



# Legislative Talking Points

North Carolina Association of REALTORS®

Legislative Day –June 9, 2010

## 2010 Key Legislative Issues

The North Carolina Association of REALTORS® represents over 34,000 members making us one of the largest professional trade associations in the state. Real estate ownership and investment produces jobs and creates a solid foundation from which people build a life. In addition, homeownership creates substantial social benefits. Homeowners have a vested interest in their neighborhoods and support efforts to make their communities better places to live. Homeownership also leads to the accumulation of wealth and financial independence.

The real estate sector has always been a vital component of our state's economy and heritage. Today our state's real estate industry faces several challenges and action is needed to advance homeownership and strengthen our economy. We welcome this opportunity to share our views regarding key issues for the 2010 session of the North Carolina General Assembly.

### 1. Appraisal Management Company Regulation

**Background:** Appraisal Management Companies (AMCs) are not new but the number of AMCs and the frequency of their use has increased since the adoption of the Home Valuation Code of Conduct in 2008. The Home Valuation Code of Conduct prohibits mortgage professionals from ordering appraisals and mandates that lenders have either a separate department to order appraisals or use third party companies to select appraisers (these companies are commonly referred to as Appraisal Management Companies). Many lenders have chosen to use AMCs rather than to restructure their operations. AMCs are not currently regulated by the Federal government or the state of North Carolina.

**REALTOR® Position:**

The North Carolina Association of REALTORS® **supports Senate Bill 829 (Regulation of Appraisal Management Companies)** introduced by Sen. Clark Jenkins (D – Edgecombe) because of the following:

- This legislation benefits consumers by regulating AMCs, which directly affect home valuations and loan qualifications.
- The legislation requires all AMCs doing business in North Carolina to register with the North Carolina Appraisal Board. The registration of AMCs will require AMCs to provide the state with critical information to take action when necessary.
- This legislation requires AMCs to have a compliance manager who is a certified appraiser. Currently, AMCs do not have to have any appraisers in ownership or management and therefore the AMCs may not understand the standards of practice that appraisers must adhere to when performing appraisals.

- This legislation prohibits AMCs from acting in an unethical manner. Regulation will help ensure that homeowners will have accurate valuation of their residences and lenders will have accurate valuation of their collateral. There is the potential for fewer foreclosures, which will protect banks and consumers.
- This legislation requires AMCs to have systems in place to verify that the appraisers that they use are licensed appropriately and are complying with appraisal laws.

## 2. Ban on Private Transfer Fees

**Background:** Private Transfer Fees (PTFs) are fees paid to a third party upon the transfer of real property. The fee is usually paid by the seller and can either be a fixed amount or a percentage of the sales price.

**REALTOR® Position:** The North Carolina Association of REALTORS® **supports** **Senate Bill 35 (Reconveyance Fees Prohibited)** introduced by Sen. David Hoyle (D – Gaston) because of the following:

- PTFs require consumers to pay thousands of dollars to parties that hold no ownership interest in the property for the right to buy or sell real estate.
- Sellers lose equity and earn less money on their most important investment, and often PTFs are hidden from consumers who are likely to learn about them just days before closing.
- PTFs make it more difficult to obtain clear title and make the transfer of property more costly and less certain.
- The legality and enforceability of these covenants is questionable and legislation that prohibits them is a proactive measure to protect consumers.

## 3. No New Taxes or Fees on the Real Estate Industry

**Background:** In North Carolina, we are facing economic challenges. Even our real estate sector, historically the most stable and vibrant segment of our state’s economy, is dealing with adversity. One industry cannot repeatedly be called upon to fund a disproportionate share of services and programs provided by state and local governments.

**REALTOR® Position:** The North Carolina Association of REALTORS® **opposes** any new taxes or fees on REALTORS® or taxes and fees that negatively impact the real estate market, such as taxing REALTOR® services, increasing the privilege license tax, real estate transfer taxes, impact fees, increasing taxes on Limited Liability Companies, and changes to or elimination of the mortgage interest deduction.

**If you have any questions or would like more information on these issues, please contact Rick Zechini or Cady Thomas at (919) 856-9155 or (800)443-9956.**