
Government Affairs Update



North Carolina Association of REALTORS®, Inc.

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North Carolina News:

Home Inspector Legislation Passes

Legislation to improve home inspection reporting and licensing was approved by the House Finance Committee, the full House and was concurred in by the Senate this past week. **SB 1007 (Amend Home Inspector Licensure Laws)**, introduced by **Sens. David Hoyle (D-Gaston) and Don Vaughan (D-Guilford)**, <http://www.ncleg.net/Sessions/2009/Bills/Senate/PDF/S1007v5.pdf>, clarifies what information should be contained on the summary page of the home inspection report. And the bill requires all existing home inspectors to take 48 hours of instruction over the next three years on inspection techniques and reporting requirements. The bill also changes the licensing procedure from an apprentice-style approach to one that requires pre-licensing education. In addition to the hard work of the Senate sponsors, the sponsors of the legislation in the House (**Rep. Pryor Gibson (D-Anson) and Rep. Thom Tillis (R-Mecklenburg)**) were tireless in advocating for this legislation.

Beach Plan

The Senate and House gave final approval to **HB 1305 (Beach Plan Changes)**, introduced by **Rep. Hugh Holliman (D-Davidson)**, <http://www.ncleg.net/Sessions/2009/Bills/House/PDF/H1305v6.pdf>, after making several changes in the Senate Commerce Committee and on the Senate floor.

This legislation addresses the many concerns that property owners across the state have had about the availability and affordability of insurance coverage. And it provides needed relief to property owners in the 18 coastal counties.

The NC Association of REALTORS® successfully lobbied for several significant changes to the legislation in both the House and Senate. With these improvements to the bill, **HB 1305** now makes huge strides to improving not only the Beach Plan but the property insurance market for the entire state. The legislation does the following:

- Retains Surplus -- the bill requires that the accumulated surplus of the Beach Plan be retained;
- Beach Plan Surcharges
 - Locks surcharges in at five percent (5%) for wind and hail coverage and fifteen percent (15%) for full homeowners policies (current surcharges). The Beach Plan had recently increased these surcharges to fifteen percent (15%) and twenty-five percent (25%), respectively. And unlike prior law, the Beach Plan cannot increase these surcharges without an act of the General Assembly.
 - Additionally, the Beach Plan's ability to adopt surcharges on Dwelling and Commercial Policies was removed from the legislation.

- Named Storm Deductible – the higher Beach Plan deductible applies only if there is a named storm event. And this deductible was lowered from two percent (2%) to one percent (1%).
- Mitigation Credits – a provision allowing policyholders to receive credits for “the presence of mitigation and construction features” applies to both the Beach Plan and the voluntary market. Under the House version of the bill, these credits would have only applied to the Beach Plan.
- Installment Plan for Payments – beginning on May 1, 2010, the Beach Plan is required to file an installment plan for premium payments with the Commissioner of Insurance. Property owners were previously unable to make installment payments and instead were required to pay the full yearly premium up front.
- Contents Coverage – contents coverage will be equal to forty percent (40%) of the replacement value of the structure (currently the contents coverage is seventy percent (70%)). The legislation requires a decrease in premium that corresponds with the decreased contents coverage.
- Catastrophe Recovery Charge – in the event that losses to the Beach Plan exceed available surplus, reinsurance and other funding sources, the Beach Plan is authorized to assess member companies up to \$1 billion. Once the Beach Plan determines that all participating companies have paid the assessment, subject to the verification from the Commissioner of Insurance, the companies may charge a “catastrophe recovery charge” not to exceed ten percent (10%) of the annual policy premium on policies written statewide.
- Coverage Limits – the maximum coverage limit for homeowners and dwelling policies was set at \$750,000.
- Accountability, Disclosure and Public Notice –
 - The bill directs the Legislative Research Commission to study all aspects of the Beach Plan’s operation and the insurance ratemaking process.
 - The legislation will require annual audits of the Beach Plan.
 - In addition, the Plan will be required to fulfill any requests for information that it receives from the public.
 - Finally, the NC Rate Bureau must give public notice in two newspapers of statewide circulation within ten business days after filing for an increase in rates.
- Rate Territories – the bill requires the Rate Bureau to evaluate and revise rate territories to provide more fairness in the establishment of rates.

This has been a great team victory, as many REALTORS® and local board staffers have been involved. The North Carolina Association of REALTORS® Government Affairs team will continue to work diligently as this bill becomes law and is implemented. In addition, we will actively participate in the Legislative Research Commission’s study of the Beach Plan and the ratemaking process to ensure that property insurance remains available and affordable.

