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Santa Cruz County's Real Estate News Source

A publication of the Santa Cruz Association of REALTORS®

March 2010



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INSIDE REAL ESTATE Newsletter

Inside Real Estate is the official monthly newsletter of the Santa Cruz Association of REALTORS® provided as a member service to inform, educate and update REALTOR® and Affiliate members on local, state and national news, as well as the Association's calendar of events.

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President's Message

Real Estate is Magic



Steve Allen
2010 Association President

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Real estate is magic. It can be bought, sold, leased, insured, developed, mortgaged, managed and most importantly, enjoyed. Have you ever asked yourself why there are so many real estate related economic benefits?

The primary theme voiced at the California Association of REALTORS® Winter Business Meeting in Indian Wells was one of protectionism. It is no secret that our state and federal governments are in a horrific financial position. Certain politicians have painted a large tar-

get on the real estate industry as a means to offset some of the escalating government deficits. Among other things, C.A.R. is committed to defending mortgage interest rate deductibility (primary homes, second homes and home equity lines of credit), protecting Proposition 13 tax limits (for both residential and commercial property), avoiding mandatory point of sale retrofits and additional transfer tax, protecting the ability to perform an IRS 1031 tax deferred exchange and avoiding additional "carbon taxes" for homes over a designated size.

Now more than ever it is imper-

ative that we work together and defend our means of doing business. Political Action Contributions have never been more important. While most of us are in a mindset of reducing personal and business expenses, a governmental change to one of those "real estate related economic benefits" could prove harmful to our industry, just as we gain traction on recovery. Please consider this the next time you decide whether to contribute either time or resources towards our local, state and national political action committees. For more information on how to contribute, [click here](#).

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EQUAL HOUSING LENDER

C.A.R. MEETING DIRECTORS' REPORTS

REALTOR® Political Action Committee



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Exciting News!

RPAC (REALTOR® Political Action Committee) has partnered with NAR whereby Local Associations may apply for NAR Fundraising grants of up to \$5,000 to be used for various fundraising events such as:

- Silent Auctions
- Champagne and Diamond Reception
- REALTOR® Idol
- Fundraising video or DVD production and distribution

Santa Cruz Association of REALTORS® will be applying for this grant! Submit your ideas to SCAOR CEO kathy@scaor.org by March 15, 2010.

The name **Political Affairs Committee** will be changed to **REALTOR® Action Fund Committee** and the following mission statement has been approved as:

The mission of the committee is to provide education and training for politically involved REALTORS® to develop appropriate structures for effective communication with elected officials at each level of government; and to provide support for REALTORS® in the areas of fundraising, education and the Member Mobilization Program. The committee's primary function is to raise funds through the REALTOR® Action Fund, train

local associations and to provide political education to local members, as needed. (February 2010)

Public Policy Committee



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Short Sale Scams and Schemes:

REALTORS® are cautioned about the risk to themselves and to their clients when using third party negotiators. REALTORS® are advised to consult with in house attorneys to determine if the REALTOR® is covered by errors and omissions insurance when working with a third party negotiator on a short sale. Additionally there is concern regarding the Agency relationship of the third party to our clients.

“Transaction Related Payments” in which a “credit” to the Buyer is really intended to offer payout to a junior loan holder are to be avoided. There is only one HUD-1, and it must accurately reflect the facts of the transaction.

A warning regarding “Settlement Sales” was issued. An investor gets a power of attorney from the legal owner. The investor then markets the property as though it were his own.

Agents who are writing numerous short sale offers for the same buyer at the same time are in danger. Per attorneys on the

panel, the deposit does not need to be in an escrow in order to have a valid contract. Writing multiple offers could obligate your buyer to multiple contracts. There is an implied obligation of good dealing which prohibits a buyer from just backing out subject to paragraph 14 of the RPA.

Should a Title Company require a seller to sign that a lender may come back after the short sale, even if the loan is non recourse, the seller should probably not sign it, and should speak with an attorney and CPA immediately.

Agents are advised that they should not reassure their clients one way or the other regarding recourse loans.

The REALTOR® is urged to counsel clients to seek the advice of attorneys and CPA's. The advice needs to be both written and verbal, and should be given numerous times in the short sale process. The agent should not assume what the best option should be for the client whether it be: Foreclose, Short sale, Loan modification, Deed in lieu of foreclosure or Bankruptcy.

