

MARCH 2020



ASSOCIATED REALTY OF THE AMERICAS



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Latest News from the NAR and AREA

The NAR “announced March 12th that it is suspending all non-essential travel-international and domestic- by staff and volunteers traveling on behalf of NAR.” NAR has subsequently stated that the status of the May Legislative meetings will be decided by April 1, 2020. Most, if not all, Congressional & Senate offices have discontinued all in person meetings. Alternate plans are pending. Above all NAR is committed to the health & welfare of its staff & volunteers.

AREA’s 2020 Retreat is on schedule for July 12-14 in Cleveland. This, of course, is subject to further review in May. We currently have 75 attendees signed up. The hotel has rooms available. For reservation information please refer to page 5. For questions: Please call Carl at 1-520-625-9335.

TIME TO GET ON BOARD

• • •

RETREAT 2020!

Sunday, July 12th through
Tuesday, July 14th

• • •

**SEE INSIDE FOR DETAILS AND
MAKE YOUR RESERVATIONS
NOW!**

COMMENTS BY
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NEW MEMBERS**

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YOUR BUSINESS

OPPORTUNITY
ZONES
GARY NELSON

LEGAL COMMENTARY
DENNIS BADAGLIACCO



ASSOCIATED REALTY OF THE AMERICAS

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Our members are 110% committed to excellence in our real estate profession. Our mission encompasses: Sharing BEST Practices with our colleagues; treating all referrals with the utmost of care, honesty and integrity; and being involved in organized real estate for the betterment of our profession."

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A R E A M E R I C A S . C O M



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Comments from Gail Hartnett

Hi Gang!

Well, the Ides of March is upon us and so are concerns about the corona virus, the stock market and plenty of other things. Maybe it's time to stop, pivot, count our blessings and get on with life! Very excited to welcome my friend and our newest colleague, **Cindy Marsh Tichy** of Punta Gorda, Florida. She is already registered for our Cleveland Retreat this summer. Also, **Alejandro Kuri**, a distinguished former President of AMPI, the national Real Estate Association of Mexico.

Feed your **AREA** soul with great articles in this month's newsletter beginning with **Staci Caplan** dealing with the Good Neighbor Awards and the NAR's initiative toward honoring those who rise above the fray to do something of good for their friends and neighbors. Be certain to read **Chris McElroy's** well written piece, as he points to interests rates remaining low for the balance of the year. Special thank you to **Miriam** and **Elizabeth** as they salute Ships' Captain **B.J. Harris** of St, Johns in the US Virgin Islands. **Dennis** is also on hand this month his timely commentary. Grateful to our members who so willingly share their time and talent to our newsletter. Got something of interest....let us know! Don't miss the boat (pun intended) and the great publicity that comes from recommending a property in your area for a National Heritage Award and, of course, a special thanks to our wonderful sponsors.

Can't wait to see you in Washington DC at our Legislative Meetings (subject to the NAR April 1, decision) and then again in Cleveland in July.

Boise hugs from Gail

Welcome

OUR NEWEST MEMBERS

CINDY MARSH TICHY



With over two decades in the real estate industry originally from the Midwest, she spent many years in New Jersey where she still holds an active license, and she is now proud to serve Charlotte County - where she's lived since 2014. She's very active with the legislative branch in Washington D.C., supporting and ensuring homeowners' rights. Prior to joining Michael Saunders & Company, Cindy has worked with Coldwell Banker, Re/Max, and Weichert as a sales associate and broker. She's passionate about staying current and knowledgeable within the real estate industry and has designations that include ABR, GREEN, GRI, PMN, PSA, BPOR, SRES, AHWD, ePro, MRP, RSPS, SFR, Luxury Home, and New Construction-Certified. Active in the community as well, Cindy is a member of the Punta Gorda Chamber, AAREA, NHREP, CDBIA, LCBW, Eastern Star, is a past member of the New Jersey Real Estate Commission, and she sits on her local Seminole Lakes HOA.