State Budget Approved

The General Assembly gave the state budget final legislative approval Wednesday with party line votes in both bodies. And late in the week, Gov. Beverly Perdue signed the bill.

Although there were many tax ideas of immense concern for the REALTOR® community (tax on services, increase in the privilege license tax, taxing LLCs, eliminating personal income tax deductions for mortgage interest and property taxes, etc.), none of these changes were included in the budget. This was a great success.

The \$19 billion budget includes nearly \$1 billion in new taxes, approximately \$2 billion in spending cuts and more than \$1 billion in federal stimulus funds. The tax increases include the following:

- A one cent increase in the sales tax
- Surcharges on corporate income taxes of 3 percent for the next two years
- Surcharges on personal income taxes of 2 or 3 percent for the next two years depending on income level
- Permanent increases in cigarette and alcohol taxes.

However, our budget victories cannot be celebrated for too long. There will continue to be an examination of the state’s tax code. House and Senate finance committee leaders will meet this Fall to review the tax code and consider putting together a plan to restructure our state tax system.

Once these meetings are complete, there could be a special legislative session to consider such reform. So, stay tuned!

Appraisal Management Company Regulation

Legislation that would require Appraisal Management Companies to register with the state and follow a set of rules was passed by the full Senate this past week. **SB 829 (Regulation of Appraisal Management Companies)**, introduced by **Sen. Clark Jenkins (D-Edgecombe)**, <http://www.ncleg.net/Sessions/2009/Bills/Senate/PDF/S829v3.pdf>, was sent to the House and will be considered in the 2010 Legislative Session.

During the interim, North Carolina Association of REALTORS® staff will work with NAR on this issue at the federal level, as a federal solution is anticipated by many. In addition, REALTORS® staff will reach out to the various interested parties in North Carolina as we look toward the 2010 Legislative Session.

National News:

NAR Asks Obama Administration to Urge Servicers to Participate in Short Sales Program

On July 24, 2009, NAR President Charles McMillan wrote to officials of the Treasury Department and the Department of Housing and Urban Development asking them to include a discussion of the importance of participation in the Obama Administration's upcoming Short Sales Program in their meeting with servicers on July 28, 2009. The new Short Sales Program, adopted in response to concerns raised by NAR on behalf of REALTORS® and others, promises to increase uniformity, transparency, and speed for short sales transactions.

The Administration called the nation's top mortgage servicers to the July 28 meeting to express disappointment at the rate of implementation of the Making Home Affordable Loan Modification Program. Press reports indicate that there is widespread concern about the slow rate at which loans are being modified. One article reported the view that servicers have a financial disincentive to modify loans because they receive additional fees from investors/lenders for managing delinquent mortgages and are violating their contracts with the government to modify loans for qualified borrowers. As a result of the meeting, the Administration and the servicers agreed to a goal of 500,000 modifications by November 1.

The Administration has set the end of August as its delayed target date for issuing guidelines and uniform forms for the Short Sales Program. More information can be found at the following links: [NAR's Letter](#), [http://www.realtor.org/fedistrk.nsf/files/servicer%20mtg%20letter.pdf/\\$FILE/servicer%20mtg%20letter.pdf](http://www.realtor.org/fedistrk.nsf/files/servicer%20mtg%20letter.pdf/$FILE/servicer%20mtg%20letter.pdf), and [NAR's Short Sales Webpage](#), http://www.realtor.org/realtors/basics_short_sales?wt.mc_id=rd0041

NAR Applauds FHA Home Modification Program

On July 30, 2009, the Federal Housing Administration (FHA) announced in Mortgagee Letter 2009-23, FHA's Home Affordable Modification Loss Mitigation Option, to assist FHA borrowers under the Making Home Affordable Program. The new FHA-Home Affordable Mortgage Program (FHA-HAMP) allows borrowers with a FHA loan currently in default to use a partial claim of up to 30 percent of the unpaid principal combined with a loan modification. The objective is to help borrowers who are in default to modify their mortgage and create an affordable payment. The program becomes effective on August 15, 2009.

NAR applauds the new program as another tool in addressing the current real estate crisis. NAR President Charles McMillan said "these changes expand the Obama administration's Making Home Affordable Loan Modification Program to include FHA borrowers, and REALTORS® are optimistic that this will have positive implications for thousands of homeowners. Helping more families stay current on their mortgage and remain in their homes will reduce the impact of foreclosures on families and communities." More information can be found at the following links: [FHA-HAMP Mortgagee Letter 2009-23](#) and [Mortgagee Letter 2009-23 Attachment: FHA-HAMP Guidelines](#).