

MAY 2005



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RESPA Dos & Don'ts



Recent articles in the press indicate that some of those involved in real estate settlements may not fully understand their obligations under the Real Estate Settlement Procedures Act (RESPA). Moreover, HUD has stepped up its RESPA enforcement in the past 18 months. A list of some RESPA DOs and DON'Ts for real estate brokers and agents follows.

Background

In 1974, Congress enacted RESPA to protect consumers during the home purchase process. The purposes of RESPA include (a) giving consumers better advance disclosures of settlement costs, and (b) eliminating kickbacks or referral fees that unnecessarily increase

certain settlement costs. RESPA requires lenders to give prospective borrowers a booklet on "the nature and costs of real estate settlement services" and a good faith estimate of likely settlement costs. Then, at closing, the borrower and seller receive a settlement sheet (the "HUD-1"), which itemizes the costs paid in connection with the purchase of the home. RESPA also prohibits both giving and receiving anything between providers of settlement for the referral of business. Even though the law has been in place for 30 years, there still exists a great deal of uncertainty over which fees are permitted and which are prohibited.

See **RESPA**, Page 7

Title Company Fined for Kickbacks

Continuing his work to clean up the title insurance industry, Commissioner John Garamendi signed an order fining Stewart Title of California, Inc. \$750,000 and ordering it to pay \$160,000 in costs for illegal rebating activity uncovered during a 30-month investigation.

A settlement reached with San Diego-based Stewart Title calls for the company to cease its use of inducements given or paid to real estate agents in exchange for the referral of business. That practice is illegal in California.

"Time and again we have caught the title insurance industry breaking the law in order to line its pockets at the expense of consumers," said Commissioner Garamendi. "Let this latest fine be a warning: we will find these companies who continue to pay kickbacks, and I will do everything in my

power to see that they are punished for their actions."

The investigation found that the inducements Stewart gave to agents amounted to \$594,102.67. They came in the form of payments for business support services, providing gift certificates and door prizes for REALTOR® events, making rent payments, funding special events, and sponsoring broker activities. The crimes took place in Los Angeles, Orange, Riverside, San Bernardino and San Diego Counties.

The Commissioner is currently investigating the title industry for illegal kickbacks paid to captive reinsurance companies controlled by developers, lenders, builders and real estate firms. Evidence gathered has shown that as much as half of the premium consumers pay for

title insurance is then paid by the title insurer to the captive reinsurance entity, ostensibly to induce the captive's owner to refer more business to the title insurer.

The Commissioner held a public hearing earlier this month in which he subpoenaed information from top executives of these companies, including two of the three largest title firms operating in California.



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REAL ESTATE is the official monthly newspaper of the Santa Cruz Association of REALTORS® provided as a member-service to inform, educate and update REALTOR® and Affiliate members on local, state and national real estate news and the Association's calendar of events.

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President's Message

This month, I want to bring your attention to a variety of upcoming member issues.

FREE PARTY- Annual SCAOR Spring Fling, Weds. May 4th, 11:30 a.m. to 1:30 p.m. Your Association will feed you well and entertain you for FREE. Stop in, enjoy the creekside patio and network with your real estate friends & colleagues. Call Leslie at (831) 464-2000 to register. Make sure to enter the baking contest, too!

LEADERSHIP- Nominations for your Association leadership were due by April 22. If you haven't already stepped up, consider becoming involved in your Association or in our Housing Foundation. Not only is it interesting to be aware of changes coming to our business, but it is smart business to network with your professional colleagues active in this marketplace. In this competing offer world, you never know when a personal relationship with another agent will make the difference in a transaction.

ASSOCIATION GaROWTH CONTINUES- As this strong Seller's market continues, SCAOR is approaching another all-time membership high (the

previous peak was 1,600 members in 1980). This strong membership growth continues to build the Association's financial reserves. A lack of listing inventory and the many new members entering our marketplace will combine to make this a challenging year for many of us individually. The good news: our individual incomes are helped by the high real estate prices being achieved in this market.

WATER ISSUES- John Ricker, the head water resources specialist for the County of Santa Cruz, spoke to your Association's Local Government Relations Committee (LGR) in April. John discussed a variety of issues from proposed changes in septic regulations, to the ongoing countywide water quality-sampling program, to identifying new sources of water in our area. Our water quality continues generally to be excellent. The challenging news is that we badly need a new supply for those inevitable dry years. The most likely new supply will be from construction of a desalination plant. For more information on water quality, go to the County Environmental Health website

at <http://sccounty01.co.santa-cruz.ca.us/eh/ehhome.htm>

MOMENTS OF ZEN-

"There is no scarcity of opportunity to make a living at what you love; there's only a scarcity of resolve to make it happen." - *Wayne Dyer*

"It is neither wealth nor splendor, but tranquility and occupation, which give happiness." - *Thomas Jefferson*

"The true meaning of life is to plant trees, under whose shade you do not expect to sit." - *Nelson Henderson*

"Life is either a daring adventure or nothing at all. Security is mostly a superstition. It does not exist in nature." - *Helen Keller*

- *Helen Keller*

As always, if you have questions or concerns about your Association, or would like to get more involved, send an email to me at soldbydan@aol.com.



Dan Sedenquist
Bailey Properties
2005 SCAOR
President
(831) 426-4100
soldbydan@aol.com

Affiliate Spotlight



National presence – local commitment

Old Republic Title Company is part of the Old Republic Title Insurance Group (ORTIG) of companies. ORTIG is one of the nation's largest title insurance groups operating in forty-nine (49) states and has been issuing title insurance for over 98 years. You will find that our title and escrow teams bring a wealth of knowledge and insight to every transaction and assume professional accountability for meeting your expectations. Come and see us today!!

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Our Experience – Your Advantage

Affiliate News

The Affiliate Committee has made significant strides in improving community awareness and networking opportunities for all Santa Cruz Association of REALTORS® members. One of the early initiatives was to develop a venue for assisting the SCAOR Housing Foundation in its fundraising efforts. I am excited to announce that a community fundraising event has been organized!

The SCAOR Housing Foundation event of the year is coming November 3rd, so mark your calendars now and plan to attend "A Taste of Santa Cruz" at the Coconut Grove. It's a great opportunity to support the SCAOR Housing Foundation.

This event is a collaboration of the Affiliate Committee- Events and Program sub-committee and the SCAORHF Fundraising Committee. This event is planned to become the Housing Foundation's annual signature event, providing a critical source of funds for the Foundation; participation by REALTORS®, Affiliates and the community are paramount to the event's success. More importantly, it is our opportunity for the Association to present and promote the community benefits of the

See **Affiliate**, Page 4

New Members

Bailey Properties, Inc.
Rhea Guzman
Marianne Meegan
Gloria Behman

The Office of David Beccaria REALTOR®
Hilda Zamora

Brookside Associates
Robert Speidel

California Homes Realty
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Thunderbird Real Estate
Jai Hudes

Vanguard REALTORS®
Woutje Swets

Comments about an applicant's admittance should be submitted in writing to the Santa Cruz Assn. of REALTORS®, 2525 Main St., Soquel, CA 95073.