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ALEJANDRO KURI



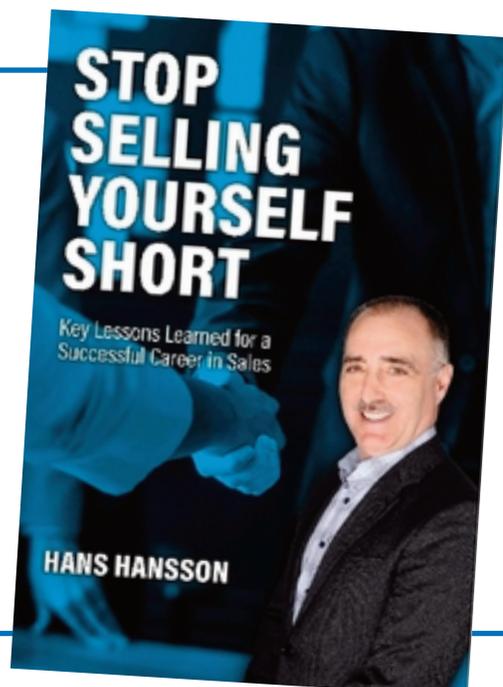
Alejandro Kuri was born in Mexico City, received a master's degree in Corporate Law, a bachelor's in Business Administration and has developed both residential and office properties in Mexico. In 2018, Alejandro served as National President of AMPI, Mexico's Real Estate Association, has served as President and as a member of the Advisory board of AMPI, Mexico City. He has authored professional articles, has organized and directed international conferences for both the real estate industry and the World Lebanese Cultural Council, of which he served a term as International President. He has been active in leadership roles in Security and Economy for Mexico City throughout the years. He is a partner in the company AKA Administraciones, S.C.

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STOP SELLING YOURSELF SHORT

Hans Hansson's new, highly recommended, book for newcomers and everyone else. "Great read!" "Perfect for new agents!"

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AREA SALUTES

This is a new and on-going commentary provided by two distinguished AREA members from the East Coast: **Miriam Dunn** of Scarsdale and **Elizabeth Allardice** of Raleigh-Durham, who think that there is a great deal more to our members than simply their wonderful achievements in the world of real estate and as participants in the National Association of REALTORS®. So, each month they will be randomly saluting a particular member of AREA for what they do in addition to managing their real estate careers.

This month we salute B.J. Harris of the U.S. Virgin Islands



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BJ Harris
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B.J. Harris sailed into St. John in 1979 from Florida aboard her 82-foot classic ocean racing yawl, Dancing Dragon. Like so many others who landed on the island, Harris stayed. She ran charter trips for awhile, but by 1981 was on the job as an assistant to the developer building Gallow's Point Resort.

Harris formed St. John properties in 1983 but continued in the charter business until 1990 when she added marine

surveyor to her list of accomplishments. "You might see me up at the top of a mast," she said. While in San Francisco, she learned to sail.

Harris holds a 500-ton captain's license, up from the 100-ton license she got soon after graduating from the University of San Francisco with

a bachelor's degree in psychology. "Which I use every day of my life," she said of her degree.

She got to San Francisco and then to St. John via a global route. Born in Germany because her father was in the U.S. Army, she lived in Belgium, the Belgian Congo, now the Democratic Republic of Congo, before heading off to college in France and Switzerland. Married to the love of her life, she has served in many capacities in the National Association of REALTORS.

B. J.'s enduring love of the sea is apparent in the décor of her company's offices in its new Cruz Bay building. Classic yacht photos and ship models adorn the walls and cabinet tops, along with a framed copy of her 500-ton U.S. Coast Guard Master Mariner license. A 26-foot power cat, "Yellow Tail" gets her on the water now, but she says there's a classic J-boat is somewhere in her future.



WHAT IS COST SEGREGATION?

Cost Segregation is an application by which commercial property owners can accelerate depreciation and reduce the amount of taxes owed. This savings generates substantial cash flow that owners often use to reinvest in the business, purchase more property, apply to their principal payment, or spend on themselves.

HOW DOES COST SEGREGATION WORK?

Cost Segregation Services, Inc. (CSSI®), an experienced and qualified company, performs the engineering-based cost segregation study on your property. The study accelerates the depreciation of your building/renovation components into shorter depreciation categories such as 5-, 7-, 15-year rather than conventional 27.5- and 39.5-year schedules.

