

1-23-2014

HOME OWNERSHIP HOUSING COMMITTEE

10:00 - 11:30 a.m. Thursday, January 23, 2014 San Diego, CA

MISSION STATEMENT

The Home Ownership Housing Committee is a Policy Committee. Its mission is to develop C.A.R.'s policy in the home ownership segment of California's housing opportunities. It has original jurisdiction to evaluate housing legislation and regulation in the following issue areas: Common Interest Developments, Housing Policy, and Manufactured Housing.

PRESIDING:

Virginia Butler, Chair Ronna Brand, Vice Chair

ISSUE CHAIRS

Raylene Brundage, Common Interest Development Michael Riley, Housing Policy Sandy Kaplan, Manufactured Housing

EXECUTIVE COMMITTEE LIAISON

Rick Violett

LEGISLATIVE COMMITTEE

Art Nellessen, Chair Irma Vargas, Vice Chair Dave Walsh, Vice Chair

STAFF COORDINATOR:

Dave Milton

FEDERAL ISSUES COORDINATOR

Matt Roberts

I. WELCOME and OPENING REMARKS – Virginia Butler, Chair

II. ACTION REQUIRED

A. Common Interest Development (CID) Document Disclosure Fees (Raylene Brundage) **

It has been suggested by several REALTORS® who specialize in the sales transactions involving units in CIDs that the Davis-Stirling Act, as amended by C.A.R.'s 2011 legislation (AB 771), should be further amended to do the following:

- 1. Expressly prohibit inclusion of any documents not expressly required in the Davis-Stirling Act disclosure requirements (9 items; see below for a summary of this requirement.), as well as expressly prohibit any form of a bundled report:
- 2. Limit requests by the seller to seller-mandated disclosures or requests by a prospective purchaser for information the prospective purchaser specifies;
- 3. Authorize the seller to provide to the prospective purchaser any documents in the possession of the seller that meet the Davis-Stirling Act disclosure requirement and reduce the cost of any third party report by the documents so provided.
- 4. Require the seller, or a third party consultant working on behalf of the seller, to specifically identify (itemize) the individual fee for each document provided by the seller to the prospective purchaser.
- 5. Establish a "reasonable, but not to exceed" fee cap for the charges imposed upon the seller by a third party provider for provision of the documents required by the Act.
- 6. Prohibit referral fees/kickbacks being paid to HOA Managers or Listing Agents by Third Party Document Providers.
- 7. Expressly prohibit any third party agent of the seller from imposing a requirement on the prospective purchaser that the fees for the CID unit sales transaction are to be borne by the prospective purchaser.

Should CAR sponsor "follow-up" legislation in 2014 to our AB 771 (Butler) of 2011 to attempt to provide tighter parameters for CID transaction document fees?

B. 2014 Bond for Veterans Benefits (Michael Riley) **

Veterans Housing and Homeless Prevention Bond Act of 2014 - Placed on the ballot in late 2013 by AB 639 (J. Perez), this measure proposes to amend the Veterans Bond Act of 2008 (Prop. 12), which authorized \$900 million in general obligation (GO) bonds for California Department of Veterans Affairs (Cal Vet) Home Loan Program. The program provides assistance to veterans purchasing homes, farms, and mobile homes as principle residences. This measure would reallocate \$600 million of those bond funds to the Veteran's Housing and Homeless Prevention Bond Act of 2014 and will be used to construct, rehabilitate and preserve affordable multifamily and transitional housing for veterans and their families, with a specific focus on homeless veterans or those veterans at risk of homelessness.

The Question before the HOHC is: Should C.A.R. take a position on this ballot measure in the 2014 election?

C. Federal Housing Administration (FHA) Condo Policy **

Staff is requesting direction at this time as REALTORS® and their clients continue to struggle with condominiums meeting the new FHA requirements. C.A.R.'s members and REALTORS across the country continue to struggle with getting FHA approval under the new Approval Requirements. FHA data shows approximately 60 percent of condo projects seeking approval in 2013 were denied; up from 2011 when only 20 percent of projects were denied. Problems members are encountering in qualifying common interest developments for FHA:

- Financial Instability,
- Pending litigation,
- Insufficient insurance coverage, and
- Outdated or missing documentation.

In addition to these hurdles, many CID associations simply choose not to attempt to gain FHA approval either because they don't meet the criteria or it is too difficult. Making approval more difficult is the requirement of renewal every two years that requires the same amount of documentation and work for initial approval.

Should C.A.R., in conjunction with NAR, "SUPPORT" an easing of the Federal Housing Administration's condominium requirements?

III. UPDATES and REPORT ITEMS

A. Action approved by the Board of Directors in May

C.A.R. will sponsor legislation in 2014 to specifically address unlawful occupation of residential property by squatters. We have secured Assemblyman Steve Fox as the Author for our 2014 legislation on this issue.

B. CID - Raylene Brundage, Issues Chair (IC)

AB 968 (Gordon) Directors Election Process for Small CIDs – Allows a CID with 15 units or less to operate an election of the board of directors in a simplified manner. Elections would be performed in a meeting where a quorum of members is present, using secret written ballots. The ballots would be collected and read out loud and the winner would be declared at the meeting.

Position- Favor

Status- Senate Transportation & Housing Committee

AB 1360 (Torres) Electronic Voting in CID Elections - AB 1360 would allow Homeowners Associations (HOAs) to make electronic ballots available to members. Each member will be asked to indicate if they wish to vote electronically and those that do not will be provided with a paper ballot. C.A.R. supports this measure because it offers a more efficient voting process for CID elections.