An excellent site for current short sale information is: www.realestateriskmgt.blogspot.com

REO: Tips For a Safe Transaction

The REALTOR® needs to read the bank/seller's "addendum" very carefully. The bank/seller's addendum reads more like a Counter Offer. The addendum often sites the passive removal of contingencies. After, say, 10 days have passed for investigations; the bank deems that silence is approval. Additionally, the addendum often states that

the buyer must take the property with occupants, if any.

There have been personal injury claims wherein the lender/seller is sued by a tenant or past owner. The lender/sellers have been including the listing agent in the liability. Caution is advised.

Wrongful eviction is seldom covered by E & O insurance.

Statewide, many complaints have been delivered to Association Grievance Committees regarding REO agents not presenting offers. Offers must be presented to the seller/bank, or the listing agent must show written instruction from the bank not to present more offers.

As with Short Sales, the biggest problems arise when REALTORS® working with REO properties fail to advise clients to seek the advice of an attorney and a CPA.

C.A.R. is Working at the Federal Level Regarding REO and Short Sales

Representatives from C.A.R. are scheduled to meet with every member of Congress as well as with Fannie Mae, Freddie Mac and HUD. Prominence is given to the creation of uniformity between banks in the forms that are used for short sales and for REO. C.A.R. has provided all agencies with sample forms. C.A.R. is also working toward a standardized "pre-approved" short sale and has been successful in stopping lenders from negotiating commissions downward.

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C.A.R. MEETING DIRECTORS' REPORTS

Standard Forms Advisory; Forum on Forms



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New RPA-CA

The most exciting news is that there is finally a new RPA-CA Purchase Contract that is being released in April 2010. There was a subcommittee that worked long and hard and received a huge amount of input from members on the numerous drafts. Gov Hutchinson is scheduled to do a class on the new contract on March 12th from 1-5pm at SCAOR. Click [here](#) to register.

Housing Affordability Fund (HAF)

The Mortgage Protection Program has been a huge success. Since it began in April 2009, HAF has issued over 3600 policies to homebuyers in California. The Program is scheduled to end Dec. 2010 or when the funds run out, whichever is sooner. Since it appeared the monies were going to be spent by March or April, the committee voted to allocate an additional \$300,000 to fund the program.

In 2009 HAF also funded seven requests from local associations totaling \$245,000.

There are two major fundraisers for HAF. They will be holding their annual Golf Tournament at

Morgan Creek Golf Club on Mon. June 7th, 2010 which is the day prior to the C.A.R. meetings in Sacramento.

They are also asking each local association to hold a Bowl-a-thon. One association last year held a Wii Bowling Tournament that was really fun. The Santa Cruz Association of REALTORS® is looking for volunteers to help put on this event. Please contact Andrea Harbert the Association for more information at 831-464-2000 or andrea@scaor.org

Professional Standards Committee



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The Professional Standards Committee meeting began with a report by Kathy Mehringer, a Real Estate Associate with Coldwell Banker Residential Brokerage in Southern California, on the perils of Short Sales and the potential for violating the following NAR Code of Ethics:

Article 1: requires that REALTORS® protect and promote the interests of their clients by referring to an appropriate professional any concern that is beyond the requirements to obtain a real estate license. Legal and accounting questions in short sales must be referred to attorneys and accountants.

Article 2: REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. If Article 1 weren't sufficient then this article reinforces the notion that REALTORS® should not offer advice beyond the scope of the knowledge required of a REALTORS®.

Article 3: Failure to cooperate with the selling broker. Meaning failure to disclose an accepted offer, misrepresenting access.

Article 4: Failing to disclose to lender buyer relationship to seller.

Article 6: Referring clients to service providers without disclosing an ownership interest. Accepting compensation for more than one source without full disclosure.

Article 11: Working unfamiliar areas outside the licensee's field of competence without assistance from one who is competent.

Article 12: Honesty and truthfulness in all communications and advertising

Article 13: Failure to refer legal matters to an attorney.

Third party negotiators should be licensed.

For additional information see Kathy's blog [here](#) Kathy grants permission to use the info on her site.

In addition, one action item was sent forward from the committee to the voting body: "That C.A.R. advocate a position to NAR that NAR expand its policy so that a suspension or expulsion that is imposed by one Association of REALTORS® for violation of

the Code of Ethics may be permissively upheld by all other Associations of REALTORS® where the REALTOR® concurrently holds membership." This motion was approved on February 6, 2010.

