

Notes from the 2008 NAR Convention

Lawrence Yun, NAR Economist: ECONOMIC ISSUES

Lawrence is always a very informative guy and Maria and I both enjoyed this presentation. Lawrence has been more positive in the past, this time not so much.

ECONOMY: He is projecting that for the next 6 months we are going to see considerable jobs lost in this country. This may continue an additional 12 months depending on the depth of the recession and the housing recovery. Interest rates will be 7 to even 9%. He feels we will recover in the 2nd ½ of 2009.

For the recovery to happen, the home prices need to stabilize in order to determine value and confidence in value of properties. Home values are down which means people are losing wealth because of loss of equity, jobs have been lost for the last 10 months straight. Sales are beginning to pick up in the hardest hit areas like Arizona and Florida. Recent home buyers are going to see a considerable wealth gain when the housing market does recover.

Recession:

HOUSING does not follow the economy. Housing affordability is the key, 90% of the people have jobs and will respond to incentives to purchase. He stated we may have hit bottom already or hit bottom 10 months ago and are bouncing along at the bottom.

Fannie and Freddie have tightened mortgages and will have to loosen up.

Home inventory is at a 10 month supply (very high) and the normal is 6 months. This will and has lowered prices and raise foreclosures. There is a 30% default rate on subprime loans and 10% of all loans are (or were) subprime. The foreclosure rate on prime loans is much lower.

INCENTIVES:

First time homebuyer tax credit of \$7500.00, This is a payback with 0% interest over 15 years. The NAR is pushing to have the payback removed and include all homebuyers.

Higher Loan Limits will expire in December and the NAR is pushing to make them permanent. (up to \$712,000)

Interest Rate Buy down by the Gov., Gov. would have to eat the difference because bond holders will want 6% or they will invest elsewhere. NAR feels buyers will respond to this.

The housing market must get going in order for the economy to recover and so the government will help out; modifying mortgages and expediting short sales, helping the banks and auto industry.

The economic stimulus package is part of the reason our Fed. Deficit will hit 1 trillion next year. However, when the housing market recovers, there will be investment income to offset some of this deficit.

Housing Price Forecast: Of course all markets are local, but as a general forecast, pricing is going to go up and inventory is going to fall. Buyers now will do well, buyers from 3 years ago are in trouble and will be less inclined to change homes.

Leadership Forum - Medium Boards:

Leadership from boards 500 to 1999 open discussion on issues we would like to see NAR act on or bring to their attention.

1. Dropping membership: renewal incentives, discount programs, member packets
2. Market Issues: Radio programs, interviews, public awareness. (1 board purchased sign riders and each member put out 3 on various listings all having the same message "It's a Great Time to Buy") There is a media handbook on Realtor.org and surround sound are tools available for NAR.
3. Banks in our business: Running the transaction
4. FHA Loans: have increased and are one of the best programs out there currently. There is an FHA packet online at realtor.org (1 board started a foundation and is giving grants for downpayments)
5. Green Issues is HUGE
6. NAR Float in the rose bowl parade. Some thought it a waste of money. NAR stated less expensive than a commercial and huge audience. Good PR.

Issues Brought before the NAR Attorney and President Gaylord.

1. Banks requesting cut in our Fees: It is legal for them to ask and we can say NO.
2. Liability Insurance for boards: NAR provides this for entity, staff and officers. \$1,000,000
3. Short sales: There is a short sale course that will inform agents on how to streamline a short sale.
4. Complaints about capital gains potentially being raised. NAR stated they will react if and when this happens.
5. NAR has suggested that a REALTOR sit in on "resolution trust" to discuss with Gov. how to best stimulate the housing market.
6. A suggestion was made to change the DUES cycle to summer, when agents have money, instead of right before Christmas.
(Pres. Gaylord got irritated with the negativity and gave a rah-rah speech that got a hearty round of applause.)
7. NAR Benefits: The NAR is starting a credit union for realtors and families, also will have a credit card for NON-dues revenue.

Thought for our board: Send out a survey to membership asking about community service performed and moneys donated and then do a press release about how our memberships is helping the community.

PRESIDENT/PRES. ELECT ROUND TABLES:

Balancing Youth and Experience on your board:

1. Start a Young Professionals Group and have 1 board member as a liaison.
2. Technology
3. Questions on membership application such as; how are you involved in the community? What are your degrees? Hobbies? Special skills?
4. It was also suggested that whoever chairs a committee should pick their own committee members.

LEADERSHIP CONFERENCE

The problems are not Wall Street, but much more fundamental.

In 1993, a home cost 4X annual income and is now 6X annual income. We are over consuming and that is not sustainable. Americans do not save money, spend spend, spend.

His predictions:

1. No turn around for 12 months
2. Income will decline 2 to 3%
3. Liquidity will increase and borrowers will need FICA of 750 and 20 to 30% down.
4. Consumer spending will be down 5 to 10%

Does The Presidency have implications? He does not believe so. He believes as individual we need to save and budget, bring our fundamental ideals back, What really would help would be job creation (non-gov.)

Household incomes have not gone up, but spending has and costs have. This has to be corrected.

WISCONSIN CAUCUS, REGIONAL and MEMBER MEETING

At all 3 meeting we discussed issues that are at the National level and how they affect us as a state and region. Then at the last meeting we voted on these issues. Most were simple working changes to bring bylaws, etc.. up to date; taking gender specific wording (he) out of the language.

At the Wisconsin caucus they discussed that we are now going to have a state deficit of 3 to 4 billion and will have our hands full to fend off the "taxation". Discussed RPAC and putting emphasis on the donor levels and benefits. Of every \$1.00, \$.70 comes back to the state. WI will get \$5000.00 for an RPAC training fund. Jeff Kitchen interviewed for the regional VP position.

There is a movement in Washington to take the word "navigable" out of the clean water act. This would have bad implications as there would then be government control over "puddles".

We are losing appraisers because of the regulations. (Not necessarily a bad thing)

Membership forecasts: 10% nationally and 15% at the state level. Bill Malkasian thinks it will be more like 20% at the state level.

Peg Kman, Broker
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