These 5-, 7-, 15-Year items now qualify for expensing in the first year under Bonus Depreciation Rules. Five and 7-year items might include decorative building elements, electrical for dedicated computer equipment, and carpet. Fifteen year items might include site utilities, landscaping and paving.

This engineering-based cost segregation study results in a much higher depreciation expense and significantly reduced taxable income for the property owner. Best of all, the U.S. tax code states cost segregation can be applied to categories of buildings purchased or built since 1986, including renovations, and there is no need to amend your tax returns.

For further information, direct from the pros, please contact Vice-President David Deshotels, ,deshotelsd@cossegserve.com; or Na'Varo Johnson, expertmgmtpros@gmail.com.

AREA RETREAT 2020

CLEVELAND, OHIO | JULY 12 - 14

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• • •

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Your user name = (first initial first name, entire last)

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Go to Make Payment

next

BOOK YOUR ROOM NOW AT WESTIN DOWNTOWN CLEVELAND HOTEL

Group Room Rates from \$159 per Night

[CLICK HERE TO BOOK YOUR WESTIN HOTEL RESERVATIONS](#)

We have made arrangements for our members to book their reservations for the 2019 AREA Retreat, being held this coming July 12-14 at the Downtown Cleveland Westin Hotel, for the nights of the 12th, 13th and 14th, at the rate of \$159 per night. We have reserved, by contract, a specific number of rooms at the rate. To reserve your room, please click on button above.

We have also arranged, while they last, for anyone coming two days before and remaining two days after to book at the same rate.

In order to do so, after making your standard reservation, you must directly contact Renee Manges, Event Mgt., to complete the booking for your entire stay:

RENEE MANGES, Event Manager • Renee.Manges@WestinCleveland.com

THE WESTIN CLEVELAND DOWNTOWN

777 St. Clair Avenue NE, Cleveland, OH 44114 H 216.771.7700 D 440.730.4248 F 440.730.4306

She will take care of that up and until the time the hotel is not accepting reservations for those dates.



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A Moment with **Staci**

2020 President Santa Barbara Association of REALTORS®

The National Association of Realtors (NAR) Good Neighbor Awards recognize Realtors who have made an extraordinary impact through volunteer service. One of the most inspiring 2019 Good Neighbor Awards winners was Mark Solomon, a Realtor and a veteran, who builds tiny homes for homeless veterans.

The original Veterans Community Project is a village of 49 tiny houses on five acres in Kansas. Each 280-square-foot home is furnished with everything needed including a fully stocked fridge, replete with an American flag and a service dog on the porch.

Solomon is currently working on a project in Colorado and is looking to spread this model across the United States. Currently, more than 1,000 cities across the nation have asked him to help replicate this model. What started as an idea on a cocktail napkin is now changing lives, and quickly.

Even as I write this, my mind is coming up with a bunch of reasons why this wouldn't work here. Our land is too expensive. Our permitting process too arduous, expensive and lengthy. What about zoning laws and NIMBYs? The list of reasons why it wouldn't fly goes on and on.

The crisis affects veterans, families, businesses, and our community. The Veterans Community Project is an example of a bold, cost-effective, expedient and dignified solution.

Santa Barbara recently celebrated the opening of Johnson Court, a group of 16 studio apartments for veterans. While this development is a step in the right direction, the project cost \$5.8 million and was only possible through the generosity of the Johnson family, who donated the land.

A pricetag of \$5.8 million for 16 studios is more than \$362,000 per studio unit. While this may sound reasonable by Santa Barbara standards, it is a ridiculously high price. We need much, much more.

NAR celebrated the 20th year of the Good Neighbor Awards by announcing the winners' grant awards of \$10,000 would be doubled.

"The fact that NAR can support important work by providing grant money and national exposure only further exemplifies the commitment that all Realtors have made to their communities, clients and neighbors," said NAR president Vince Malta of San Francisco.

Do you know a Realtor who is making a difference in our community? As part of NAR's commitment to supporting the humanitarian efforts of its members, it has begun accepting applications for the 2020 Good Neighbor Awards.

Nominees for Good Neighbor Award entries must be received by Friday, May 8. Contact the Santa Barbara Association of Realtors sbaor.org for applications and information.

