetlands permits which would otherwise potentially extend its applicability to such water sources as backyard ponds, roadside ditches and allow other absurd consequences.
- Transportation Reauthorization Funding. Support legislation that provides funding for a large array of transportation modes that reflect the needs of all transportation users and emphasizes repair and maintenance over new capacity development.

Real Estate and the Economy. A significant portion of the conference revolved around a discussion of the economy and its impact on real estate. While commercial real estate still faces many challenges, there seems to be a growing consensus that the residential real estate markets are beginning to “turn the corner” although the number of unsold homes remains high and foreclosures continue to add to inventory levels. Following are a few observations:

- After falling 13.1% in 2008 existing home sales increased by 4.9% in 2009, however new home sales continued to decline, falling 22.6% in 2009. Unemployment continues to drag down the real estate markets and the economy in general, resulting in a relatively weak recovery.
- Despite the recession, the housing sector still contributed nearly \$2.3 trillion to the national economy in 2009, accounting for 16% of overall economic activity.
- The aggregate value of real estate owned by households was \$16.5 trillion as of the 3<sup>rd</sup> quarter of 2009 which, after subtracting mortgage debt, results in U.S. homeowners owning approximately \$6.2 trillion in accumulated housing equity, accounting for a substantial portion of household wealth for most homeowners.
- As of the 3<sup>rd</sup> quarter of 2009, 4.47% of mortgages were in foreclosure, with the rate on subprime loans with adjustable re-setting rates being particularly troubling. Recent federal initiatives seeking to limit further increases in foreclosures and assist homeowners who find themselves “upside down” have been somewhat successful but are still not reaching many in need of help.
- Both conforming and government-backed FHA and VA mortgages continue to be available at historically low interest rates, a very important factor in helping to strengthen the housing market.

- Real estate continues to be America's greatest tangible asset, touching millions of people in countless ways, making a recovery in the real estate markets a critical component of the broader economic recovery.

2009 NAR Community and Public Affairs Accomplishments. Following is a partial list of NAR Community and Public Affairs accomplishments in 2009:

- Calls for Action to extend the homebuyer tax credit resulted in a record 18.2% response rate with more than 500,000 letters sent to Members of Congress.
- Using the new Realtors® Mobile Action Network, Realtors® placed 13,000 calls in support of the tax credit to Congress in a single weekend.
- The Broker Involvement Program, designed to give principal brokers and their agents tools to communicate directly with their Congressional representatives, grew to 2400 participants.

2009 NAR Legislative and Regulatory Accomplishments. Following is a partial list of NAR Legislative and Regulatory accomplishments in 2009:

- Banks in Real Estate. Following 8 long years of struggling to convince Congress that banks should not be allowed to conduct real estate brokerage, NAR finally reached its objective on March 11, 2009 with the signing of the Omnibus Appropriations Bill (HR 1105) with its declaration that neither real estate brokerage nor management can be classified as a financial activity.
- Mortgage Reform. After carving out real estate brokerage and management activity from the bill's definition of "mortgage originator," NAR led the way in supporting Congress' adoption of the Mortgage Reform and Anti-Predatory Lending Act of 2009, protecting both consumers and the housing sector.
- Home Valuation Code of Conduct (HVCC). NAR continues to work with the Federal Housing Administration, Federal Housing Finance Agency and the Government Sponsored Enterprises (GSE) such as Fannie Mae and Freddie Mac to ensure that appropriate policies are adopted to enhance appraiser independence while avoiding the unintended consequence of implementing the HVCC that plagues the GSE's. By now the main concern about the HVCC is widely known. The rules create a hard firewall between those who underwrite loans and those who hire appraisers so many lenders, even though they can hire appraisers themselves if they put appropriate safeguards in place, are choosing to work with appraisal management companies (AMCs) to select appraisers. A survey of NAR members finds that, as a result of the increased use of AMCs, fees to appraisers are going down, appraisals are taking longer to process, and, perhaps most importantly, deals are falling through when appraisers are chosen who are often unfamiliar with the market area under consideration.
- Short Sales. NAR continues to work to enhance the performance of the new Foreclosure Alternatives Program which, through its urging, resulted in the new incentives and uniform procedures promulgated by the Obama Administration last May.
- Protecting the Mortgage Interest Deduction. NAR's vigilance was a major factor in the successful effort to fend off changes in the mortgage interest deduction to provide a

“pay for” to offset the cost of the health reform legislation. NAR aggressively fought off changes to this deduction using a vast array of grassroots, advertising and similar advocacy tools.

- First Time Homebuyer Tax Credit. Much has been said about this credit which, at NAR’s urging, was incorporated into the American Recovery and Reinvestment Act of 2009 and has resulted in a significant decrease in the number of homes available for sale.

The Changing American City. Alan Ehrenhalt, the Former Editor of *Governing* Magazine, spoke of the “Demographic Inversion” phenomenon involving the move, in many American cities, of large numbers of the minority population and immigrants to the suburbs and conversely the tendency for many non-minorities and wealthier Americans to move back into the cities, a kind of “de-industrialization” of the central city. New York City, Atlanta and Vancouver were cited as good examples of this evolving trend accompanied by greater reliance on Light Rail and other rapid public transportation that promote faster and more convenient commuting both to and from the urban centers. The rapid replacement of office buildings with residential condominiums in urban environments was likewise cited as a consequence of this evolving change.

Realtor® Political Involvement. Utah Governor Gary Herbert, from his own perspective as a Realtor®, spoke of the importance of all of us being involved in the political process, consulting and working with our elected representatives to assure that the objectives of our organization are achieved, noting in passing that our states are “Laboratories of Democracy” where some of the best and most imaginative ideas are born.

Political Overview. Charlie Cook, Editor of the independent, non-partisan Cook Political Report, provided an entertaining insight into the current political scene and provided a sense of what he believes will result from the 2010 elections. Without going into great detail here, I can report that Charlie believes that out of 18 Senate seats held by Democrats up for re-election, 7 seem to be solid for the incumbent, 1 is considered likely to win, 9 are a toss-up and 1 is leaning Republican. On the Republican side, Charlie believes that out of 18 Republican seats up for re-election, 11 are solid for the Republican, 3 are “likely” Republican and 4 look like toss-up races.

On the House side, Charlie believes that of the 257 Democrats standing for election, 162 seats appear to be solidly Democratic, 35 are considered “likely” Democratic, 29 “lean” Democratic, 25 are a toss-up, 4 lean Republican and 2 are likely to go with the Republican. On the Republican side, 178 seats are in play. Charlie believes that of those, 160 appear to be solidly Republican, 12 are likely to go Republican, 3 “lean” Republican, 2 are considered a toss-up and 1 seat held by a Republican seems to be leaning Democratic.

And there you have it. Considering the volume of information generated by this conference, I really just scratched the surface; however, I hope you derived something of interest out of this report. Please feel free to contact me if you have any questions or comments.

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