



SANTA CRUZ ASSOCIATION OF REALTORS® LEGISLATIVE WATCH

New Year, New Laws

As 2005 draws to a close and 2006 gets started, several new laws will be taking effect.

Megan's Law Disclosure

The database disclosure has been revised to reference the new Megan's Law Website which provides online information about registered sex offenders. For the first time, sellers or their agents may use either the existing or revised disclosure language. However, starting April 1, 2006, the revised disclosure language will be mandatory for residential sellers up to four units, as well as for residential landlords. C.A.R. will be updating its standard form database disclosure and its purchase and lease agreements to reflect this change in the law.

Methamphetamine-Contaminated Properties

Starting January 1, 2006, a property owner must disclose in writing to a prospective buyer or tenant if local health officials have issued an order prohibiting the use or occupancy of a property contaminated by methamphetamine lab activity. The owner must also give a copy of the pending order to the buyer or tenant to acknowledge receipt in writing.

Failure to comply with these requirements may subject an owner to -- among other things -- a civil penalty up to \$5,000. Aside from disclosure requirements, this new law also sets forth procedures for local authorities to deal with methamphetamine-contaminated properties, including the filing of a lien against a property until the owner cleans up the contamination or pays for the cleanup costs. (Source: Assembly Bill 1078)

Property Taxes for Domestic Partners

Beginning the lien date for the 2006-07 fiscal year, any transfer between registered domestic partners will not trigger property tax reassessment. As a result, registered domestic partners will be treated the same as spouses under California property tax laws. (Source: Senate Bill 565)

Notice to Terminate Tenancy

Starting January 1, 2006, landlords are only required give a 30-day notice to terminate their month-to-month tenants (unless the property is rent-controlled or subsidized housing rules apply). Existing law requiring a 60-day notice of termination of tenancy will sunset at the end of this year. A measure to continue the 60-day notice requirement (SB 51) failed to pass the state legislature. C.A.R. will soon release a revised standard-form Notice of Termination of Tenancy (NTT) to reflect this change in the law.

Risk Management Course

Beginning July 1, 2007, the 45-hour continuing education requirement for brokers and salespersons must cover coursework on risk management, including principles, practices, and procedures for avoiding errors and omissions. For a first-time license renewal, a licensee must complete, among other things, a 3-hour course in risk management. For subsequent renewals, a licensee must complete, among other things, an 8-hour update survey course covering ethics, agency, trust funds, fair housing, and risk management. This law comes into effect on January 1, 2006 so that the DRE can start preparing for implementation. (Source: Assembly Bill 223)

Small Claims Court

Starting January 1, 2006, the maximum monetary claim an individual person may bring into small claims court has been increased from \$5,000 to \$7,500. Legal entities other than natural persons (e.g., corporations, partnerships, or governmental entities) do not qualify for this jurisdictional increase. (Source: Assembly Bill 1459 and Senate Bill 422)

2006 FANNIE MAE & FREDDIE MAC LOAN LIMITS

On November 29, 2005, Fannie Mae and Freddie Mac increased conforming loan limits on single-family properties from \$359,650 to \$417,000, effective January 1, 2006.

The 16 percent conforming loan limit increase for 2006



is the largest in 20 years. This loan limit increase reflects the October-to-October changes in average house prices, as published by the Federal Housing Finance Board, and complies with the Supervisory Guidance issued by the Office of Federal Housing Enterprise Oversight. Loan limits will also increase on other properties as follows:

- \$533,850 for mortgages on two-family properties (up from \$460,400);
- \$645,300 for mortgages on three-family properties (up from \$556,500); and
- \$801,950 for mortgages on four-family properties (up from \$691,600).

FHA AND VA LIMITS TO INCREASE

As a result of the increase in the conforming loan limit announced by Freddie Mac and Fannie Mae, the FHA floor limit will now automatically increase for those loans insured on or after January 1, 2006. The new FHA limit will be \$200,160, which is 48 percent of the new conforming limit (i.e. \$417,000).

The high cost (California) limit will be increased to a maximum of \$362,790, which is 87 percent of the new conforming loan limit. However, since there is no nationwide limit under FHA, HUD will have to compute the individual limits for 3,223 counties nationwide. HUD is expected to publish a new mortgagee letter announcing the areas that will be affected before the end of December.

The effective maximum Veterans Administration no downpayment loan limit will be raised to \$417,000 on Jan. 1, 2006.

Patriot Act Conference Report Would Increase Safeguards for Business Records

The conference report reauthorizing the USA Patriot Act includes provisions that would increase checks on the government’s ability to access confidential business records. House and Senate conferees adopted provisions similar to those included in the Senate version of the bill.

In September, NAR, along with several other business interest groups, signed a letter to conferees urging them to consider placing checks on the government’s ability to seize business records with out having to provide much in the way of justification.

The draft conference report contains provisions that require the government to:

1. Provide a statement of fact showing reasonable grounds in seizing business records in Foreign Intelligence Surveillance Act (FISA) Subpoenas.
2. Allow business owners to consult an attorney in instances where government seizes records whether under FISA or National Security Letter (NSL).
3. Increased judicial review in FISA or NSL cases.

NAR supported these changes because of the sensitive nature of, and the confidential information exchanged in, real estate transactions.

One Year Prohibition on Banks in Real Estate Enacted

On November 30, 2005, President George W. Bush signed into law the Fiscal Year 2006 Transportation, Treasury and HUD Appropriations. This bill contains another one-year prohibition against the Federal Reserve Board/Treasury Department proposal that would allow the big banking conglomerates to operate real estate brokerage, leasing and property management businesses. This is the fourth consecutive year that NAR has been successful in gaining enactment of this prohibition.

Please Note: The Legislative Watch is prepared by the Santa Cruz Association of REALTORS®. The Legislative Watch is only a summary not intended to provide legal advice and should always be verified for accuracy. For more information on a local agency, please call SCAOR at (831) 464-2000 to contact the Local Governmental Relations Liaison assigned to that agency or municipality.

