



# THE INSIDER

(HERE ARE YOUR FIVE INSIGHTS FOR THE MONTH)

HAR Governmental Affairs E-Newsletter

March 2016—Vol. 2

## Are you ready for D.C.?

In preparation for our annual congressional visits planned for May 11 and May 12 in Washington, D.C., please be familiar with the federal legislative and regulatory priorities which we will discuss with our Members of Congress. It is during these visits that REALTORS® take an active role to advance the real estate industry, public policy, and the association.

Tortilla Coast is reserved for HAR's member breakfasts on May 11 and May 12 with the U.S. Representatives in the Houston Congressional Delegation. As our meetings are scheduled, we will keep you posted so that you may make your plans. TAR will schedule meetings with Senators John Cornyn and Ted Cruz.



## Meet your Members of Congress!



**Ted Poe (R)**  
District 2  
Represents northern and north east Harris County, as well as parts of inner loop Houston.



**Randy Weber (R)**  
District 14  
Represents Galveston, Chambers, Brazoria, Beaumont & Port Arthur.



**John Culberson (R)**  
District 7  
Represents large portions of western Houston and surrounding Harris County.



**Sheila Jackson Lee (D)**  
District 18  
Represents central inner-loop Houston and neighborhoods along I-45 and 59.



**Kevin Brady (R)**  
District 8  
Represents all of Montgomery County (including The Woodlands and Conroe) and large portions of southeast Texas.



**Pete Olson (R)**  
District 22  
Represents Fort Bend County including Sugar Land, Missouri City, parts of Katy and the northern part of Brazoria County.



**Al Green (D)**  
District 9  
Represents most of southwestern Houston, including portions of Fort Bend County and Missouri City.



**Gene Green (D)**  
District 29  
Represents part of eastern Houston.



**Michael McCaul (R)**  
District 10  
Represents parts of Northwest Harris County, the Brazos Valley and portions of Austin.



**Brian Babin (R)**  
District 36  
Represents parts of Harris County, along with Chambers County, Liberty County, and much of Southeast Texas.



**Save the Date!**

REALTOR® Party Federal Legislative Update

**Friday, April 1st at**  
Omni Houston Hotel

**In This Issue**

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# NAR 2016 Advocacy Agenda



Based on REALTORS® feedback and priorities, NAR will focus the Association's 2016 advocacy efforts on the following public policy initiatives. More often than not, during an election year, policymakers tend to focus on the election, rather than the issues. But we have to keep pushing. It is critical for REALTORS® to come together and have your opinions heard. REALTORS® need to speak with one voice, loudly and clearly, about the stability a sound and dynamic real estate market brings to our communities.

## HOMEOWNERSHIP & REAL ESTATE TAX POLICIES

- **State and Local Tax Deductions**-Real property taxes, along with other state and local taxes paid, are deductible for federal income tax purposes. According to the IRS, the average property tax deduction claimed in 2013 was \$4,610. Without the deduction, taxpayers would be paying federal tax on funds already paid to state or local governments, which would be double taxation. Members of Congress in both Houses and both parties are seriously talking about tax reform that would broaden the base and lower rates. NAR strongly supports deductibility of state and local real estate taxes, as well as other state and local taxes paid.
- **Mortgage Interest Deduction**-The mortgage interest deduction is a remarkably effective tool that facilitates homeownership. While only about 30% to 35% of all taxpayers in any given year itemize their deductions, more than 70% of homeowners utilize the deduction over the period they own their home. According to NAR research, eliminating the MID would cause a 12% decline in the value of homes across the nation. In high cost areas, that impact would be greater, while in lower cost areas the effect would be more modest. NAR opposes any changes that would limit or undermine current law.
- **Mortgage Debt Cancellation Tax Relief**-A lender will, on occasion, forgive some portion of a borrower's debt, or reduce the principal balance. The general tax rule that applies to any debt forgiveness is that the amount forgiven is treated as taxable income to a mortgage debt for which the borrower was personally liable (such as in so-called "short sales," foreclosures and "workouts"), the borrower was required to pay tax on the debt forgiven. NAR opposes any changes that would limit or undermine current law.
- **Capital Gains**-In 1997, Congress enacted an exclusion for the gains on the sale of a principal residence. Taxpayers who file a joint return can exclude up to \$500,000 of gain from taxation. All others may exclude \$250,000. The 1997 provision was not indexed for inflation. In 2007, Congress enacted a modest limitation on the value of the exclusion when an individual sells a home that once was used as a second home or rental property and then later converted to a principal residence. There are no proposals pending that would modify present law as it applies to the exclusion.