Realtor Risk Management and Consumer Protection Forum



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Mortgage and Loan Fraud Panel

The Panel acknowledged the industry needs to increase awareness of the issues regarding sales and loan scams. According to the Department of Real Estate (DRE) and District Attorney, the majority of complaints are being reported in Southern California with 66% in the Los Angeles area and 16% in San Diego. The scams reported mainly deal with loan modification offers. Also, oversized commissions made from purchases of property when the buyer had no intention of making the mortgage payments after close of escrow. So what's the next scam coming down the pike? According to the Panel, the next scam will be: Debt collection agencies contacting homeowners who are in short sale demanding repayment of the loan balances that have already been forgiven.

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C.A.R. MEETING DIRECTORS' REPORTS

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The Department of Real Estate urges every real estate professional to report any unusual transactions both the DRE and your local District Attorney's office.

The Home Warranty Association presented the heating and air conditioning issue that will arise this year. R22 and HCFC22 Freon will phase out. Freon will be replaced with Peron, Gentrion..

The Pest Control Board presented that Orange Oil was determined to be ineffective when used for dry wood termites. According to a U.C. Berkeley study, Orange Oil does not kill these types of termites.. For more information on pest issues visit pcoc.org, cdpr.ca.gov or termittenting.com

Gov Hutchinson gave a report about new laws and calls to the Legal Hot Line. Many calls are coming from questions regarding short sales. Please go to car.org and look under Legal to see the new Q&A available on many of these subjects. One caution is to make sure you have the seller sign the short sale addendum and several times during the process log and document via signed addendum that you have told then to consult a tax advisor and or an attorney.

The new RPA contract will supply new options such as option for deposit to be directly wired to escrow, time and date the offer is presented to seller, and agency put at the top of the contract classes will be held on the new form that will be released in early April.

AB329 Reverse Mortgage must supply free counseling about the mortgage and can not have a pre-payment penalty anymore.

Swimming pools all must be retrofitted by July 1st with anti suction, entrapment devices except single family home, but this does apply to HOA.

Land Use & Environment Committee Report



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Land Use & Environment Committee Mission Statement: This Committee is a Policy committee to develop C.A.R.'s land use and environmental policy.

C.A.R. opposes any Point-of-Sale requirements. The House passed the American Clean Energy and Security Act of 2009. This bill originally included a Point Of Sale requirement for energy efficiency retrofits. C.A.R. and NAR opposed this bill (HR 2454) until Representative Waxman agreed to amend the bill language to remove the Point of Sale requirement and only require energy efficiency labeling for new construction.

A similar bill, S. 1733, was introduced in the Senate by Senator Boxer but the bill hit a roadblock; it has since been relegated to the Senate back burner for now.

In a related issue the Environmental Protection Agency, or EPA, announced their "Endangerment Finding" - a concern regarding Greenhouse

Gas emissions from residences. This means that if the EPA decides to regulate Green House Gas emissions through the Clean Air Act that emissions from real property would be included. Thankfully when the House passed H.R. 2454, and it included a carve-out for real estate that stated that real property emissions could not be regulated under the Clean Air Act. The Senate bill, however, currently does not include a carve-out, but is on hold.

State Air Resources Control Board: Regulations AB 1085 (Mendoza) - This is a bill that will shine "sunlight" on important regulatory procedures at the State Air Resources Board. C.A.R. supported AB 1085 from the beginning and until it was signed by the Governor last fall.

State Water Resources Control Board: Proposed New Definition of Wetlands and Proposed Wetland Regulatory Program. - Late last year, several organizations and companies including C.A.R. met to discuss the current wetlands definition development process by the State Water Resources Control Board as well as the creation of a new wetlands regulatory program. C.A.R. with this coalition is pursuing a very aggressive campaign advocating for regulatory efficiency between the state and federal wetlands regulatory programs.

Property Rights, AB 291 (Saldana) Coastal Resources: Coastal Development Permits Current law permits the California Coastal Commission to pursue cease and desist orders against land owners who engage in un-permitted development activities. This bill would have allowed the staff of the Commission to halt the processing of a permit application if the Commission staff asserted that a vio-

lation existed on either that property or any contiguous parcel owned by the applicant. C.A.R. worked hard to oppose AB 291 when it came up on the Senate Floor, and so far have been successful.