Affiliate... continued from page 3



SCAOR Housing Foundation. Sponsorship information will be available soon. There's already quite a buzz about this event and a lot of interest being shown – sign up early as tables at the event are expected to sell out quickly!

We conclude our series of Affiliate Committee sub-committee descriptions this month by highlighting the 4th and final Affiliate sub-committee, Liaison and Communications. Linda Amador and Andy Mitchell are this sub-committee's

co-chairs. The charter of this group follows the Strategy Planning recommendations for participation in the SCAOR Office Liaison Committee meetings. The Liaison and Communication sub-committee is responsible for gathering and disseminating Affiliate related information pertinent to real estate activities.

Additionally, they have taken on the responsibility of providing detailed communications to all Affiliate Members. Since our primary communica-

tions vehicle is email, please make sure your email address is up-to-date. Email Norma at nmilete@scaor.org to update your contact information.

As membership is the backbone to our organizations success, please recommend to your business associates that they join the Association. They can contact Norma for information on joining (831-464-2000), or email me at pinescott@hotmail.com.

—By Scott Pine,
Associated Finance Company

Homeownership Tax Credit Bill



Homeownership tax credit legislation introduced by U.S. Reps. Tom Reynolds, R-N.Y., and Ben Cardin, D-Md., will help as many as 50,000 families a year achieve the American dream of homeownership, the National Association of REALTORS® says.

Modeled after the Low-Income Housing Tax Credit, the program would provide investors with a tax credit of up to 50 percent of the cost of developing each home. The homeownership tax

credit is expected to generate nearly \$2 billion in private investment annually for the construction and/or rehabilitation of approximately 50,000 homes for sale to lower-income families each year. The credit is also expected to produce 122,000 construction and related jobs, \$4 billion in wages and \$2 billion in federal, state and local tax revenue.

The bill, H.R. 1549, is similar to legislation that was introduced in both the House and Senate last

session and gained the support of a bipartisan majority of Congress. The homeownership tax credit also enjoys the strong support of President Bush. NAR is part of a coalition of over 40 housing and community organizations that back the measure.

“NAR stands ready to work with Congress and the administration to enact tax credit legislation that will help make the dream of a safe, affordable home come true for as many as 50,000 families a year,” said NAR President-Elect Tom Stevens of Vienna, Va., who attended today’s press conference announcing the bill’s introduction.

“The homeownership tax credit will increase the supply of affordable homes by helping bridge the gap between the development cost and the price at which these homes can be sold in many lower-income communities. As Realtors, we’re committed to improving communities and expanding opportunities for every family to achieve the American dream of homeownership.”

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Monitoring Salesperson License Requirements

The real estate licensing requirement is the cornerstone to organized real estate and the DRE’s enforcement efforts. The failure on the part of real estate brokers to ensure that those individuals who they hire have real estate licenses and are properly licensed to the broker before allowing them to perform activities that require a real estate license are often the basis for disciplinary action for both the broker and the salesperson. The following are a few areas where brokers commonly slip and find trouble with respect to monitoring salesperson licensing requirements.

Hiring individuals after completion of the examination:

Often times individuals seeking employment with real estate brokers are hired after they present evidence to the broker that they have passed the licensing examination and have submitted their application for a license to the DRE. Brokers should keep in mind that individuals are not entitled to perform licensed activity until such time as a license is actually issued to the individual and is reflected on the DRE’s Web site. The mere fact that an individual has submitted an application to the DRE is not a guarantee that a license will be issued. The licensing of an individual could be delayed because of an incomplete application causing the DRE Licensing Section to write for additional information. License applications can also be denied outright or restricted because of past criminal activity or other conduct that warrants further review.

In these cases, the final answer regarding the issuance of a license may only come after the DRE has conducted

Peggy Gillett Memorial Scholarship Fund

The Santa Cruz Association of REALTORS® would like to thank the following for their recent donations to the Peggy Gillett Memorial Scholarship Fund:

J.R. Rouse

Jordon Boswell

Chris Johnson

Bratty & Bluhm Real Estate



Peggy Gillett

License Requirements...

continued from page 4

a thorough background investigation and has completed an administrative legal action.

As an example, in fiscal year 2003–2004, the DRE denied 417 license applications outright and also issued 458 restricted licenses to real estate license applicants after thorough background investigations were performed. The lesson in this is that brokers should never assume that a license will be issued to an individual at the time they submit an application and allow that person to work in a licensed capacity while waiting for the license to issue.

Failure to monitor the conditional license requirement:

should set up tickler systems to ensure that salespersons who have conditional licenses meet those requirements and maintain current licenses with the DRE.

Child support obligor suspensions:

Another possibility for a salesperson's license to be unexpectedly suspended is for failure to meet child support obligations. The DRE is notified through the California Department of Child Support Services when real estate licensees are delinquent in child support obligations. Once placed on a child support obligor list, the licensee is provided a period of 150 days to bring the obligation current. If this does not

compensated from multiple sources. All compensation received by a salesperson for activities requiring a real estate license must be paid to the salesperson by his or her employing broker. While this requirement is simple, it can become confusing when salespersons are employed to perform licensed activity by associate brokers working in the offices of another broker. In these instances, the salesperson may only work under the supervision of the associate broker and must receive all compensation through that broker. Real

estate brokers who allow salespersons who are not properly licensed to continue to perform licensed activity are frequently disciplined along with the salespersons themselves and are held accountable to pay appropriate fines and penalties. In order to avoid these consequences, brokers should establish systems within their offices to ensure that their salespersons maintain current licenses at all times.

(Source: California Department of Real Estate Real Estate Bulletin, Spring 2005)



The majority of new real estate salesperson licenses issued to individuals are conditional licenses requiring additional statutory real estate courses to be completed within the first 18 months of licensure. When these courses are not completed, the license is suspended until such time as the courses are completed and the transcripts are processed by the DRE.

When a broker hires a conditional salesperson, he or she takes on the responsibility of monitoring the salesperson's completion of the courses and ensuring that the conditional license status is removed. In the event that a conditional license is suspended, the broker must require the salesperson to discontinue all activities that require a real estate license until such time as the individual is back on a licensed status. The DRE attempts to assist brokers with their responsibilities in this area by sending notification letters six months prior to the conditional license requirement coming due and by notifying the broker in the event that a license is suspended. However, the final responsibility for ensuring that salespersons do not work on suspended licenses rests upon the employing broker. Real estate brokers

occur, the license is suspended. The employing broker of record is notified when such a suspension occurs, but it is still a good idea to monitor the DRE's Web site to ensure that all salespersons maintain licenses in good standing with the DRE.