## CREDIT, LENDING AND INSURANCE POLICIES

- **Credit Availability**-The housing and mortgage markets have over-corrected in response to abusive lending, poor underwriting, and a serious recession. The result has been excessively tight underwriting criteria. NAR has identified specific recommendations for adjusting the current unduly restrictive credit policies. In addition, NAR has distributed its new Credit Policy and met with industry groups and regulators to emphasize the importance of reasonable underwriting policies. The current book of business at the GSEs and FHA has been referred to as "pristine." NAR believes pristine loans are the result of excessively tight underwriting, not sound business practices. The GSEs and FHA have a public mission to provide mortgage liquidity to qualified home buyers, including low- and moderate-income families and first-time home buyers. This mission is being impaired by limits on the availability of credit. NAR believes a reassessment of these policies will not only help well-qualified potential borrowers, but also the entire housing market.
- **GSE (Fannie Mae/Freddie Mac) Restructuring, Liquidity and Lending**- Fannie Mae and Freddie Mac play a key role in the secondary mortgage market, which is crucial in providing capital for mortgage lending. Without the GSEs and FHA-insured loans, that currently constitute nearly 90% of the market space, there would be almost no capital available for mortgage lending. This would severely restrict, if not curtail, home sales and any supporting ancillary home sales service. NAR believes that Fannie Mae and Freddie Mac should be replaced by a non-shareholder owned authority(s) that is subject to tighter regulations on product, revenue generation and usage, and retained portfolio practices in a way that ensures the mission of the GSEs continues to meet the needs of consumers and that the taxpayer is protected. Moreover, NAR recommends that the entity(s) be managed in such a way as to encourage private capital's participation in the secondary mortgage market.

- **FHA Lifetime Mortgage Insurance Premiums**— Under the Federal Housing Administration (FHA) mortgage program, borrowers must pay an annual mortgage insurance premium to help protect lenders against losses in the event of a homeowner's default. For FHA loans with a loan to value ratio (LTV) over 90 % at origination, borrowers must pay an annual mortgage insurance premium for the life of the loan, up to 30 years. FHA loans with a lower LTV at origination shall pay an annual mortgage insurance premium for 11 years or until the end of the mortgage term, whichever comes first. NAR urges FHA to eliminate the lifetime annual mortgage insurance premium requirement for loans with an LTV greater than 90%.
- **FHA Condominium Requirements & Financing**- Condominiums continue to be the most affordable homeownership option for many first time buyers, small families, single people, and older Americans. NAR believes that loosening FHA's condominium rules will ensure that more homeowners will be able to sell their units, and homebuyers will have more opportunities to buy affordable properties.
- **National Flood Insurance Reauthorization**— Congress must reauthorize the National Flood Insurance Program (NFIP) to continue providing flood insurance after 2017. NAR supports: reauthorizing and gradually strengthening the NFIP so it is sustainable over the long run; providing federal assistance to high risk property owners in order to build higher and keep NFIP rates affordable, including guaranteed loans, grants, and buyouts; encouraging the development of a private market to offer comparable flood insurance coverage at lower cost than NFIP; accurately pricing NFIP policies to better reflect the property's specific risk; and improving the resolution of NFIP flood maps and appeals process so property owners bear less of the burden.