— *Staci Caplan is the president of the Santa Barbara Association of Realtors. Contact her at stacicaplan@gmail.com.*



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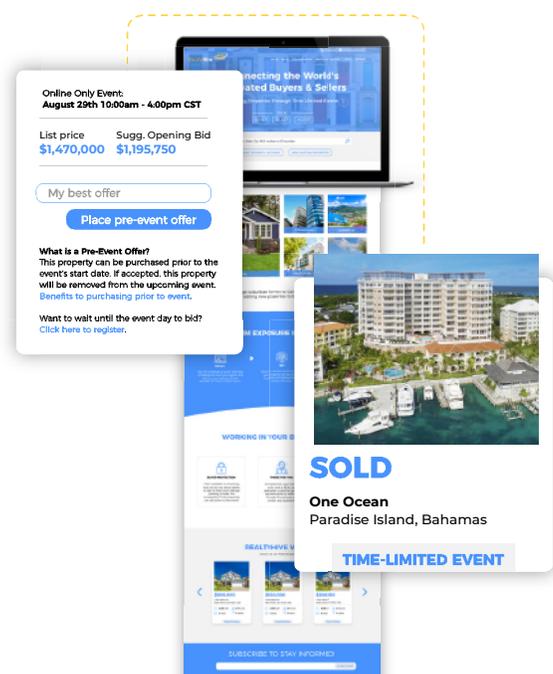
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FORECAST: Low Interest Rates to Define Housing Market in 2020

BY CHRIS MCELROY

During 2019, a window of interest rate opportunity opened. It's not likely to close in 2020. In fact, low mortgage rates - and the influence they make on the housing market - will likely be the most significant real estate story in the year ahead. That's what 1,000 attendees heard recently at The Group Inc.'s 2020 Real Estate Forecast & Expo, the firm's annual preview of Northern Colorado real estate.

The Group Inc. President Brandon Wells, joined by Group Mortgage President Jason Peifer, shared that average mortgage rates dipped to 3.64 percent for a 30-year loan in January. And experts across the board - from Freddie Mac to the Mortgage Bankers' Association - are predicting that rates will stay below 4 percent through 2020.

Practically speaking, these low rates mean more would-be homebuyers can afford housing loans. On the flipside, would-be sellers will experience even stronger demand for their property. Existing homeowners will also find an opportunity to refinance to a lower rate, possibly using their equity to meet other financial needs.

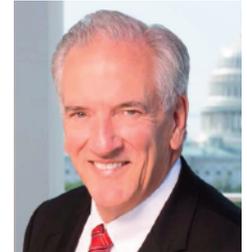
Job growth in Northern Colorado continues to sustain housing demand. While state economists expect the rate of job growth to ease in 2020, employers are still hiring, creating more potential homebuyers. And that's on top of a 10-year (2010-2019) expansion of nearly 134,000 jobs across Larimer, Weld, and Boulder counties.

Another indication of market strength is home price appreciation. Going back to the late 1970s, Northern Colorado homeowners have experienced average annual appreciation of roughly 4.5-5.5 percent. After recent spikes of double-digit appreciation, signs point to a more normal appreciation rate of 4-5 percent this year for this area.

At the same time, Northern Colorado - like many of the more popular housing markets in the country - will be coping with a tight supply of housing this year. Most price categories in the region reflect a supply of three months or less. By comparison, a balanced market - where neither buyer nor seller own a particular advantage - is defined as six months of supply.

A REALTOR® since 1976, Chris volunteered time within the real estate industry for the protection of the consumer. From 2011-2017, as he served as a Colorado Real Estate Commission during which, he, literally, helped write many of the real estate contracts and documents used in Colorado today.

At the national level, he influenced the creation of a book series for the 1.4 million-member National Association of REALTORS® (NAR), starting with *The Little Blue Book: Rules to Live By for REALTORS®*. Subscribing to a Code of Ethics is the foundation for being a REALTOR®. NAR works tirelessly to protect the private property rights of consumers through advocacy and regulatory monitoring. In 2018 he received the first ever Career Lifetime Achievement Award from the Fort Collins Board of REALTORS® for contributions to the real estate industry.



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to the 2020 AREA
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BY MIRIAM DUNN & ANDREA MCKEY
NOMINATING COMMITTEE

NATIONAL HERITAGE AWARD, WHY?