Resources Issue - Had this bill passed the Public Utilities could spend no more than 10% of its energy efficiency program funds for administration expenses. C.A.R. supported this failed bill.

AB 1105 (Blakeslee) Building Energy Retrofit Revolving Loan Program - This bill would require the State Energy Commission to establish the Building Energy Retrofit Revolving Loan Program for non-residential buildings built prior to July 1, 1978. C.A.R. supported this bill that failed.

AB 1107 (Blakeslee) Environmental Protection Agency: Rules - This bill would have required the California EPA agencies and boards to complete an economic analysis of proposed rules and regulations that evaluated the costs and benefits of a proposed rule at a level of detail that is appropriate and practicable for reasoned decision making. C.A.R. supported, but it failed.

California Energy Commission: AB 1103 Implementation C.A.R. continues to participate as a key stakeholder in the development of the Commercial Building EnergyStar Benchmarking program. The biggest hurdle at this point is getting access to sub-metered data without violating tenant privacy. It is expected that the program will be ready for implementation by January 1, 2011.

California Energy Commission: AB 758 Implementation The highly anticipated first round of stakeholder meetings

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C.A.R. MEETING DIRECTORS' REPORTS

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has not yet begun, but the California Energy Commission is ready to begin a rule making process to develop a comprehensive program to achieve greater energy savings in the state's existing residential and nonresidential building stock, by capturing all cost-effective energy efficiency improvements. C.A.R. will be actively participating in this process

California Energy Commission: Integrated Energy Policy Report Final Recommendations - Despite repeated comments from C.A.R. to the California Energy Commission, the final draft of the Integrated Energy Policy Report includes recommendations for point-of-sale legislation to trigger energy retrofits and HVAC tune-ups and that the state require home energy audits at point-of-sale as part of a package of strategies to improve the energy efficiency. Fortunately,

while C.A.R. believes that these strategies will be introduced in the AB 758 regulatory development process just mentioned, we do have that protective language in place to avoid any unreasonable regulatory mandates.

AB 300 (Caballero) Subdivisions: Water Supply - Current law requires housing projects in excess of 500 units to receive verification from the public water system that sufficient water supplies are available for the project. C.A.R. supports AB 300 that would permit the estimated volume of water needed for a project to be reduced if the development voluntarily implements water demand reduction measures.

Onsite Sewage Treatment Systems - The State Water Resources Control Board is mandated to create a statewide standard for operating and permitting septic systems. C.A.R. has actively participated in the development of the new stan-

dards since 2002 and continues to argue aggressively against point-of-sale requirements and high compliance costs and for the rights of property owners.

State Water Board: Statewide Septic Regulations - We were anticipating that the State Water Board would have a written draft proposal of the revised regulations available to stakeholders by about late June or July of last year, but we have yet to see any new language. Due to the recommendation to completely revise the proposed regulations based on the public comments received, we're told the Septic Regulations are being completely re-written to a new "outline approach" where septic systems would be classified into three different tiers. C.A.R. anticipates the announcement of stakeholder meetings by March, which would then be followed by the official regulatory process which could begin sometime in summer of 2010.

The Water Board may also need to modify or redraft the environmental impact report, which will take more time to complete. Water Board Staff is hopeful that this work can be accomplished within 12 months of the regulations being written.

The REALTOR® Septic Working Group will review any changes as they are proposed and will prepare comments as necessary. Should the need exist; another REALTOR® Red Alert could be mobilized.

State Water Board: Stormwater Run Off Regulations - Since 2007, a coalition of business, local government/public agencies, transportation infrastructure, labor, and commercial and residential development interests including C.A.R. have been advocating for a rational, common-sense general permits that regulate the runoff of storm water from construction sites across the state.

2010 REALTOR® Action Fund Participants Protecting Local Real Estate!

SCAOR would like to recognize and thank the following REALTOR® Action Fund participants. Their generous investment of \$197 helps to protect the real estate industry and private property rights from the threat of onerous and abusive anti-real estate legislation.

