



SANTA CRUZ ASSOCIATION OF REALTORS® LEGISLATIVE WATCH

NAR UPDATE

Housing Market Expected to "Coast" Into 2007 with Modest Price Gains

Following a correction in home sales and prices in 2006, existing-home sales are expected to "coast" at roughly the same level next year, although there will be some additional decline in the new-home market, according to a forecast released by NAR.

Overall home price gains will be modest, said David Lereah, NAR's chief economist, and sellers are adjusting to the market transition. "Home sellers are becoming realistic about current market conditions and are now offering more competitive pricing, in addition to some incentives or concessions – especially to help first-time buyers," he said.

"We now have the most favorable market for home buyers in several years, and most sellers – who have been in their home for a normal period of homeownership – are still seeing very healthy returns on their investment. Conditions for buyers have improved because sellers are flexible now and mortgage interest rates are near historic lows. The market promises to be more balanced between buyers and sellers by early spring, supporting future price growth," Lereah said.

Existing-home sales, expected to fall 8.6 percent to 6.47 million this year – the third-best performance on record – are projected to be essentially even in 2007 with a 0.6 percent decline to 6.43 million. New-home sales, likely to drop 16.8 percent to 1.07 million in 2006, are forecast to fall another 8.7 percent next year to 975,000, largely due to a significant reduction in construction by builders.

Total housing starts this year will probably fall 10.6 percent to 1.85 million units, and then decline another 11.8 percent to 1.63 million in 2007.

"Given the huge gains in home values during the housing boom, and this year's rise in housing inventory, overall price gains this year and next will be modest," Lereah said.

Even with temporary declines in some months, the national median existing-home price should increase 1.9 percent for all of 2006 to \$223,700, then another 1.7 percent next year to \$227,500. The median new-home price is expected to drop 1.1 percent to \$238,400 this year before rising 1.3 percent in 2007 to \$241,400.

NAR, CRL Warn Consumers Not to Fall Prey to Predatory Lenders

The National Association of REALTORS®, in partnership with the Center for Responsible Lending (CRL), introduced a new brochure at the 2006 REALTORS® Conference & Expo titled, *How to Avoid Predatory Lending*. The brochure is the fourth in NAR's *Shopping for a Mortgage?* consumer education brochure series and the third in partnership with CRL.

The increased availability of financing alternatives has helped many consumers become homeowners in recent years, but some of these owners will invariably lose their homes because they were the victims of predatory lending practices. The NAR brochure aims to help consumers understand these practices and avoid unscrupulous lenders.

"Responsible lenders play a vital role in helping people achieve their dream of homeownership, but that dream can turn into a nightmare when buyers are locked into a mortgage they have no hope of paying off," said Tom Stevens, 2006 NAR President. "As the first point of contact in the real estate transaction, REALTORS® can help their clients identify and avoid predatory lenders – it's one important way REALTORS® add value to the real estate transaction."



Nearly all predatory lending occurs in the sub-prime market, and it can happen to people who are buying a home as well as those who are refinancing their home. This market serves people with less than an ideal credit score, often due to short work histories, high debt, or late payment records. According to Harvard University's Joint Center for Housing Studies in its most recent *State of the Nation's Housing* report, more than 1 in every 10 mortgage holders in today's market are sub-prime borrowers. "Sub-prime loans have helped millions of consumers become homeowners, but some lenders abuse their role and take advantage of vulnerable borrowers," Stevens said.

How to Avoid Predatory Lending describes some characteristics and warning signs of predatory loans, including: high interest rates and fees, beyond what would be considered fair based on the buyer's credit history; bait and switch tactics, in which unsuspecting buyers are offered an attractive loan only to encounter higher interest rates and fees at the closing table; high repayment penalties that make it hard or impossible for a borrower to refinance to a lower cost loan; and inflated appraisals that help lenders hide excessive loan fees and result in the buyer owing more to the bank than his or her home is worth.

The brochure also shows ways that consumers, along with REALTORS®, can protect themselves when shopping for a loan.

"With the explosion of mortgage products and loan options available today, consumers must educate themselves about their choices and REALTORS® are valuable consumer resources," says Stevens. "REALTORS® help home buyers make what is often the biggest investment of their lives, but they also help their clients protect that investment."

How to Avoid Predatory Lending is for sale online through the REALTOR® Store. To access the brochure online, visit

realtor.org/housopp.nsf/pages/motgages?OpenDocument.

For more information about predatory lending practices and resources, please contact SCAOR at (831) 464-2000.

CAR/LEGAL UPDATE

There were a number of new real estate-related laws enacted during the 2006 legislative session. What follows is the first of a two-part summary of these new laws.

AB 2977 Pool & Spa Safety

This new law extends the safety requirements for construction of new pools (or remodeling of existing pools) or spas. Furthermore, this law changes what is acceptable for the safety features. This law also adds a new disclosure requirement to be given to consumers by contractors/builders when obtaining a permit to work on a pool or spa.

Currently, the law requires certain safety features whenever a building permit is issued for construction of a new swimming pool at a private, single-family house. Such pools must have one of the following five features:

- (1) a pool enclosure;
- (2) a safety pool cover;
- (3) exit alarms on doors providing direct access to the pool;
- (4) self-closing, self-latching device with a release mechanism on doors providing direct access to the pool; OR
- (5) other means of protection, if the degree of protection is equal or greater than any of the four previously specified devices.