What is the National Heritage Award and what does it have to do with you? (And, HOW You Can Win a Prize, while in the process of getting great personal publicity!)

It is an opportunity for you to identify, within your community, an historical site such as a residence, church, or any unique property for this very special recognition. In return, you will distinguish yourself from every other real estate professional in your area through the free publicity directed at you that goes with securing such an award because it will be covered by the local news (press, radio, television) and, of course social media.



**National Heritage Award:
Entering it's 5th year!**

Opportunity Zones

COMPILED BY GARY NELSON

An Opportunity Zone is a lower-income Census tract that has been designated as an Opportunity Zone by the US. Department of the Treasury. • Opportunity Zones were created in the 2017 tax overhaul. • In early 2018, governors got to nominate 25% of the tracts in their states that met the low-income criteria for Opportunity Zones; Treasury approved the tracts. • Those who invest capital gains in long-term investments in Opportunity Zones can qualify for significant tax benefits.

Opportunity Zone Criteria

To qualify for Opportunity Zone status, most tracts had to have either: • a 20+ percent poverty rate, or • a median family income of no more than 80% of the state or metro area's median, whichever was higher. Up to 5% of a state's Opportunity Zones could be slightly better off if they were adjacent to a qualifying tract that also was nominated. These are called contiguous tracts. NOTE: Contiguous tracts could make up 5% of the total, not an extra 5%. Treasury's preferred data for qualification were from the 2011-2015 American Community Survey. 2012-2016 ACS data also were acceptable.

What is a Census Tract?

"Census tracts are small, relatively permanent statistical subdivisions of a county." –

- A Census tract has about 4,000 inhabitants, on average.
- Minimum: 1,200
- Maximum: 8,000
- Census tracts do not cross county or state lines, but they do wash over city and tribal boundaries.
- Residential density affects the size and shape of tracts.
- Urban tracts tend to be small and square or rectangular.
- Rural tracts tend to be large and irregularly shaped.

How Opportunity Zones Work

U.S. tax code provides capital gains benefits to encourage investors to: • Sell passively held investments. • Reinvest resulting capital gains in long-term investments in property or businesses in Opportunity Zones. • Requires use of an intermediary vehicle, an Opportunity Fund. Investors may place their money in someone else's Opportunity Fund or start their own. The idea of Opportunity Zones had floated around for a while with bipartisan support, notably from Sens. Cory Booker (D-New Jersey) and Tim Scott (R-South Carolina). The idea originated with Sean Parker, formerly of Napster and Facebook.

Federal Tax Benefits

DEFERRAL REALIZE A CAPITAL GAIN, RE-INVESTED IN AN

OPPORTUNITY FUND:

TAXATION ON THAT GAIN DEFERED UNTIL 12/31/2026.
10% REDUCTION IF OPPORTUNITY FUND INVESTMENT HELD FOR 5 YEARS BY 12/31/26.
TAX ON PREVIOUS DEFERRED GAIN REDUCED 10 PERCENT.
15% REDUCTION IF OPPORTUNITY FUND INVESTMENT HELD FOR 7 YEARS, BY 12/31/2026,
TAX ON PREVIOUS DEFERRED GAIN REDUCED 15 PERCENT.
ELIMINATION IF OPPORTUNITY FUND INVESTMENT IS HELD FOR 10+ YEARS, NO CAPITAL GAINS TAX ASSESSED ON THAT (SECOND) INVESTMENT

State tax benefits...

... depend on the state.

- Most states, including Arizona, conform to the federal tax code.
- Investing in a non-conforming state can create tax hassles and higher costs, as can living in a non-conforming state and making Opportunity Zone investments anywhere.
- Some states are considering extra incentives or giving an advantage to OZ projects when awarding grants. Arizona incentives apply statewide, including in all Arizona Opportunity Zones.

Opportunity Fund Overview

Must be organized as a corporation or partnership to invest in Opportunity Zones. LLCs are acceptable.

May be organized to make a single investment/do a single project or to do multiple projects/investments.

Must be certified by Treasury. • A fund "self certifies" by filling out form 8996 and submitting it with its federal tax return.