## BUSINESS OPERATIONS

- **Dodd-Frank Act Regulations (TRID Implementation)**- In November 2013, the Consumer Financial Protection Bureau (CFPB) integrated the Real Estate Settlement Procedures Act (RESPA) and Truth in Lending Act (TILA) disclosures and regulations. Any transaction involving a mortgage will use new CFPB disclosure forms. The new TRID rules and forms took effect on October 3, 2015.
- **Technology Issues (Patent Reform, Net Neutrality, Data Privacy & Security)**- NAR believes that curbing questionable patent litigation is a needed reform. However, improving patent system transparency and patent quality are equally important. Without needed reforms that assure that asserted patent rights are legitimate, the ability of businesses owned by REALTORS®, many of which are small businesses, to grow, innovate and better serve modern consumers will be put at risk. NAR supports legislative and regulatory efforts to ensure that broadband providers adhere to net neutral practices. Net neutral practices will be essential to ensure that REALTOR® content may be freely and efficiently distributed online. Net neutrality is shorthand for the concept that Internet users should be in control of what content they view and what applications they use on the Internet. NAR recognizes the importance of protecting client data entrusted to them and supports common sense data privacy and security safeguards that are effective but do not unduly burden our members' ability to efficiently run their businesses. Proposed regulations must be narrowly tailored to avoid burdening businesses, especially small businesses that lack the resources available to larger entities.
- **Appraiser Independence Regulations**— Appraiser independence rules were implemented to isolate parties with a financial interest in a mortgage loan transaction from appraiser selection and retention. NAR strongly supports the independence of appraisers and the appraisal process. Compromising independence impacts the quality of appraisal reports adding risk for both consumers and lenders.

## COMMERCIAL

- **1031 Like-Kind Exchanges**- Since 1921, U.S. tax law has recognized that the exchange of one investment or business-use property for another of like-kind results in no change in the economic position of the taxpayer, and therefore, should not result in the immediate imposition of income tax. The exchange rules permit the deferral of taxes, so long as the taxpayer satisfies numerous requirements and consummates both a sale and purchase within 180 days. Real estate investors and commercial real estate practitioners place a very high priority on retaining the current like-kind exchange rules. NAR opposes any change that would undermine the deferral mechanisms associated with exchanges.
- **Basel III**- International, voluntary regulatory capital standards for banks are developed by the Basel Committee on Banking Supervision. The most recent round of updates, referred to as Basel III, has been in an implementation cycle since 2013. Basel III agreement will require banks to hold more capital. The changes could significantly curtail the flow of capital to real estate and harm the commercial and residential property market and property values. Further, the creation of the HVCRE standards means that loans used for commercial acquisition, development and construction loans will become more complex. While NAR supports the Basel Committee's objective to prevent another financial crisis, NAR is concerned that requiring banks to hold far more capital could further exacerbate credit challenges for real estate and broader credit capacity. Furthermore, NAR seeks to protect and enhance the flow of capital to commercial and residential real estate by making sure that the capital rules do not require excessive capital to be held by banks.
- **Lease Accounting**- The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) proposed lease accounting changes that would reduce the overall borrowing capacity of many commercial real estate lessees and lessors. The proposal would bring nearly \$1.3 trillion in leased assets back onto companies' balance sheets, with roughly 70% being real estate leases. NAR believes the new lease accounting proposal will be detrimental to our nation's economy. Also, NAR is opposed to lease accounting standards changes that would treat the income producing real estate business as a financing business on company balance sheets. NAR supports a proposal that would exempt privately held companies from complying with the new standard.
- **Waters of the United States**- Depending on the "U.S. water" definition, the Clean Water Act will require expensive, time-consuming federal permits to develop private property near most water bodies -- not just those which are navigable. In addition, property owners may experience a taking under the regulation without adequate compensation, as prescribed under the 5th Amendment of the Constitution. NAR supports using appropriate scientific criteria to identify regulated areas, keeping the focus on preserving high value wetlands; requiring that local officials and affected property owners be notified about the presence of wetlands; and using wetlands mitigation banking.



## 2016 City of Houston Capital Improvement Plan (CIP) Meetings

# Get Involved in Your Community!

Since 1984, the City of Houston has held public meetings to obtain citizen input before preparation of the Capital Improvement Plan (CIP). These meetings, held in each of the eleven city council districts (A-K), provide citizens the opportunity to participate in the CIP process by contributing comments and suggestions about needed services and improvements. The CIP includes large, long-term projects such as: parks, buildings, roads, and libraries.

We encourage all REALTORS® who live or are property owners in Houston to take advantage of this important opportunity to get involved in your community and hear from our elected representatives. Houston City Council Members, Mayor Sylvester Turner, and department heads will attend most of these meetings. The meetings will be held from 6:30-8:30 p.m. **The 2016 CIP meeting schedule for March is below.** If your council district is not listed below it is because the CIP meeting for that district took place in February. For more information visit [www.houstontx.gov/cip/](http://www.houstontx.gov/cip/).