Renewal requirements:

Another area where real estate brokers frequently slip is in failing to ensure that salespersons working for them properly renew their licenses. Again, brokers should maintain a tickler file to ensure that salespersons under their employ renew their licenses when they are due. The best way to ensure that this is accomplished is to have the salespersons use the eLicensing online system to renew their licenses through the DRE's Web site. When licenses are renewed online, the salesperson's license record is updated immediately (after the broker certifies the salesperson's employment) and the broker can rest assured that this important task has been completed.

Paying salespersons not under broker's employ:

It is important for brokers to remember that salespersons may only work for one employing broker at a given time and they may not be

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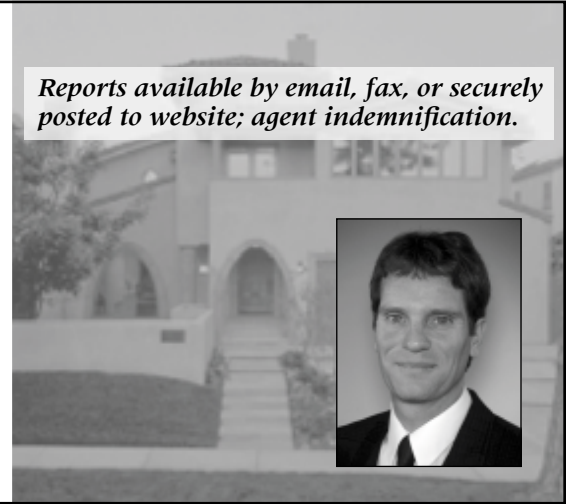
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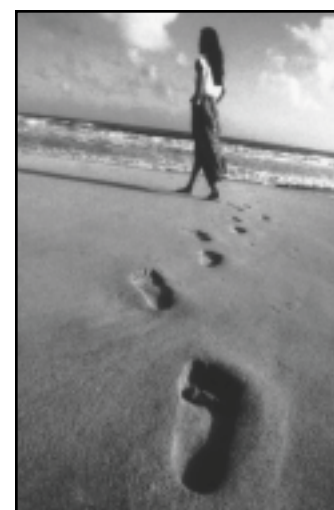
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RESPA...continued from page 1

Uncertainty is especially troubling since the anti-kick-back provisions in section 8 of RESPA may result in criminal penalties and substantial civil penalties. HUD is responsible for administering this regulatory program and enforcing its provisions. Its implementing regulations are at 24 CFR Part 3500.

HUD is beefing up its enforcement of RESPA, so it is important that all REALTORS® focus on RESPA and assure that their activities comply with its requirements. Before a REALTOR® undertakes any activity with a settlement service provider or accepts any payments, goods, or services from a provider, NAR recommends that the REALTOR® speak with an attorney familiar with RESPA and also makes sure that the activity complies with state and local laws. Some of these laws prohibit activities that are otherwise permissible under RESPA. For more information, please contact Mike Thiel (NAR's Legal Department) at 312-329-8373 or MThiel@realtors.org.

Real estate brokers and agents must comply with the Real Estate Settlement Procedures Act, or RESPA. Violators of RESPA may receive harsh penalties, including triple damages, fines, and even

imprisonment. While the enforcement of RESPA by the U.S. Department of Housing and Urban Development, or HUD, has been dormant in the past, HUD has stepped up its efforts in this area in the past 18 months. HUD hired new staff and entered into a contract with an investigation firm in Arlington, Virginia to conduct on-site reviews to monitor conformity with RESPA. Now, more than ever, real estate brokers and agents must ensure they are complying with RESPA.

1. Entities Subject to RESPA

Services that occur at or prior to the purchase of a home are typically considered settlement services. These services include title insurance, mortgage loans, appraisals, abstracts, and home inspections. Services that occur after closing generally are not considered settlement services.

RESPA covers, among others:

- Real Estate Brokers and Agents
- Mortgage Bankers and Brokers
- Title Companies and Title Agents
- Home Warranty Companies
- Hazard Insurance Agents
- Appraisers
- Flood and Tax Service Providers
- Home and Pest Inspectors
- RESPA, however, does not apply to:
 - Moving Companies
 - Gardeners
 - Painters
 - Decorating Companies
 - Home Improvement Contractors

2. RESPA Prohibitions

- RESPA prohibits a real estate broker or

agent from receiving a "thing of value" for referring business to a settlement service provider, or SSP, such as a mortgage banker, mortgage broker, title company, or title agent.

- RESPA also prohibits SSPs from splitting fees received for settlement services, unless the fee is for a service actually performed.

3. Exceptions to RESPA's Prohibitions

Not all referral arrangements fall under RESPA's referral restriction. In fact, RESPA and its regulation feature a number of exceptions.

Three examples are:

- Promotional and Educational Activities
- Settlement service providers, such as mortgage bankers, mortgage brokers, title insurance companies, and title agents, can provide normal promotional and educational activities under RESPA.
- These activities must not defray the expenses that the real estate broker/agent otherwise would have had to pay.
- The activity cannot be in exchange for or tied in any way to referrals.
- Payments in Return for Goods Provided or Services Performed
- A real estate broker or agent must provide goods, facilities, and services that are actual, necessary, and distinct from what they already provide.
- The amount paid to a real estate broker or agent must be commensurate with the value of those goods and services. If the payment exceeds market value, the excess will be considered a kickback and violates RESPA.
- The payments should not be "transactionally based." A payment for services

rendered is transactionally based if the amount of the payment is determined by whether the real estate broker/agent's services resulted in a successful transaction. Payments may not be tied to the success of the real estate broker/agent's efforts, but must be a flat fee that represents fair market value.

- Affiliated Business Arrangements
- Real estate brokers and agents are permitted to own an interest in a settlement service company, such as a mortgage brokerage or title company, so long as the real estate broker/agent:
 - Discloses its relationship with the joint venture company when it refers a customer to the mortgage broker or title company;
 - Does not require the customer to use the joint venture mortgage broker or title company as a condition for the sale or purchase of a home; and
 - Does not receive any payments from the joint venture company other than a return on its ownership interest in the company. These payments cannot vary based on the volume of referrals to the joint venture company.
- The joint venture mortgage broker or title company must be a bona fide, standalone business with sufficient capital, employees, and separate office space, and must perform core services associated with that industry.

4. Examples of Permissible Activities and Payments.

For examples of permissible and prohibited activities, go to: [www.realtor.org/GAPublic.nsf/files/dos&donts.pdf/\\$FILE/dos&donts.pdf](http://www.realtor.org/GAPublic.nsf/files/dos&donts.pdf/$FILE/dos&donts.pdf)



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REALTOR® Issues in Congress

In April, Congress took action on two very important Realtor issues -- bankruptcy reform and junk fax legislation.

Bankruptcy Reform

The House approved bankruptcy reform legislation that includes 4 Realtor-backed provisions. The bill, S.256, was approved by a vote of 302-126 and now heads to President Bush for his signature. The bill represents a solid victory for NAR, particularly our commercial property owners. Congress has sought to finalize a reform measure for the last eight years.


