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Regulators Prove the Road to Real Estate Hell Is Paved With Good Intentions

REAL ESTATE TODAY

By JIM SMITH, Realtor®

When I was a journalist in New York City, I was drawn to interview the highly successful police commander of The Bronx, Tony Bouza. I've never forgotten the secret of his success which he shared with me. He said — paraphrased here — that if you want to find out what's not really working in any organization, don't talk to the chiefs, talk to the indians.

I am reminded of Chief Bouza every time I read about the regulatory "fixes" being handed down from on high. It's as if those in power are grasping tor dramatic fixes without any input from those involved in the day-to-day business of real estate..

Twice, for example, I have written about the new appraisal nightmare called the Home Valuation Code of Conduct (HVCC) forced upon our industry by New York Attorney-General Andrew Cuomo. Under threat of litigation, Fannie Mae and Freddie Mac agreed to institute rules to keep loan officers and real estate agents from selecting or communicating with appraisers, as the "cure" for appraisal fraud.

The result has been disastrous. Everything we in the business had predicted (and more) has come true, such that 37% of Realtors surveyed by NAR this June — just one month after implementation of the HVCC — said they had had at least one transaction fail to close because of this stupid regulation. Space doesn't permit me to go into all the details, but you can read them in my Jan. 22nd and May 14th columns at www.JimSmithColumns.com.

Now here comes yet another ill-conceived regulatory change threatened for Nov. 1 implementation, this time from the FHA, pertaining to condo approvals.

For years, it has been the rule that in order to qualify for FHA financing, a condo must be in a complex with at least 50% owner occupancy. This was easy to calculate because the condo management office could readily provide this information.

Well, starting Nov. 1, 2009, it will also be required that no more than 30% of the units in that complex be financed by FHA loans. The management company won't have this information. The only way to verify this would be to pull from public records ALL the deeds of trust for all the units in the complex — an inconceivable hurdle.

Applying Chief Bouza's lesson, I'd ask regulators to talk to Realtors and loan officers, not just themselves, before issuing such regulations.

Getting Value From Your Listing Agent

Consider Doing a Performance Audit

If you hired someone to build a wood deck for your house, I suspect you'd look every now and then to see how he (or she) was performing, right? Well, most people who hire a listing agent to market and hopefully sell their home probably never look beyond the sign in their yard and the brochure in the brochure box to see what kind of a job their agent is doing. I think every seller should look for his home (and his agent) on the internet. Google your address. Look for it on all the major consumer websites. You can't look for it on the MLS (unless you're an agent), but all the consumer websites get their info from the MLS, and you could certainly ask your agent to give you a printout of the MLS listing which other agents see. Look at how competitive listings are posted, and ask your agent to do as well or better.

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