Under the new law, this safety feature provision would be applicable to construction of a new pool or spa, or remodeling to a pool or spa (when a permit is required). For spas, items (1) and (2) must have a locking feature. Furthermore, two additional safety measures are allowed:



SANTA CRUZ ASSOCIATION OF REALTORS® LEGISLATIVE WATCH

(6) removable mesh fencing meeting standards of the American Society for Testing and Materials (ASTM);

OR

(7) swimming pool alarms meeting ASTM standards.

Furthermore, this law would require that the building inspector ensure that the standards are met and that the safety feature is working correctly before approving the permit.

In addition, the consumer notice currently given when constructing new pools will be required for new spas, and work on pools or spas requiring a permit. Finally, this law also updates the backup safety systems (e.g., suction outlets are to have anti-entrapment covers), and requires the Building and Standards Commission to update the building code for swimming pools and spas by January 1, 2010.

This law, which amends California Health & Safety Code §§ 115922, 115924 and 115928, becomes effective on January 1, 2007.

Landlord/Tenant

AB 1169 60-Day Notice to Terminate Lease

This law reestablishes the sixty (60) day notice which is required by landlords to give to residential tenants on periodic leases (e.g., month-to-month lease) when the tenants have been living in the property for at least one year. This law maintains the exception of a thirty (30) day notice for certain qualifying properties for sale.

Currently, the law requires thirty (30) days notice for the landlord or the tenant to terminate a month-to-month tenancy. Under the new law, for residential leases the landlord will be required to provide sixty (60) days notice to terminate any periodic leases, such as a month-to-month rental, if all tenants and residents have been in the property for at least one year. In cases where any tenant or resident has been residing in the

property for less than one year, then thirty (30) days notice is sufficient.

Additionally, thirty (30) days notice can be given when all of the following conditions have been met:

- (1) the dwelling is a separately alienable unit (e.g. condo, single family residence, townhouse; but not a duplex, triplex or other multi-unit property);
- (2) the unit is being sold to a bonafide purchaser for value;
- (3) escrow has been established with a licensed escrow agent or licensed real estate broker;
- (4) the buyer is a natural person (or persons);
- (5) notice is given within 120 days after escrow is opened;
- (6) notice was not previously given to the tenant; and
- (7) the buyer intends to live in the property for at least one full year.

This law adds California Civil Code § 1946.1 which becomes effective on January 1, 2007, and is set to sunset on January 1, 2010, unless extended by the California Legislature.

Licensing

AB 2429 Changes to Real Estate Licensing Requirements

This new law increases the minimum requirements for a salesperson to obtain a real estate license. Generally, conditional salesperson licenses will no longer be available for new licensees. A salesperson must take a minimum of three real estate classes before obtaining a real estate license, but the exemptions for attorneys and others qualified to take the broker exam remain in effect.

Currently, the law allows two methods for obtaining a real estate salesperson license. The first requires the applicant to take three real estate classes and then pass the salesperson exam to receive a four-year license. The second allows the applicant to



SANTA CRUZ ASSOCIATION OF REALTORS® LEGISLATIVE WATCH

take one real estate class, and then pass the salesperson exam to receive a "conditional" license which is valid for 18 months. During that time period, the conditional licensee must finish the additional two real estate classes. The new law removes the option for a conditional license for all applications starting October 1, 2007.

The exception for attorneys and others qualified to take the broker exam will still apply.

This law amends California Business & Professions Code §§ 10151, 10153.3, 10153.4, and 10153.5 and repeals California Business & Professions Code § 10153.9.

The provisions of this new law do not take effect until October 1, 2007.

Mobile Home Parks

SB 1231 Extension of Mobile Home Park Law Dealing With Fees and Inspections

This new law extends the sunset dates of the statutes dealing with various fees and inspections related to mobile home parks. Under another provision, this law also increases the minimum number of meetings of a taskforce on the inspection program for mobile home parks, and specifies certain information to be reported by the taskforce to the Department of Housing and Community Development.

Under current law, the Mobile Home Parks Act regulates the conditions in mobile home parks and other special occupancy parks (collectively "Parks"), and also delineates the duties between the Department of Housing and Community Development (HCD) and local government entities. Under these rules, either HCD or local government entities are required to inspect mobile home parks, and issue citations. Also, current law specifies a certain fee structure for permits for construction and operation of Parks which was set to change on January 1,

2007. Additionally, a fee of \$4 was levied on mobile home parks to be used for inspections. This fee was to be repealed as of January 1, 2007.

Under the new law, the inspection and citation procedures remain in effect until January 1, 2012. The existing fee structure of Parks, and additional \$4 fee used for inspections would also stay in effect until January 1, 2012.

Furthermore, under the new law, a taskforce created by the HCD on the mobile home inspection program (currently required to meet once a year) would be required to meet at least twice a year, and also provide input to HCD on the inspection program, including the frequency of inspections, general inspection program information, and recommendations for changes to the program.

This law amends California Health & Safety Code §§ 18400.1, 18400.3, 18424, and 18502. The provisions of this new law become effective on January 1, 2007.

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.