Sponsored by Senator Charles Grassley (R-IA), the bill: (1) closes the loophole that allows tenants to circumvent well established state and local eviction laws; (2) provides equal protection under the automatic stay for commercial properties, regardless of value; (3) offers protection for shopping center owners and tenants by clarifying the rights of bankrupt retailers to honor the terms of their leases; and (4) protects homeowner/condo association members by requiring owners in bankruptcy to pay their accrued fees. Should you have questions, please contact Megan Booth (mbooth@realtors.org, 202-383-1222).

Junk Fax Prevention

The Senate Commerce Committee approved S.714, the Junk Fax Prevention Act of 2005, by voice vote. The NAR-backed bill alleviates problems created by the Federal Communication Commission's (FCC) proposed new regulations governing fax communications. REALTOR® Dave Feeken of RE/MAX of the Peninsula in Kenai, Alaska, testified for NAR yesterday before the Senate Commerce Committee urging Congress to approve S.714.

NAR encouraged Senator Gordon Smith (R-OR) to introduce the bill as the original cosponsor. He was joined by Senate Commerce Committee Chairman Stevens (R-AK), Ranking Member Inouye (D-HI) and Senators Sununu (R-NH), Burns (R-MT), Snowe (R-ME), Dorgan (D-ND) and Lautenberg (D-NJ).

The bill now heads to the Senate floor. We're also working with the U.S. House of Representatives to introduce companion legislation. Should you have questions, please contact Marcia Salkin (msalkin@realtors.org, 202-383-1092).




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 4:30 PM : Leave Sacramento
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Contact Lori Strusis to sign up:
 (831) 430-3264 or lori@loristrusis.com



Write a \$40.00 check to SCAOR to hold your spot on the bus. Checks may be cashed to Century 21 Showcase, REALTORS® Scotts Valley. Show up on June 8th and your check will be returned if you have already contributed \$40.00 to Political Survival.

NAR Legislative Scorecard

Congress returned from its Easter recess and has put several developments in play that warrant your attention:

GSE Reform

Rep. Richard Baker (R-LA) and House Financial Services Chairman Mike Oxley (R-OH) introduced a bill establishing a new regulator for Fannie Mae, Freddie Mac and Federal Home Loan banks. The bill would give the regulator broad authority to adjust the GSEs capital requirements, impose

limits on their portfolios and place them in receivership if either becomes financially troubled. NAR policy staff are analyzing the 238-page bill for discussion at the Midyear Meeting. NAR anticipates introduction of additional bills before Congress decides on a particular approach.

Further, Congress is planned hearings in April to serve as a platform for their proposals. Witnesses would include Federal Reserve Chairman

Greenspan, Treasury Secretary Snow and Housing and Urban Development Secretary Jackson.

As of press date, Congress had not decided on a hearing featuring public witnesses.

NAR's objective in any reform legislation will be to preserve the housing mission of the GSEs.

In related developments, NAR has joined with the Home Builders and issued a joint statement indicating our united commitment in protecting the mission of the GSEs. And, we have spearheaded a joint industry letter to Senators Shelby (R-AL) and Sarbanes (D-MD), leaders of the Senate Banking Committee, opposing the "bright line" provision in Senator Hagel's (R-NE) GSE reform bill. Our opposition relates to concerns that the provision would undermine Fannie Mae's and Freddie Mac's business activities.

Small Business Health Plans

NAR continues to aggressively advocate this issue. The House Education and Workforce Committee approved the NAR-backed H.R.525 by a vote of 25-22. NAR issued a targeted Call For Action in support of the bill. Thank you for your assistance as it

proved very helpful.

Floor activity was expected in April. Also in April, the Senate Health, Education, Labor and Pensions Committee planned a hearing regarding NAR-backed S.406 where NAR President Al Mansell testified.

Do-Not-Fax

NAR is working with Senator Gordon Smith (R-OR) to introduce a new Junk Fax Protection Act and anticipates a bill drop this month followed by hearings in the Senate Commerce Committee. NAR is working to encourage the committee leaders, Chairman Ted Stevens (R-AK) and ranking member Daniel Inouye (D-HI) to join as cosponsors.

Bankruptcy Reform

NAR is supporting four provisions in the bankruptcy reform bill that protect property owners and valuable real estate assets. You'll recall the Senate approved its bill by a vote of 74-25 in March. NAR issued a Call For Action in support of the Senate floor vote and you responded tremendously. The bill was then referred to the House Judiciary Committee which approved the legislation by a vote of 22-13. House floor action was postponed due to the death of the Pope.

 NATIONAL ASSOCIATION OF REALTORS® PRIORITY ISSUES UPDATE APRIL 2005 			
The following is a scorecard of NAR's policy priorities before the 109 th Congress:			
ISSUE	NAR OBJECTIVE	ACTIONS	STATUS
Banks in Real Estate	Enact legislation permanently banning nationally chartered banks from engaging in real estate brokerage and property management.	NAR-backed legislation has been introduced in the House and Senate. H.R. 111 has 160 House cosponsors and S. 96 has 14 cosponsors in the Senate.	Pending in committee. NAR is urging Members of Congress to cosponsor the bills.
Small Business Health Plans	Enact legislation creating federally-certified small business health plans allowing state REALTOR® associations to extend health insurance coverage to members.	NAR-backed legislation has been introduced in the House and Senate. H.R. 525 has 122 House cosponsors and S. 406 has 13 cosponsors in the Senate.	Pending in committee. H.R. 525 approved 3/16/05 by House Education and the Workforce Committee. Floor action expected in April. S. 406 remains pending. NAR urging House and Senate members to cosponsor the bills.
Tax Reform	Defend the Mortgage Interest Deduction and homeownership/investment tax benefits from any efforts.	President Bush's Commission on Tax Reform has begun meeting. NAR is closely monitoring all developments. NAR's Tax	Ongoing. The Commission has scheduled a series of hearings to gather input and information.

See the scorecard inside this month's *Legislative Watch* for information regarding NAR's other priorities for the year.

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Conditional Salesperson Licensees

If you have an 18-month conditional salesperson license, please don't confuse *continuing education* requirements with the pre-license/statutory requirements. Continuing education courses are required to *renew* a four-year license.

Pre-license/statutory, which are 3 semester- or 4 quarter-unit college level courses, are required to satisfy the 18-month conditional salesperson license requirements. Many calls have been received by the DRE's Education Section from holders of conditional salesperson licenses who are confused as to what courses are needed to satisfy the educational requirements for the 18-month conditional salesperson license. Many of these licensees have completed continuing education courses in Ethics, Agency, Trust Fund Handling, and Fair Housing in error, believing these courses will satisfy the conditional license requirements.

Instead, they should have completed a course in Real Estate Practice plus one of the twelve courses listed in the chart to the right of this article. How does this happen? The following is an example of how the confusion can occur.

