

2010

10 TO WATCH IN 2010

Will 2010 be a year of recovery or double-dip recession? What's on the horizon that may change the way you do business next year? Here are the developments and personalities we'll be watching.

By Robert Freedman and Stacey Moncrieff November 2009

1. FHA Under New Command

When the FHA announced in late September that it was hiring a chief risk officer for the first time in the agency's 74-year history, it was taking preventive action. The agency had seen the market share of FHA-insured mortgages grow to almost 40 percent from about 4 percent four years ago, and its new chief, David Stevens, was not taking any chances with financial safety. When the agency's capital-to-insurance ratio had dipped below 2 percent in one of its reserve accounts, Stevens, a veteran mortgage and real estate executive who has held key posts at Wells Fargo, Freddie Mac, and Long & Foster, immediately took steps to assess and manage FHA's risk. The government insurer hasn't had a major technology upgrade or staff increase in more than a decade, yet demand for the FHA's stabilizing presence continues to grow. Can Stevens meet the demand without jeopardizing safety and soundness? Given the no-nonsense steps he's taken to shore up his agency's credit position, the answer appears to be yes.

2. Bernanke's Second Term

Ben Bernanke, appointed in September to a second four-year term as Federal Reserve chair's nothing if not innovative. When the Federal Reserve's conventional monetary policy tools failed to shore up mortgage lending in 2008, the Fed intervened by committing up to \$1.25 trillion to purchase Fannie Mae and Freddie Mac mortgage-backed securities and another \$200 billion to purchase their debt. That action is widely credited with keeping mortgage rates at historical lows and putting the brakes on a market that was at risk of free fall. Then, in another unprecedented step, Bernanke committed Fed funds to the purchase of

commercial mortgage-backed securities to help thaw those credit markets, though the jury is still out on whether the agency's commitment is big enough, and for a long enough duration, to do the job.

3. GSE Reform

The Obama administration hasn't said much about its plans for the government-sponsored enterprises Fannie Mae and Freddie Mac, which have been under federal conservatorship since September 2007. That could change in February when the federal government releases its fiscal year 2011 budget proposal. It's likely the administration will at a minimum sketch out options for reforming the two secondary mortgage market companies. Should the companies, which are involved in at least half the mortgage transactions in the country, be fully privatized, be fully incorporated into the government, or remain a public-private hybrid? NAR believes the federal government should maintain some role in the secondary mortgage market to help ensure that mortgage money will be available for creditworthy borrowers in good times and bad.

4. New Good Faith Estimate

It took years of back-and-forth, but the federal government finally acted on its effort to simplify the Good Faith Estimate. In 2010 consumers will get to decide whether the government was successful or not. Starting Jan. 1, lenders will be required to use HUD's new three-page GFE. It uses simplified language and requires lenders to state up front the loan amount, loan term, interest rate, and monthly payment. Armed with these clear and firm facts, consumers can compare lender's offers. HUD's effort is also intended to protect borrowers from big surprises at the closing table. The department revised its HUD-1, so comparisons between the GFE and the final charges are also supposed to be easier to discern. In fact, HUD has imposed strict limits on how much the GFE figures can change. Some charges, like the origination fee, can't change at all. Others like the title search fee can change but not by more than 10 percent. If the alterations exceed what's allowed, the parties can still close but they have to fix the discrepancy within 30 days.

5. Regulatory Overhaul

The Obama administration has proposed sweeping changes in how the federal government regulates financial institutions, both banks and other entities. The greatest implications for real estate professionals are found in the proposal to consolidate a wide range of regulatory authority under an umbrella called the Consumer Financial Protection Agency. Among other things, the CFPA would oversee the Real Estate Settlement Procedures Act, which is now part of HUD's operations; Community Reinvestment Act, which requires banks to invest in all areas in which they collect deposits, including inner-city urban areas; the Truth in Lending Act and Home Mortgage Disclosure Act; the Home Ownership and Equity Protection Act; and the Equal Credit Opportunity Act. Given the CFPA's potential scope, NAR is watching how this initiative evolves. Already REALTORS® won a key victory when a version of the bill developed by House Financial Services Committee Chairman Barney Frank (D-Mass.) explicitly kept the focus on financial services companies rather than nonfinancial services companies, such as real estate brokerages, which sometimes handle earnest money deposits.