### Houston City Council District B (Jerry Davis) – Tuesday, March 1

- Fifth Ward MSC, 4014 Market Street
- For a list of CIP projects in District B [click here](#)

### Houston City Council District C (Ellen Cohen) – Wednesday, March 9

- Metropolitan (West Gray) MSC, 1475 W. Gray
- For a list of CIP projects in District C [click here](#)

### Houston City Council District D (Dwight Boykins) – Tuesday, March 8

- Metropolitan CME Church (Sanctuary), 8955 South Freeway
- For a list of CIP projects in District D [click here](#)

### Houston City Council District F (Steve Le) – Monday, March 7

- Alief Community Center, 11903 Bellaire Blvd.
- For a list of CIP projects in District F [click here](#)

### Houston City Council District G (Greg Travis) – Thursday, March 3

- Stratford High School (Auditorium), 14555 Fern Drive
- For a list of CIP projects in District G [click here](#)

### Houston City Council District J (Mike Laster) – Wednesday, March 2

- Sharpstown CC, 6600 Harbor Town
- For a list of CIP projects in District J [click here](#)

### Houston City Council District K (Larry Green) – Thursday, March 10

- Willowridge HS, 16301 Chimney Rock
- For a list of CIP projects in District K [click here](#)

# Political Affairs Update

February was an important time for HAR's political affairs activity. Early voting for the Tuesday, March 1 Primary Election ran from Tuesday, February 16 through Friday, February 26. The Governmental Affairs department worked hard to communicate to the HAR membership and the public HAR's recommended candidates. Communication methods included: targeted email blasts to HAR members for recommended candidates in specific districts; social media posts regarding early voting and the primary election; publication of individual press releases for recommended candidates; and coordination with NAR Field Rep, April Brown on REALTOR® get out the vote efforts.

A complete list of recommended candidates for the Tuesday, March 1 Primary can be found [here](#).

The Montgomery County PAAL conducted interviews for Montgomery County Commissioner, Precinct 3. James Noack, the current Commissioner, is facing fellow HAR member Jay Mac Sanders in the March 1 Primary. After interviewing both candidates, the Montgomery County PAAL voted to recommend support for Jay Mac Sanders to the HAR Board of Directors. This motion passed.

Both the Bay Area PAAL and Fort Bend PAAL are preparing for candidate interviews that will take place in the first two weeks of March. The Bay Area PAAL interviews will take place on Friday, March 4. The Fort Bend PAAL interviews will take place on Monday, March 7 and Thursday, March 10. The recommendations resulting from those candidate interviews will be presented to the HAR Board of Directors at the March 21 board meeting.

Political Affairs Update

## Register for the 2016 NAR REALTORS® Legislative Meetings & Expo

Online registration is now open. Help advance the industry and public policy, May 9-14, 2016, in Washington D.C. This event is where NAR members take an active role to advance the real estate industry, public policy and the association. REALTORS® come to Washington D.C. for special issues forums, committee meetings, legislative activities and the industry trade show.

To register, [click here](#)

To view the full meetings schedule, [click here](#)



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for  
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*Special Guest Auctioneer:*  
**Jim McIngvale - "Mattress Mack"**

**ALL  
LIVE  
AUCTION ITEMS!!!**

*Don't forget your wallets -  
Cash, Checks & Credit Cards  
Accepted!*

## 2016 Greater Northwest HAR TREPAC Basket Auction

March 9, 2016  
8:30 a.m. during the GNW Breakfast  
Raveneaux Country Club

To donate an auction item contact Karen Driscoll at [karen@har.com](mailto:karen@har.com)  
To RSVP to the Breakfast contact Ben Bryant at [benbryant@sell@gmail.com](mailto:benbryant@sell@gmail.com)

2016 Greater Northwest HAR TREPAC Basket Auction

## TREPAC IS WORKING FOR YOU!

This year HAR TREPAC is embarking on #Mission1Million and we need your help in getting there. We have currently raised \$656,461 and have 45.4% participation. One of our focuses this year is to increase our number of Major Investor (investors of \$1000 or more) to 200. As of this issue, we are at 170 and our Major Investor Dinner is scheduled for March 31. There are three ways you can attend this VIP dinner at Tony's and they are explained in this simple video: <https://youtu.be/pziPqs29Pug>. In addition to the dinner at Tony's we will be hosting Major Investor Appreciation Events throughout the year. Please consider joining the HAR Major Investor Club today.