Terminology caused confusion

A conditional licensee calls a real

estate school and states he needs to complete the continuing education requirements for his sales license. The school asks the licensee if it is his first renewal and the licensee responds "Yes." The school, still believing the licensee is seeking the continuing education necessary for the first renewal, advises the licensee that he only needs to complete the required courses in Ethics, Agency, Trust Fund Handling, and Fair Housing. The licensee then enrolls in those four courses and completes them. When the licensee contacts the DRE about submitting evidence of completing those courses, he finds out that he did not take the necessary courses required to satisfy his 18-month conditional salesperson license.

The licensee should have told the school "I have a conditional salesperson license. What courses do I need to take to satisfy that requirement?" The school would have provided the correct information in that situation.

Continuing education courses

Conditional salesperson licensees who complete the pre-license/statutory requirements (two additional college-level courses) and obtain a non-conditional salesperson license will be

required to complete the continuing education requirements by the end of the four-year renewal period in order to renew the salesperson license. For the *first* four-year renewal only, salespersons are required to complete the four required courses in Ethics, Agency, Trust Fund Handling, and Fair Housing. But again, these courses are required to *renew* the license; these courses do not satisfy the 18-month conditional license requirements.

Additional information

The pre-license/statutory college level courses can be completed at many of the community colleges. Private real estate schools can also offer these courses if their courses have been approved by the DRE. Further information about courses required for salespersons issued conditional licenses and how to submit evidence of successful course completion is available at www.dre.ca.gov/salesconditional.htm.

Also, don't forget that you can search for approved private real estate continuing education course offerings through the DRE Web site www.dre.ca.gov/cerqmts.htm.


(Source: California Department of Real Estate Real Estate Bulletin, Spring 2005)

Affordable Condo Financing Expansion

Fannie Mae will update its condominium guidelines to make it faster and easier for mortgage lenders to obtain project approval for homebuyers purchasing condos. The update, slated to take effect in the second quarter of 2005, will help lenders serve more first-time homebuyers seeking affordable financing.

Fannie Mae will update its condo guidelines in response to lenders who said clearer, more concise project approval guidelines would help them originate more condominium loans, often an affordable alternative to single-family detached homes. The changes announced today will include a more straightforward process for condominium project approval and less restrictive eligibility criteria, including the reduction of some pre-sale

See **Financing Expansion**, Page 18



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Shelly Paine HMC 813-465-8606	Ricardo Palma HMC 813-465-4009	Lesley Pretorius HMC 813-768-9236	Allison Vitug HMC 813-465-4050	Pete Vamvolakis HMC 813-465-4032	Peter Vokos HMC 831-469-3235	

*Wells Fargo SmartPay Home Financing® and Wells Fargo SmartPay Home Financing Plus® lines of credit are available through Wells Fargo Consumer Credit Group, a division of Wells Fargo Bank, N.A. Member FDIC and Equal Housing Lender. The Wells Fargo SmartPay Home Financing product is available in all states; homebased properties located in the state of Texas are subject to a maximum 50% FICO or 50% CLTV, whichever is less. The Wells Fargo SmartPay Home Financing Plus product is available in all states, except Texas. Line amounts for the SmartPay Home Financing product range from \$200,000 to \$1,000,000, and from \$500,000 to \$1,800,000 for the SmartPay Home Financing Plus product, depending on Wells Fargo Equity Direct's credit underwriting (including an evaluation of borrower credit rating, property type and combined Loan-to-Value). Start rates are available as of the date of printing, and are subject to change without notice. For all states except Texas, the Annual Percentage Rate (APR) varies daily during the ten-year term. For Texas, the APR varies monthly during the ten-year term. The index is the highest Prime Rate published in The Wall Street Journal Money Rate Table for each day. The index as of December 16, 2004 was 5.25%; margin for the SmartPay Home Financing product currently range from -0.75% to 1.25%, resulting in APRs ranging from 4.50% to 6.50%, subject to a floor rate of 3.49%. Current margin for the SmartPay Home Financing Plus product range from -0.125% to -1.01%, resulting in APRs ranging from 5.125% to 4.24%, subject to a floor rate of 3.49%. The APR shall not exceed 12%. Interest-only payments are due monthly during the term. Opening fees and costs for the Wells Fargo SmartPay Home Financing and Wells Fargo SmartPay Home Financing Plus product line range between \$300 and \$11,000 and vary depending on the state in which the property is located as well as the amount of the credit extended. All or some of these fees may be paid to Wells Fargo, its affiliates or third parties as necessary to obtain secured credit. No annual fee. During the term your account balance will not fully amortize and a balloon payment will be due at maturity, except that on homebased properties in the state of Texas there will be repayment terms other than a balloon payment, in accordance with Texas law. Property insurance and flood insurance (if applicable) is required. These are the current rates for the line of credit product described above for a single-family primary residence. Your rate will depend upon the specific characteristics of the line of credit transaction and your credit profile up to the time of closing. Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A. © 2005 Wells Fargo Bank, N.A. All Rights Reserved. #25000 3/1/05

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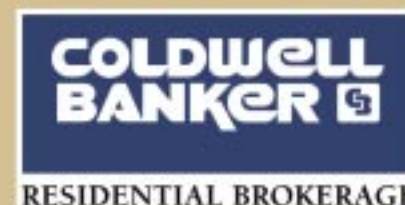
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*2004 National Association of Realtors’ Profile of Home Buyers and Sellers

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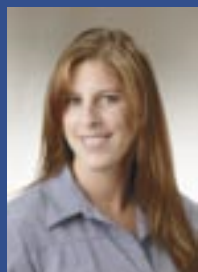
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Santa Cruz Association of REALTORS®
HOUSING FOUNDATION

Bridging the Gap to Homeownership

Observations from where I sit.....

The time is flying by and the Board of Trustees is working hard to achieve the goals set for 2005. Thanks once again to the volunteer committee members who are meeting on a regular basis. We are still looking to fill some voids. Remember, it is not too late to volunteer. We need you!

The Fundraising Committee has announced their premier signature event, "A Taste of Santa Cruz," which will be held on November 3rd at the Coconut Grove in Santa Cruz. This is destined to be a great event with wonderful food from local eateries and live and silent auctions that will help you with holiday gift buying. It will also be a great networking opportunity to rekindle old acquaintances and meet

some new members of the community.

The Program Committee is also well ahead of schedule and has planned a community event. This "Home Buying Educational Forum" will be held at the Association office on June 18th from 10am to noon. It aims to provide tools to enable homeownership to low-income buyers in Santa Cruz County. We will feature credit counseling, tax and CPA information, as well as answering questions geared towards programs available within the County. Every Association member should check their customer databases for clients who fit within these levels and notify them of this free opportunity.

On a side note, if you are planning on walking in the Human Race on

May 7th, please designate the Santa Cruz Association of REALTORS® Housing Foundation as your recipient agency (#190). If you're not familiar with this event, it is a great 10-K walk and "Fun Run" in its 25th year, and is the community's largest collaborative fundraiser. You can walk the race, get pledges for your walk, or donate online. So gather your co-workers and have a fun day, and donate your proceeds in the name of your company to the Foundation. Participating agencies receive 75-90% of all pledges collected on their behalf.