6. Augmented Reality

You see a familiar face that you can't place: is it a fellow parent, an important business contact, or both? You may someday be able to find out without resorting to "Don't I know you?" As the Swedish company TAT, a developer of mobile user interfaces envisions it, you'll discreetly point your smart phone at the person and see whatever identifying information the person has enabled. It's just one of the applications for augmented reality, using technology to supplement, or augment, our real-world experiences. Real estate pros in Europe are already testing AR, using software to give passersby information on buildings.

7. Better Mobile Displays

The next mobile device you buy may have a new kind of display, an organic light-emitting diode, or OLED. Unlike LCD screens, OLEDs don't need to be backlit, so they use much less battery power yet offer a richer display. They're also thinner and lighter than LCD panels. Samsung says it may offer a laptop with an OLED screen in late 2010. However, OLEDs are still expensive to manufacture, so don't look for them to replace LCDs on a broad scale for several years.

8. REBarCamps

If you've ever gone to a technology training session and quickly surmised that you knew as much as or more than the speaker, a real estate BarCamp, or REBarCamp, may be for you. A BarCamp is a free, user-generated conference; attendees plan the agenda on site and make presentations. Sponsors pick up the tab. The first REBarCamp was conceived by AgentGenius.com writer Andy Kaufman at the 2007 Real Estate Connect Conference. Kaufman and blogger Todd Carpenter (now the NATIONAL ASSOCIATION OF REALTORS®' social media manager) organized the "unconference" to coincide with Real Estate Connect 2008. They were hoping for 30 or 40 attendees; they got closer to 200. In 2009, practitioners held REBarCamps in about 20 cities, and more --- including the first virtual REBarCamp Nov. 17 --- are already planned.

9. Google Watchdogs

Today, businesses of all sizes --- including real estate companies --- are making the move to cloud computing. That's where you pay a vendor for server space and software applications rather than house them on your own computers. The advantages: scalable technology and access to your data from any Internet-enabled computer. Google, with its 6,000-word code of conduct centered around the premise "Don't be evil" is one of cloud computing's hottest purveyors. A group of engineers at the company has dubbed itself the Data Liberation Front with the goal of making it easier for you to move your data in and out of Google products. So why the growing chorus of discontent over the Mountain View, Calif., company? Some people think Google's getting too powerful. Media companies have cried foul over how Google aggregates news from other sources. Privacy activists say the company needs better policies around the use and retention of the search data it collects.

10. You

The real estate industry has its share of movers and shakers, but, particularly in the age of social media, none is more influential than the collective 1.2 million members of the NATIONAL ASSOCIATION REALTORS®. In recognition of that fact, NAR is reaching out in new ways, participating in the online community, inviting REALTOR® leaders around the country to suggest game changing ideas, and launching a new Web site, HouseLogic, to strengthen the organization's relationship with consumers. Increasing REALTORS® political involvement has been another key objective of NAR over the past two years; 2008 President Richard F. Gaylord of Long Beach, Calif., and 2009 President Charles McMillan of Dallas, Fort Worth achieved significant gains. Leading the effort in 2010 is Vicki Cox Golder, who takes the reins of NAR in mid-November. Look for Golder, who led a similar effort in Arizona, to build on her predecessor's success by seeking your vocal support on critical industry issues.

YOUR TURN What or who is on your watch list? Read the "Watch List" post at our Speaking of Real Estate blog and let us know. <http://speakingofrealestate.blogs.REALTOR.org>



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