Steve Allen
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To learn more about how you can contribute and what legislation these funds helped promote and prevent, [click here](#)

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Deadline for March issue: March 18

Deadline for Sept. issue: Sept. 16

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Kelly Alpert

REALTOR®

A native of Brazil, Kelly Alpert has lived in Santa Cruz since 1993. Before coming to Santa Cruz, she worked as a sales executive with Eastman Kodak, Microsoft, MTV-Television and other corporate entities where she was always among the top sales executives of these companies. With her international experience and contacts, combined with her local expertise, Kelly is a unique and specially gifted agent, offering personalized Real Estate services in three languages: English, Spanish, and Portuguese. Kelly's enthusiasm, dedication, intelligence, problem-solving skills, and integrity make her a dynamic agent. She is always willing to go the extra mile to make her clients feel secure in an area where stress and anxiety are often paramount. She has the special ability to treat all

her clients with respect and dedication. The result of this attitude is that her clients always feel that the transactions they enter into are of high professional quality while maintaining a very warm and friendly relationship.

She specializes in selling residential properties as well as lots and land. Her experience and skills have allowed her to develop a wide base of individuals, families and businesses who seek out her special talents for repeat business. She also has a large client base of first-time homebuyers and she is skilled at leading them through the maze of the Real Estate process, including: education, selecting lenders, and choosing the right property. If you are interested in selling or buying real property in the Santa Cruz-Monterey Bay area, contact Kelly Alpert.

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Real Estate Legal Matters

Good Faith Versus ‘Free Look’

By Lloyd Williams
SCAOR Attorney



In the early 1970's a REALTOR® told me that a Buyer could always cancel a Real Estate Contract by disapproving the condition of title set forth in a Preliminary Report because approval was a contingency in the Contract. I asked him whether his opinion would hold if there were no adverse title matters against the Property. He replied that the contingency in the Contract concerning approval of the condition of title was essentially a “free look,” thus it didn't matter whether there were any legitimate title concerns. At that time he was a co-owner of one of the larger real estate firms in the County.

Over the years some other real estate agents have taken this same position and applied it to the Buyer's contingency rights under Section 14 of the C.A.R. Residential Purchase Agreement (“RPA”). Unfortunately, this theory is in conflict with California's implied covenant of good faith and fair dealing. Under this legal principle, neither party may take any action that deprives the other party of the benefits of the Contract. Further, since it is a covenant, failure to perform the covenant could result in a breach of the Contract.

In April, 2010, C.A.R. will be publishing a revised RPA. The second sentence at the beginning of Section 14 has been modified to read (changes in bold type): “Any removal of contingencies or cancellation under this paragraph **by either Buyer or Seller must be exercised in good faith and** in writing (C.A.R. Form CR or CC).” Although the “good faith” language was not in the RPA before, C.A.R.'s position has been that the covenant of good faith and fair dealing was implied (see, for example, “Q&A Ask an Attorney”, California Real Estate, May, 2008).

Is there still a “free look” right if the Agreement specifically provides for one? It is common in commercial transactions for the Buyer to require a short period of time, e.g., 60 to 90 days, to investigate the Property, to check out the status of any existing governmental permits, and to decide whether to proceed either with (i) the purchase; or (ii) the release of a non-refundable deposit to the Seller and processing application for a particular development on the Property, e.g., a subdivision.

A recent case that is presently under review by the State Supreme Court has raised the question whether the free look would be enforceable. In that case, although the parties entered into a Purchase Agreement, the Buyer was not obligated under the contract to purchase the property -- the Buyer could have canceled at any time and would have received back its deposit. However, the Buyer proceeded to spend substantial sums to obtain approval of a development project on the property. The Seller canceled the contract, which was upheld by the Appellate Court on the basis that,

in essence, the transaction was an Option in favor of the Buyer, for which the buyer paid no consideration. Without consideration, there was no binding contract and the Seller was free to cancel it. This case cannot be cited since it is under review by the State Supreme Court, and the Court's decision should be issued before the end of April, 2010.

Whether a breach of the covenant of good faith and fair dealing or an implied option, it is important to remember we must be wary of transactions that purport to give a Buyer a “free look.”

It is better to entertain an idea than to take it home to live with you for the rest of your life

*Randall Jarrell, American Poet
Pictures From an Institution (1954)*





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From the desk of Dale Gray

Government Affairs Director

The Future of Mortgage Finance in America

In the United States mortgage securitization has been dominated by two government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, as well as by the combination of the Federal Housing Administration (FHA) and Ginnie Mae. By contrast, private-label securitization became a significant presence in mortgage securitization only during the past decade, motivated in part by developments in financial engineering.