To date, contributions to the Foundation are at about \$45,000, but we need more. We are still planning on everyone renewing their contribution

levels from last year, and increasing that amount by an additional 50%, if possible. Remember, your contribution is tax-deductible as a charitable donation under Section 170 of the Internal Revenue Code. and will go towards bridging the gap to home ownership in our County. Become involved in our solution to the local housing issue -- let's leave a legacy.

Until next month,

Carol VanAusdal
SCAOR Housing Foundation Chair
Keller Williams Realty Santa Cruz
(831) 261-6750
carolvan@kw.com

Housing Affordability Index falls to 19%

The percentage of households in California able to afford a median-priced home stood at 19 percent in February, a 6 percentage-point decrease compared with the same period a year ago when the Index was at 25 percent (revised), according to a report released today by the California Association of REALTORS® (C.A.R.). The February Housing Affordability Index (HAI) improved 1 percentage point from January, when it stood at 18 percent.

C.A.R.'s monthly housing affordability index measures the percentage of households that can afford to purchase a median-priced home in California. C.A.R. also reports housing affordability indexes for regions and select counties within the state. The index is the most fundamental measure of housing well-being in the state.

The minimum household income needed to purchase a median-priced home at \$471,620 in California in February was \$109,380, based on an

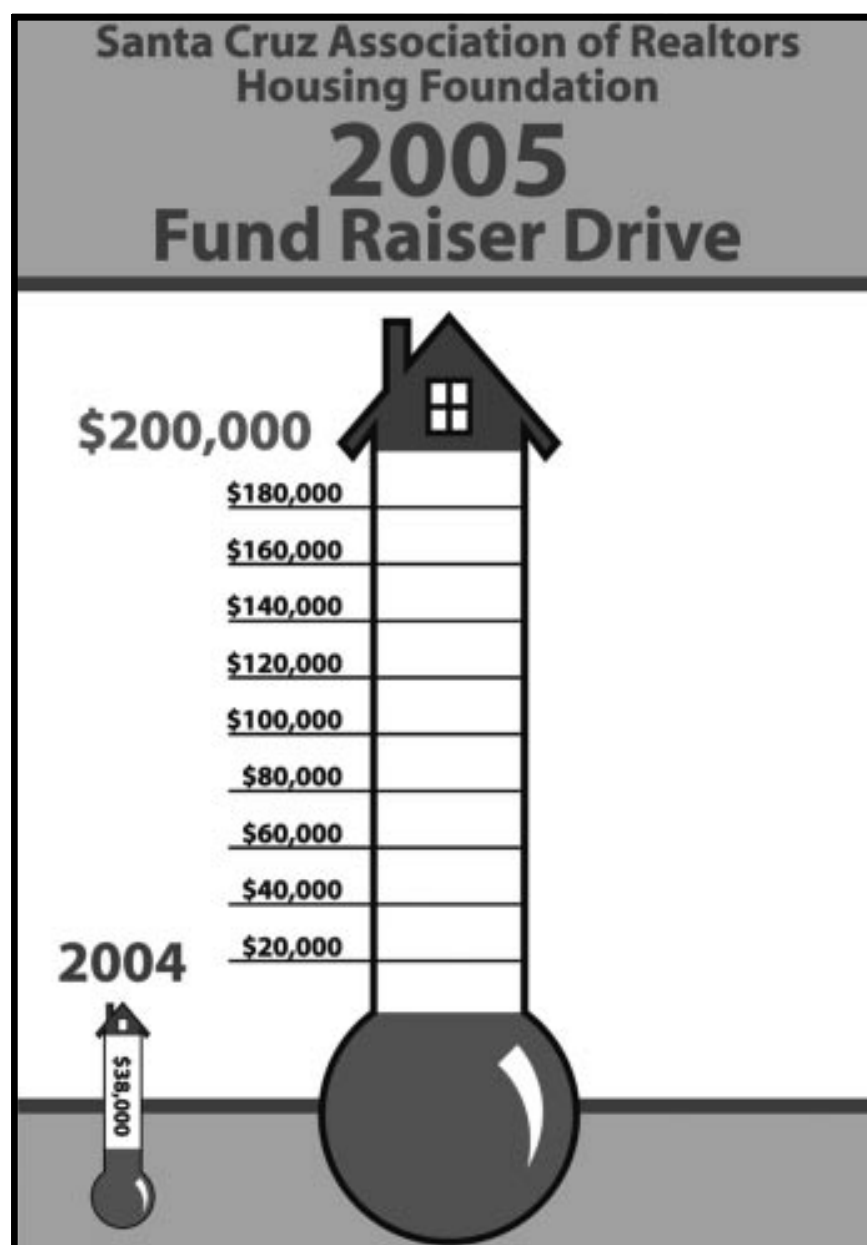
average effective mortgage interest rate of 5.71 percent and assuming a 20 percent downpayment. The minimum household income needed to purchase a median-priced home was up from \$91,050 in February 2004, when the median price of a home was \$391,550 and the prevailing interest rate was 5.74 percent.

The minimum household income needed to purchase a median-priced home at \$191,000 in the U.S. in February 2005 was \$44,300.

At 38 percent, the High Desert region was the most affordable C.A.R. region in the state, followed by the Sacramento region at 24 percent. The Santa Barbara region was the least affordable in the state at 8 percent, followed by the Northern Wine Country region at 9 percent.

Source: California Association of REALTORS®

See **Statistics**, Page 15 for changes in recent costs in Santa Cruz.



Thank You

Thank you, **Jeanne Hatch**, for your second donation to the Housing Foundation this year, converting your recognition status to Silver!

Becoming A Leader

Owning a brokerage company entails more than just signing a lease for office space and putting your name on the door. Owning and running a successful company requires you to be a leader who inspires, guides, and, if necessary, provides discipline for your sales associates and employees.

Developing Leadership

Leaders are both born and made. See if you have what it takes to be a manager, and what you can do to improve the skills you already have. *10 Qualities of a Leader—and How to Acquire Them*

Managers don't become leaders overnight. Even "born" leaders don't start out possessing

all these skills. To be a strong leader, you need to:

1. Have vision. Leaders have a clear sense of where they want to go and how they intend to get there. They see the big picture, then create a strategic plan for achieving their goals.

Learn how to develop your vision: Befriend top business leaders in your community (not necessarily just those in real estate), read new and classic business books and great leaders' biographies, and formulate a mission statement for your company. Sites for top business books include:

BestBookBuys and *Two-Day.com*.

2. Make decisions. Leaders aren't afraid to make difficult or unpopular decisions because they have confidence in themselves and in their abilities. They know that indecision wastes resources and opportunities.

Learn to hone your decision-making skills: Practice making decisions in areas where failure isn't critical to increase your confidence. If a decision turns out to be wrong, learn from it and move on.