Must have 90% of assets in qualified Opportunity Zone property. • Judged twice yearly, at mid- and end-point of tax year. • Penalty if failure to meet; may be waived if "due to a reasonable cause."

Penalty is an amount equal to the excess of 90% of its aggregate assets over the aggregate amount of Opportunity Zone property held by the Opportunity Fund multiplied by the IRS's underpayment rate.



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IDEAS FROM PILLAR TO POST

SELLER PREPARATION MEANS A SMOOTHER INSPECTION PROCESS

THE INSPECTION-READY HOME

Taking some important steps to prepare their property for inspection can help sellers avoid some basic problems that might otherwise affect a clean inspection report. Even if the home has been well maintained overall, there are some common problems that should be addressed. Since a home in good condition can command a better price, they will benefit as well.

OUTDOORS

Prior to the inspection, repair damaged masonry on steps and walkways, and seal cracks in the driveway. Recaulk around exterior doors and windows, check flashing, and replace any missing or damaged shingles. Peeling or chipped paint should be addressed and either repaired or repainted.

INDOORS

Fix leaky faucets and fixtures, and repair grout around tubs and sinks. An electrician should inspect receptacles and switches and make any needed replacements or repairs. Replace cracked or broken window glass and loosen any windows that are painted shut. Have the fireplace and chimney cleaned and checked by a professional.

Arrange service appointments for the heating and cooling systems so that any issues can be addressed before the home inspection. If the home has battery-operated smoke and carbon monoxide detectors, put in fresh batteries and install additional units if any are missing. Hard-wired detectors should be tested as well.

INSPECTION DAY

On the day of the inspection, a few simple steps will facilitate the inspection process. First, sellers should allow sufficient time for the inspection. A professional home inspection will take two and a half to three hours on average, longer if the home is very large. Sellers should



not be present for the inspection. The potential buyer will usually want to be there if they requested the inspection.

The owner will need to provide keys to any locked areas and allow access to the attic, crawlspace, garage, and yard. Be sure that the home inspector has access to components such as electrical panels, the main water shutoff and gas meter. Move objects from around the water heater, furnace, and central air conditioning unit so the inspector can reach them

unimpeded. In winter, clear walkways of snow and ice for safe access to the home.

If the home is still occupied, owners should store small valuables and medications out of sight and in a secure location for peace of mind. One option is for them to simply take these items along when they leave during the inspection. Pets should be taken out of the home or contained in a crate for their own safety and that of the home inspector. Dogs in particular can be disruptive, and some may become distressed by having an unfamiliar person in their "territory."

Taking these steps can go a long way to preventing or addressing problems that could negatively affect the inspection. An inspection-ready home presents itself best for evaluation and makes the entire process go more smoothly.

PILLAR **TO** POST

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Legal Update

with Dennis Badagliacco past Chair of the Legal Advisory Committee of the NAR

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The NAR has “announced Thursday that it is suspending all non-essential travel-international and domestic- by staff and volunteers traveling on behalf of NAR.” NAR has subsequently stated that the status of the May Legislative meetings will be decided by April 1, 2020. Most, if not all, Congressional & Senate offices have discontinued all in person meetings. Alternate plans are pending. Above all NAR is committed to the health & welfare of its staff & volunteers.

The legal status of the CFPB has been challenged by a law firm. The CFPB (Consumer Financial Protection Bureau) is the brainchild of Senator Elizabeth Warren (D. Mass) and is a part of the Dodd-Frank bill. “The CFPB director does not serve at the pleasure of the president. Instead the director of the CFPB board can only be fired for cause, which the statute defines as inefficiency, neglect of duty, or

malfeasance in office.” The significance for Real Estate Professionals is many of the financial regs we operate under, including Fanny & Freddie & FHA, are a product of CFPB. Should the CFPB be declared unconstitutional the regs would likely be thrown out and rewritten. This outcome of this case needs to be watched.

Cyber Insurance: “NAR now offers a cyber liability insurance program designed to meet the unique needs of real estate professionals. Details about this program are available at Nar. Realtor/cyber-policy. NAR members can compare, quote and buy cyber liability insurance from select first-class carriers through and entire paperless quoting & bidding process.” NAR does not endorse and one company but is providing a source of approved companies. The need for this service came out of discussions in which -members were clearly unsure of what to do.

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