

# Alabama Legislative Issues

The 2016 Alabama REALTORS® Legislative Agenda was proposed by the Government & Political Affairs Committee in August and approved by the Board of Directors at Annual Convention in September. The agenda includes:

- preserving the Mortgage Interest Deduction (MID)
- insurance reform
- defending private property rights
- fighting harmful legislation that threatens the real estate industry

## FEDERAL ISSUES

### Real Estate-Related Tax Policies

There has been no real tax reform since 1988. When you hear “tax reform,” MID and tax property deduction are always on the table. Many Congressmen are on study commissions that are looking at ways to eliminate these deductions. Though no viable tax reform legislation has been introduced in the current Congress, House and Senate leaders on both sides of the aisle are developing plans to move their vision of tax reform next year, when political conditions are likely to be more favorable.

- **Mortgage Interest Deduction (MID):** Since the inception of the modern income tax, the MID has made homeownership possible for millions of American families, while strengthening society. *At NAR Legislative Meetings in May, FPC’s and AAR members urged Alabama delegates to reject tax reform plans that eliminate or marginalize the mortgage interest deduction for primary and second homes.*
- **Property Tax Deduction:** Some reform plans would repeal the deduction for property taxes paid. This idea would not only raise taxes on millions of middle-income Americans, but would also put homeownership out of reach for many who want to buy their first home. *At NAR Legislative Meetings in May, FPC’s and AAR members urged Alabama delegates to say no to tax reform that repeals the property tax deduction.*
- **Like-Kind Exchanges:** For nearly a century, the Section 1031 provision has encouraged growth by permitting real estate held for investment to be exchanged for property of a like-kind on a tax-deferred basis. Exchanges are essential to the commercial real estate sector and to the economy. If repealed, fewer redevelopment projects will go forward, and fewer jobs will be created. The like-kind exchange provision provides liquidity to an illiquid asset. Repealing it would harm economic growth. While tax reform will most likely not be enacted this year, ideas being discussed now by House and Senate tax leaders will be the ones in play when political conditions line up in favor of moving tax reform. *At NAR Legislative Meetings in May, FPC’s and AAR members reiterated to delegates that repealing the like-kind exchange provision would be counterproductive to economic growth and job creation with little gain in revenue.*

# Flood Insurance Options

NAR supports both the National Flood Insurance Program and private flood insurance options as these two policies complement one another. HR 2901, the “Flood Insurance Market Parity and Modernization Act” sponsored by Reps. Dennis Ross (R-FL) and Patrick Murphy (D-FL), would allow homeowners to maintain those two options.

Federal law requires that property owners with federally related mortgages buy and maintain a minimum amount of flood insurance coverage for properties located in Special Flood Hazard Areas. Currently, property owners may not satisfy this “continuous coverage” requirement with some private market alternatives to the National Flood Insurance Program (NFIP). If a policyholder leaves the NFIP for one of these market options, they could jeopardize their grandfathered status and face substantial rate increases should they later return to the NFIP. Current law limits the flood insurance options available to property owners. Right now, NFIP is the only de facto source of the flood insurance coverage required for properties with federally-backed mortgages. The private market may be able to offer comparable coverage at lower cost than the NFIP. Consumers need options and a competitive market for well-priced flood insurance coverage that meets their individual needs.

H.R. 2901 would:

- Clarify that property owners may satisfy the mandatory purchase requirement with either an NFIP policy or private market coverage that meets state law.
- Ensure that consumers can move freely between the NFIP and private coverage without penalty.
- Preserve the NFIP as a viable choice, keeping homeowners from becoming stranded should private insurance options contract or become more expensive after major floods.
- Maintain important consumer disclosures, as well as Fannie Mae/ Freddie Mac’s ability to examine the financial solvency of private insurers and protect taxpayers.

This bill passed the House unanimously but is pending congressional action in the Senate. *At NAR Legislative Meetings in May, FPC’s and AAR members urged Senators Richard Shelby and Jeff Sessions to bring this bill to the floor of the Senate.*

# Housing Affordability

Many first-time homebuyers turn to condominiums as a more affordable option for homeownership. Condominiums make up about 9 percent of the housing stock, but their share of the FHA portfolio is only 4.1 percent. Current FHA condo lending rules restrict the number of condos available to FHA homebuyers, thus limiting the often most affordable, appropriate choice for many families. Changes to the processing of rural housing loans will improve access for deserving families, and reforms to federally assisted housing programs will ease burdens for landlords and improve access for residents.

H.R. 3700, “Housing Opportunity Through Modernization Act” solves a number of concerns regarding FHA’s condo rules:

- Reduces the FHA condo owner occupancy ratio to 35 percent, unless FHA takes alternative action to reduce the ratio below its current level.
- Directs FHA to streamline the condo recertification process.
- Provides more flexibility for mixed use buildings.
- Mirrors the Federal Housing Finance Agency's (FHFA) rules regarding private transfer fees for FHA condo lending.
- Provides permanent authority for direct endorsement for approved lenders to approve Rural Housing Service (RHS) loans.
- Makes reforms to federally assisted housing programs to streamline the programs.

HR 3700 passed the House unanimously and is pending action in the Senate. *At NAR Legislative Meetings in May, FPC's and AAR members urged Senators Richard Shelby and Sessions to bring this bill to the floor for a vote. NAR has issued a national Call for Action on this bill. **Please take action now!***

## G-Fees

G-fees are charged by Fannie Mae and Freddie Mac to lenders for bundling, selling, and guaranteeing the payment of principal and interest on their Mortgage Backed Securities (MBS). These fees are passed on to consumers, typically in the form of higher mortgage rates. Most of the guarantee fee covers projected credit losses from borrower defaults over the life of the loans, administrative costs, and a return on capital.

In October of last year, more than 197,000 REALTORS® responded to a Call for Action by NAR to remove the extension of G-fees from a transportation bill. The "Surface Transportation Reauthorization and Reform Act" of 2015 passed and does not include the extension of guarantee-fees (G-fees) that were proposed. If passed with G-fees, homeowners would have paid to Fannie Mae and Freddie Mac to help fund the transportation projects.

No legislation has been introduced yet this year that would increase or use G-fees as a revenue source for a non-revenue source for non-housing projects. *At NAR Legislative Meetings in May, FPC's and AAR members reiterated to delegates the importance of ensuring that qualified borrowers have access to safe and affordable mortgage financing and to enact legislation that prohibits guarantee fees (G-fees) from being extended, increased and diverted for unrelated government spending.*

## ADA Website Compliance Issue

Courts around the country have been asked to resolve the question of whether the ADA's accessibility obligations extend to a business' online presence without clear guidance from the DOJ.

A number of demand letters, which include the threat of litigation, have been sent to NAR members alleging that their real estate websites violate the civil rights of individuals with disabilities.

NAR wrote the Department of Justice on April 29, 2016, to receive clarification on the application of Title III of the Americans with Disabilities Act (ADA) to a business' website. NAR has not received a response as of this date. [You can view that letter here.](#)