3. Take risks. Leaders have the courage to act in situations where results aren't assured. They're willing to risk failure.

Learn how to take risks: Analyze the situation, listing pros and cons for each option, then assign each choice a risk factor rating from 1 to 5. Next determine the likelihood that each outcome will occur. This will help you determine how much risk you want to take.

TIP: Don't expect perfection. No one wins all the time. Leaders grow by making mistakes.

4. Motivate others. Leaders can articulate their vision and ideals to others, convincing them of the value of their ideas. They can inspire people to work toward common goals and to achieve things they never thought they could do.

Learn how to motivate people: Explore the different needs that motivate people and recognize that the same rewards don't motivate everyone. Listen carefully to others to learn what motivates them.

TIP: Motivate employees by making sure they understand how their work contributes to a larger goal.

5. Build teams. Leaders create productive teams that draw the best from people. They effectively coach teams in collaboration, consensus building, and conflict resolution.

Learn how to improve your teambuilding skills: Avoid preconceived answers to every question. Concentrate on appreciating different points of view during discussions rather than just trying to prove your point. This same willingness to include others is the key to successful teambuilding.

6. Possess self-knowledge. Leaders know their own strengths and weaknesses and are able to view their behavior objectively. They recognize their shortcomings, open themselves to feedback, and are willing to make changes when necessary.

Learn how to expand your self-knowledge: Study yourself closely and practice self-assessment techniques to learn

how you behave and the effects you have on others. Ask others for their opinions or criticisms and what you can do to become a better leader. Dr. Gerald Bell, business consultant and professor at the University of North Carolina, Chapel Hill, N.C.

TIP: Keep a journal of critical incidents; look back and learn what you did well and what you might have done better.

7. Display integrity. Leaders must be trustworthy before others will follow them. Warren Bennis, The Leadership Institute, University of Southern California, says qualities that establish trust are competence, constancy, caring, candor, and congruity, which he defines as authenticity, reliability, and feeling comfortable with oneself.

Learn how to assess your integrity: Actively seek feedback from others friends, co-workers, and even employees to determine if your values and sense of responsibility coincide with those of your peer group.

8. Pursue lifelong learning. Leaders have a desire to continually learn and grow and are open to new ideas.

Learn how to expand your knowledge: Maintain a broad focus. Look beyond your colleagues and your own industry for ideas and inspiration and read books on new management theories and ideas.

TIP: Wise managers look for support staff or partners who complement their weaknesses.

9. Communicate effectively. Leaders can convey their ideas to diverse individuals and adjust their styles to meet the needs of the people they lead.

Learn how to improve communication skills: Practice communications skills such as active listening. Read between the lines during conversations, especially when dealing with subordinates who may be reluctant to say what they think. Restate important points in several ways or ask listeners to reiterate your point to you to ensure that your meaning is clear.

10. Help others succeed. Leaders empower others and go out of their way to help them achieve their full potential, thereby benefiting the organization.

Give a boost to others: Mentor individuals you feel are able to assume leadership roles. Portions adapted from "Shape of a Leader," Christine Hartelt, Credit Union Management, Jan. 2000.

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Santa Cruz County Statistics

Single Family Residences

04-05	Current Inventory	New	Sold	Average	Median
Jan.	425	243	154	\$798,524	\$715,000
Feb.	448	208	140	\$765,650	\$730,000
Mar..	515	319	195	\$821,695	\$725,000

Condos/Townhouses

04-05	Current Inventory	New	Sold	Average	Median
Jan.	72	55	43	\$444,323	\$451,000
Feb.	65	58	36	\$500,270	\$465,000
Mar.	86	66	50	\$573,742	\$546,000

For more information, got to www.scaor.org
and click on "Market Statistics."

Making Lifelong Customers

A closing is not the end of your relationship with your clients. All successful sales associates know that it is only the beginning of a long and fruitful relationship that results in referrals and a continuing stream of business over the course of your career.

Following are some tips to establish customers for life once that first closing is over:

Call within 24 hours of the closing to congratulate the client on the sale or purchase.

Send a thank-you note one week after the closing to emphasize what a pleasure it was to work with the client.

Send a binder to the client containing copies of the transaction paperwork, including appraisals, inspection reports, warranties, and settlement statements. They'll remember you when they refer to this information at tax time.

Send a customer satisfaction survey form two to three weeks after the closing to get feedback from your client on your performance.

Ask your client for an endorsement or testimonial letter that you can use in your listing presentations and on your Web site.

Find out if the client has any friends, family, or business associates

who might be interested in receiving a free comparative market analysis of their home. Walter Sanford, Sanford Systems, Kankakee, Ill.

Create a file that includes personal information on your client, such as names, birthdays, ages, pets, and family hobbies.

Establish a follow-up system for all your clients. An effective follow-up system includes occasional phone calls or visits, newsletters, e-mail, cards, and small gifts. It's important to keep in mind that your contacts with past clients need to adhere a number of new federal anti-solicitation laws, such as the National Do-Not-Call Registry and CAN-SPAM. Learn more about these restrictions at REALTOR.org. If you are unsure about how the new rules will impact your telemarketing activities, it is recommended that you consult with your attorney before taking action.

Choose a unique gift to send to past clients and referral sources each year—a special cake, a Halloween pumpkin, a spring flower arrangement—then repeat the same gift for several years. People will come to expect the gift and associate it with you in their minds.

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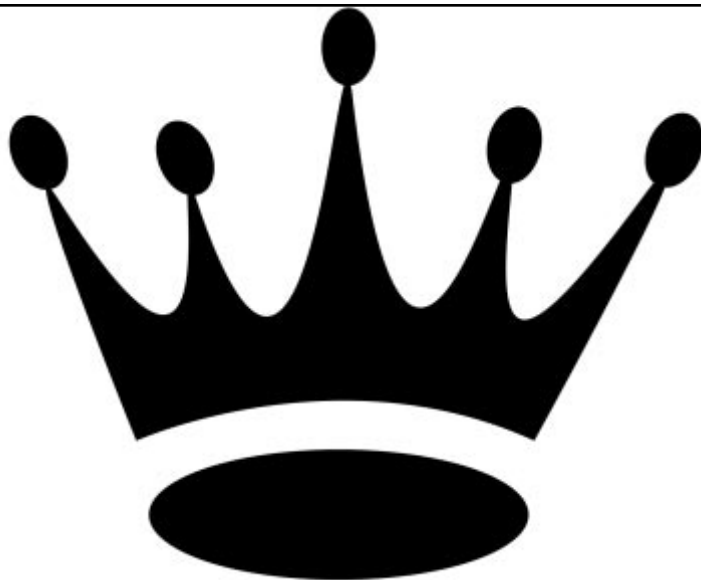
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Calendar

May 2005

DID YOU KNOW?