If you have any questions or want to get involved please contact :

Karen Driscoll, TREPAC Director  
[Karen.driscoll@har.com](mailto:Karen.driscoll@har.com)  
(713)-629-1900 ext. 271

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Read the TAR Legislative Liaison

Visit the NAR REALTOR® Action Center

# Regional Monthly Recap

## In February...

### Harris County

- Harris County Commissioners Court voted unanimously to reappoint HAR REALTOR® member Gerald Womack as a commissioner of the Harris County Housing Authority for a term ending February 28, 2018.
- Mayor Sylvester Turner released the draft of the Houston Bike Plan, which is the next step in the City's efforts to help make Houston a safer, healthier, and more accessible bicycle-friendly city. The Bike Plan integrates with the ongoing Bayou Greenways 2020 project and identifies additional bike facilities needed to achieve safe access to these attractive bikeway corridors from more neighborhoods. Visit [houstonbikeplan.org](http://houstonbikeplan.org) to review the plan. Public comment is being sought on the plan through April 11. Email [bikeways@houstontx.gov](mailto:bikeways@houstontx.gov) to weigh in.
- Houston City Controller Chris Brown announced that a Feb. 9 bond sale of \$955 million by the City's Combined Utility System to re-finance previously issued bonds and commercial paper will generate approximately \$116 million in estimated savings for the city.

### Bay Area Houston

- Pearland City Council voted unanimously to authorize the Lower Kirby Pearland Management District to issue and sell bonds for water, sewer and drainage projects. The projects include Hooper Road and North Spectrum water and sewer facilities and regional detention.
- Pearland City Council voted unanimously to adopt a financial naming rights policy for city facilities and parks. Through the policy, the city's Parks and Recreation Department will seek revenue through soliciting corporate sponsorship agreements for the naming of park facilities.

### Fort Bend County

- Missouri City City Council voted to approve for the development of property located south of Thunderbird North residential subdivision, north of State Highway 6, and west of Fort Bend Parkway. The item was amended, by unanimous vote, to include language to note the intention of the developer to improve park land as part of the development.
- The City of Sugar Land received a clean audit for the fiscal year 2015. According to the audit report contained in the Comprehensive Annual Financial Report (CAFR), the City of Sugar Land's financial position is healthy. For the first time, the City's total assets exceeded \$1billion. At the end of the fiscal year, the City is able to report positive balances in all categories of net position -- for the government as a whole, as well as for its separate governmental and business-type activities.

### Montgomery County

- The Woodlands Township Board of Directors eliminated its Ad Hoc Transportation Committee in a 4-2 vote. The Transportation Committee was made up of three township board members including Mike Bass, Jeff Long and Board member Gordy Bunch. The Transportation Committee was formed to give the community a voice regarding growing transportation issues. Since its inception in 2012, the committee was involved in the South County Mobility Study and The Woodlands Transit Study, bringing information and recommendations back to the township board for discussion and approval when needed.

# Upcoming Important Dates

- **March 1:** Primary Election, polls close at 7:00 pm.
- **March 4:** Bay Area PAAL candidate interviews for Pearland City Council Members Positions 1, 5, and 7
- **March 7:** Fort Bend PAAL candidate interviews for Sugar Land Mayor, At-Large Position 1, and At-Large Position 2.
- **March 9:** Bay Area Realtor Networking Breakfast, Luby's in Deer Park (4709 Center Street) from 7:45 am– 9:15 am. RSVP to Troy Cothran at troythestarfish@aol.com. Speaker is TBD
- **March 9:** Greater Northwest Breakfast, Raveneaux Country Club (9415 Cypresswood Drive, Spring) from 8:30 am– 10:00 am. RSVP to Ben Bryant at benbryantsells.com.
- **March 10:** Fort Bend PAAL panel discussion with incumbent Missouri City Mayor Allen Owen, City Council Members Jerry Wyatt, At-Large Position 1, and Chris Preston, At-Large Position 2.
- **March 17:** Fort Bend Networking & Business Meeting, Sweetwater Country Club from 11:30 am– 1:15 pm. RSVP to Linda Kraner at linda.kraner@alamotitle.com.
- **March 21: Board of Directors Meeting**
- **May 7:** Local elections for the cities of Pearland, Missouri City, Sugar Land. Special election for State House District 139.
- **May 24:** Primary Election Runoff
- **November 8:** General Election Day

Houston Association of REALTORS®

## Contact Us

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