Position: Support

Status: Senate Judiciary Committee

C. Housing Policy- Michael Riley, IC

1. State

AB 5 (Ammiano) Homeless Persons Bill of Rights Act — This bill proposes to establish specific rights for homeless persons by providing that every homeless person in the state shall have a right to: move freely, rest (including sleeping), solicit donations, pray, meditate, or practice religion, and eat, share, accept, or give food or water in local public spaces in the same manner as any other person; occupy a motor vehicle or recreational vehicle either to rest, sleep, or use for the purposes shelter, provided that the vehicle is legally parked on public property; and decline admittance to a public or private shelter or any other accommodation, including social services programs, for any reason he or she sees fit. AB 5 is sponsored by the Western Center on Law and Poverty, JERICHO, and the Western Regional Advocacy Project. It is opposed by many local government entities, numerous individual cities, business groups, the League of California Cities, California Downtown Association, and California Special District Association.

Position: Not Favor

Status: Assembly Appropriations Committee

AB 645 (Torres) - Smoke Detector Requirements - Existing law prohibits a person from marketing, distributing, offering for sale, or selling a fire alarm system or fire alarm device in this state unless the system or device has been approved and listed by the State Fire Marshal. Existing law, commencing January 1, 2014, requires a smoke alarm to have certain features, including a feature that provides notice that the device needs to be replaced, in order to be approved and listed by the State Fire Marshal. This bill would extend that date to January 1, 2015.

Position: Favor

Status: Assembly Housing & Community Development Committee

2. Federal

a. NEEDS DIRECTION

Online Auction Platforms and Potential Negative Impact

Online auction platforms (such as auction.com) are becoming more utilized by mortgage servicers of

distressed transactions, such as short sales. The business model of requiring a buyer to pay a five-percent fee to the auction company may not be permitted under FHA guidelines. This means the FHA would not allow the buyer to pay this fee. The result would be either someone else in the transaction would have to pay the fee or the FHA buyer could not participate in the auction. According to FHA's own statistics, approximately fifty percent of Latino and African American homebuyers use FHA financing for home purchases. This means the five-percent buyer's fee may have a discriminatory effect on these protected classes. C.A.R.'s policy has been to support Fair Housing in both the purchase and rental markets.

b. DISCUSSION ITEMS - FHA

i. FHA Congressional Update

-- Senate Reform Efforts

On July 31, 2013, the Senate Banking, Housing and Urban Affairs committee marked up S. 1376, "The FHA Solvency Act of 2013", sponsored by Senators Johnson (D-SD) and Crapo (R-ID) by a bipartisan vote of 21-1. The bill promotes FHA's financial solvency with common sense financial reforms, while still retaining FHA's critical historic mission. REALTORS supported the bill that provides FHA with tools to rebuild its capital reserves, protect taxpayers, and continue its mission of providing responsible qualified borrowers with affordable mortgage financing

-- House Reform Efforts

House Financial Services Chairman, Jeb Hensarling, has included FHA reform in the Protecting American Taxpayers and Homeowners Act (PATH). The proposed legislation would drastically alter the FHA program by:

- --FHA availability to first-time homebuyers, and low- and moderate-income homebuyers,
- --Lower FHA loan limits, including the FHA floor,
- --Reduce FHA coverage from 100 percent to 50 percent, and
- -- Mandate risk sharing.

C.A.R. and NAR are strongly opposed to the PATH Act.

ii. FHA Loan Limits

In December 2013, the FHA announced it was reducing the loan limit for FHA-insured loans from \$729,750 to \$625,500 beginning Jan. 1, 2014. However, while the FHA is required by statutes under the Housing and Economic Recovery Act (HERA) to lower its cap on loan limits, it has also interpreted HERA to require it to reset metropolitan statistical (MSA) median home prices. Since 2008, FHA has based its MSA median home prices on the highest median home price for a county over time (which for many counties has meant 2007 home prices, when prices were at a peak). According to FHA's announcement, FHA believes it must use 2008 price levels. If an area's median home price has increased since 2008, FHA will use the higher median price. However, home prices in many areas are still below 2007 levels, which resulted in the drastic reduction of FHA's MSA median prices. In California, it has resulted in reductions of an average of more than \$100,000 statewide.

iii. FHA Actuarial Report

On December 13, 2013, the FHA released its Annual Report to Congress and the FY 2013 Independent Actuarial Assessment of the FHA Mutual Mortgage Insurance Fund. The review shows that the fund has gained \$15 billion over the past year and the current economic net worth has improved to a negative \$1.3 billion. FHA's current cash reserves total \$48 billion. This does not cover 30 years' worth of reserves as required by the statute, but is almost double what FHA had in reserves in 2012. The capital reserve ratio is required to be at or above 2 percent and FHA is expected to meet that obligation by 2015.

D. Manufacturing Housing - Sandy Kaplan, IC

AB 692 (Torres) Mobile Home Park Purchase Fund Modification - In 1984, the Legislature created the Mobile Home Park Purchase Fund (fund) to encourage and facilitate the process for converting mobile home parks to resident ownership. HCD administers the fund under its Mobile home Park Resident Ownership Program (MPROP). AB 692 renames MPROP as the Mobile home Park Rehabilitation and Park Resident Ownership Program and permits HCD to make loans from the fund to the owner of a mobile home park for the purpose of rehabilitating the park's infrastructure.

Position: Favor

Status: Senate Appropriations Committee

AB 1205 (Wieckowski) Mediation Program for Mobile Home Parks - This bill would create the Mobile home Residency Law (MRL) Mediation Act within the MRL to establish a mediation program for alleged violations of the MRL. It also proposes to establish the Mobile home Residency Law Mediation Fund for funds collected by the Department of Housing and Community Development pursuant to the act.

Position: Favor

Status: Assembly Housing & Community Development Committee

IV. OTHER BUSINESS

V. ADJOURNMENT