Sun	Mon	Tues	Wed	Thur	Fri	Sat
1	2	3	4 <i>SPRING FLING 11:30 – 1:30 P.M.</i>	5	6 <i>BOARD OF DIRECTORS 8:45 A.M.</i>	7
8	9	10	11 <i>AFFILIATE COMMITTEE 8:30 A.M. HOUSING FOUNDATION FUNDRAISING 10:00 A.M. MARKETING AND PR 2:00 P.M.</i>	12 <i>HOUSING FOUNDATION MARKETING & PR First American Title, Capitola 3:30 P.M.</i>	13 <i>GRI 8:00 – 5:00 P.M.</i>	14
15	16 <i>INFOLINK 9:00 – 12:00 P.M. HOUSING FOUNDATION ALLOCATIONS & DISTRIBUTION First American Title, Capitola 3:00 P.M.</i>	17	18 <i>GRIEVANCE COMMITTEE 2:30 P.M.</i>	19	20 <i>LOCAL GOVERNMENTAL RELATIONS 8:30 A.M. RENTAL PROPERTIES 9:00 – 12:00 P.M.</i>	21
22	23 <i>INFOLINK 9:00 – 12:00 P.M. EDUCATION COMMITTEE 9:00 A.M.</i>	24	25 <i>BUDGET AND FINANCE COMMITTEE 8:30 A.M.</i>	26	27	28
29	30 <i>OFFICE CLOSED MEMORIAL DAY</i>	31				

Anonymous Grievance Tips

The SCAOR Grievance Committee recently formed a sub-committee to review anonymous code of ethics and MLS violations as well as violations in advertising. The three-member committee will have the ability to investigate complaints brought to their attention, personally and anonymously, and bring those complaints forward for consideration by the full Grievance Committee. Anyone needing more information regarding the complaint and Grievance process is urged to contact Phil Tedesco at ptedesco@scaor.org or (831) 464-2000.

DisplayKey Showing Activity

Each time a Key releases the key container in a KeyBox, the access is recorded in both the Key and the KeyBox. There are two ways to view this showing activity information:

- Register your KeyBoxes at the KIM website. When you perform an eSYNC you will receive a message indicating how many times your listings have been shown since your last eSYNC. You can then go to the KIM website and view a showing activity report or you can call KIM voice access and request a voice or fax report.
- You can visit your KeyBox and transmit the showing information to your Key. In an AEII KeyBox, up to the last 43 accesses are displayed and in an iBox, up to the most recent 100 accesses are displayed. The Key serial number and the date and time your KeyBox was accessed is displayed on your Key's screen. When you read an iBox, the agent name and phone number is also displayed.

For more information on accessing Showing Activity information on your DisplayKey, see page 24 in your User Guide.

Meeting Schedule Rules

Board of Directors:
First Friday at 8:30 A.M.

LGR:
Third Friday at 8:30 A.M.

Affiliates:
Second Wednesday at 8:30 A.M.

Strategic Planning:
Last Wednesday at 8:30 A.M.–bi-monthly

Budget & Finance:
Third Wednesday at 8:30 A.M.–bi-monthly

Grievance:
Third Wednesday at 2:30 P.M.

Professional Standards:
as needed

Education:
First Wednesday at 9:00 A.M.–bi-monthly

Housing Foundation Board of Trustees:
Third Monday at 3:00 P.M.

Marketing & PR:
Second Wednesday at 2:00 P.M.

Offices Liaison:
First Monday following first full week following CAR meetings

WCR® Events

WCR Business Resource Meetings are held monthly at the Coast Santa Cruz Hotel, 175 West Cliff in Santa Cruz, from 11:30am–1:30pm. The price is \$25 for Members / \$28 for Guests. **RESERVATIONS REQUIRED** Jody Stelck, California Mortgage, 831-566-6144 or email wcrsantacruz@yahoo.com

2005 Program Schedule

- May 18th - Maria Valentin
- June 15 - Team Building, Hiring an Assistant - Anna Marie Wong
- July 20 - Financial and Estate Planning - TBD
- August 17 - Keeping the buyer relationship through the sale - Susanne Yost
- September 14 - Local Government Issues - Emily Reilly
- October 19 - Business Planning Workshop - Dick Dillingham
- November 16 - The Art of Accountability - Landmark Forum
- December 21 - Installation, Silent Auction, Gift Giving



NAR Grants Available For Smart Growth

Because REALTORS® sell communities as well as real estate, more and more NAR members have recognized the need to educate themselves about local planning issues and become involved in shaping their communities so that they become an even better place to live.

To increase the effectiveness of local association efforts in creating livable communities, NAR has established a

grant program to assist your efforts to implement programs and activities that position REALTORS® as leaders in improving their communities by advancing smart growth.

Consider putting on a smart growth conference or speaker series to educate members on the broad concepts of smart growth or niche topics such as transportation, open space preservation, wetlands, school development, or

attainable housing. Topics could also include instruction on how the local planning process works, including issues such as zoning, master plans, and comprehensive plans. NAR support can also be used to further activities to develop a community vision through a community planning workshop or joining a coalition that is working toward a similar community vision.

Applications cooperation with other

organizations in their smart growth efforts will be looked upon favorably.

For 2005, \$36,000 is available for this program, with a maximum amount available for any one association of \$3,000. NAR will consider applications twice in 2005, first-round applications are due to NAR on June 30th.

Financing Expansion...continued from page 10



requirements and a loosening of investor concentration limitations. Details of the changes will be provided in a Fannie Mae Selling Guide announcement, to be issued in early May.

The changes will cover four categories, based on the four processes by which a single-family mortgage loan secured by a condominium unit will be approved for delivery to Fannie Mae:

Limited Review: the most streamlined way to gain approval to deliver a condo loan will be expanded with broader eligibility criteria -- particularly when a loan is evaluated by Desktop Underwriter®.

Expedited Review: this new lender-delegated review category will allow more condo projects to benefit from a streamlined process and more flexible eligibility guidelines, including reduced pre-sale requirements. Expedited Review will be supported by a new web-based online lender registration

and project management system known as CondoProjectManager™.

Streamlined Fannie Mae (1028) Review: for those projects that are not eligible for Expedited Review, the current Fannie Mae (1028) review process will be simplified, with reduced pre-sale requirements on certain projects and increased allowable investor concentrations.

FHA Condominium Approvals: Fannie Mae will begin accepting most Federal Housing Administration (FHA) condo project approvals without requiring a separate Fannie Mae project acceptance, saving lenders time, money and eliminating duplication of effort.

“Condominiums are a first step to homeownership for many first-time

buyers, and are a more affordable housing option in many high-cost areas. These updated condominium guidelines will ease the process for obtaining Fannie Mae acceptance for condo projects, which should ultimately benefit home buyers seeking financing on condo units,” said Tom Lund, acting head of Fannie Mae’s single-family business unit.

The revised condominium project standards will help enable more lenders to participate in condo lending, and boost the availability of Fannie Mae accepted condominium projects in smaller markets, according to Lund.

Training on the new condo guidelines and CondoProjectManager will be available to lenders in May.

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