The financial crisis has upset the linkage between mortgage borrowers and capital markets and has revealed a number of important problems in our system of mortgage finance, including weaknesses in the structure and oversight of the GSEs and perhaps in the originate-to-distribute model of credit provision itself. Private-label securitization has largely stopped, and Fannie and Freddie were placed into conservatorship by their regulator after they were judged to be operating in an unsafe and unsound manner. The task now is to begin thinking about how to best reestablish a link between homebuyers and capital markets in a way that addresses the weaknesses of the old system. In light of the central role that the GSEs played, and still play, any such analysis must pay particular attention to how those institutions should evolve.

The proximate cause of the financial crisis was the end of the U.S. housing boom, which revealed serious deficiencies in the underwriting and credit rating of some mortgages, particularly subprime mortgages with

adjustable interest rates. As subsequent events demonstrated, however, the boom in subprime mortgage lending was only a part of a much broader credit boom characterized by an under pricing of risk, excessive leverage, and the creation of complex and opaque financial instruments that proved fragile under stress. The unwinding of these developments is the source of the severe financial strain and tight credit that now dampen economic growth.

Although problems with mortgage origination were not the only cause of the crisis, mortgage markets have been deeply affected. Banks and thrifts are still making new mortgage loans, but they have tightened terms considerably, essentially closing the private market to borrowers with weaker credit histories. Importantly, with the securitization market for private-label mortgage-backed securities shut down, Fannie Mae, Freddie Mac, and Ginnie Mae currently are the only conduits through which mortgages can be securitized and sold to investors. By contrast, in 2005, these three entities represented only about 50 percent of the securitization market.

Eventually, experience provided three principles for successful mortgage securitization. First, for the ultimate investor to be willing to acquire and trade mortgage-backed securities, they must be persuaded that the credit quality of the underlying mortgages is high and that the origination-to-distribution process is managed

so that originators, such as mortgage brokers and bankers, have an incentive to undertake careful underwriting. Second, because the pools of assets underlying mortgage-backed securities have highly correlated risks, including interest rate, prepayment, and credit risks, the institutions and other investors that hold these securities must have the capacity to manage their risks carefully. Finally, because mortgage-backed securities are complex amalgamations of underlying mortgages that may themselves be complex to price, transparency about both the underlying assets and the mortgage-backed security itself is essential.

How can we ensure that, in the future, mortgage securitization will be feasible even during highly stressed financial conditions? The Federal Reserve Board in the past has advocated a three-part approach to GSE oversight: a strong regulator, capital standards adequate for the risks the GSEs assume, and an explicit and measurable public purpose for the GSEs' portfolios.

How might the GSEs be reorganized in the future to address the problems that have been revealed with their traditional structure? Are there approaches that do not rely on GSEs to create a robust mortgage securitization market that will function in bad times as well as good?

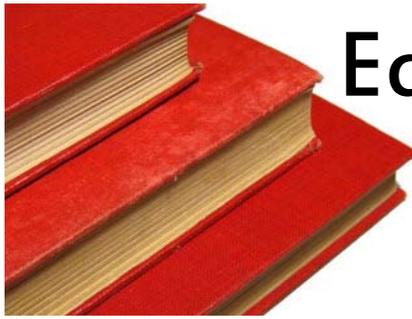
Privatization. One option that has been discussed is to privatize the GSEs and let them compete in the market as private mortgage insurers and securitiz-

ers. To eliminate the presumption of government support and to stimulate competition, some proposals advocating privatization call for breaking up the companies into smaller units before privatizing them.

Covered bonds. GSE-type organizations are not essential to successful mortgage financing; indeed, many other industrial countries without GSEs have achieved homeownership rates comparable to that of the United States. One device that has been widely used is covered bonds. Covered bonds are debt obligations issued by financial institutions and secured by a pool of high-quality mortgages or other assets. These instruments are subject to extensive statutory and supervisory regulation designed to protect the interests of covered bond investors from the risks of insolvency of the issuing bank

Even closer ties to the government, with or without shareholders. A third approach, besides privatization and covered bonds, is to tie the government-sponsored enterprises even more closely to the government. In doing so, the choice must be made whether to continue to allow an element of private ownership in these organizations. A public utility model offers one possibility for incorporating private ownership. In such a model, the GSE remains a corporation with shareholders but is overseen by a public board. Beyond simply monitoring safety and soundness,

Continued on page 12



Education and Professional Development



[Your Guide to the Residential Purchase Agreement](#)

Fri. March 12, 8:30-12:30 pm
Early Bird Pricing available until March 5th !
Instructor: Gov Hutchinson, Assistant General Counsel for the California Association of REALTORS®

DRE Approved for 3 hrs in Consumer Protection. Register for the RPA class and attend the afternoon legal update w/Gov for only \$5!!! (Regular price for SCAOR members is \$15). THIS CLASS WILL COVER THE REVISIONS COMING OUT IN APRIL 2010.

The California Residential Purchase Agreement and Joint Escrow Instructions (RPA-CA) is the cornerstone of every successful real estate transaction in the state, and there are several essential concepts, principals, and facts about this form that all REALTORS® should know. Objectives: Become familiar with the

basic structure of the agreement; Learn how to create, modify, cancel or close a transaction; Identify, explain, understand and remove contingencies; Complete all mandatory and recommended disclosures; Ensure all commissions are paid in full and on time; Understand all the important terms of the contract.

[Legal Update with Gov Hutchinson](#)

Fri. March 12, .1:30-3:30 pm
Early Bird Pricing available until March 5th
Instructor: Gov Hutchinson, Assistant General Counsel for the California Association of REALTORS®

STAY INFORMED! Critical Information You need to know about! C.A.R. Standard Forms Revisions; Legal Updates; Real Estate Cases, and more!

REGISTER FOR THE RPA CLASS AND ATTEND THE AFTERNOON LEGAL UP-

DATE W/GOV FOR ONLY \$5!!! (Regular price for SCAOR members is \$15)

[Red Hot Buyers!](#)

Wed. March 24, 10:00-1:00pm
Instructor: Bob Barrie

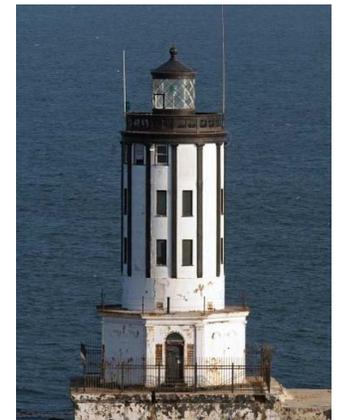
Buyers will be asking YOU to sign the Buyer Broker Agreement! Why have a Buyer Broker Agreement? Why consult with your buyers first? More efficient use of your time; Able to set expectations; Inform buyers about the process; Build rapport; Find out who all the players are; See how motivated they are; Show your value as a REALTOR®; Client Loyalty; Stops other agents from poaching; Get true commitment from the buyer; How to use a Buyer's Book.

[Disclosure! Disclosure! or How to Keep You and Your Client out of Jail](#)

Mon. Mar. 29, 9:30-12:30 pm

Instructor: Guy Berry

Any real estate professional who wants to protect their buyers, sellers and themselves against being sued for a bad transaction should attend this seminar. You will learn why poor disclosure is the #1 cause of litigation; What "full" disclosure is and what it is not; Why the TDS form is very dangerous; How using Inspections, protects your seller; What to do when a TDS is not required; What to look for when you get the disclosures, and more!



Click on Class Heading to See Entire Flyer

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Singing in the Rain?

Candie Noel

*Local Government Relations Chair
Bailey Properties, Inc. 831- 688-7434
cnoel@baileyproperties.com*



We are already way over last year's rain fall, and as I write this article, it is still raining. Water shortages and conservation affect our daily lives through our usage and its cost. It is our most valued resource, and can dictate our quality of life. As demand increases due to water shortages and water quality we will start seeing its effect on housing availability, housing affordability, building permits, sewer hookups, water meter hookups. In the past month the subject of water has dominated several of our government agencies.

The City of Santa Cruz has already started discussions on a

water conservation program for this summer.

Soquel Creek Water District had two rate hikes in the past several months. In November 2009 the District increased user costs by 5% for 2010, and 9% for 2011 and 2012. The increase was to encourage conservation, and to be an incentive to reduce usage. The increase will be seen on the March 1, 2010 bill, for their conservation efforts, or lack of, for January and February.

Trailing close behind is the Scotts Valley Water District. In February water officials approved three years of rate hikes for their residential customers.

The increase, again, is to be an incentive to reduce usage, encourage conservation, and cover increased operation costs due to inflation. The District has geared the increase to effect those who use larger amounts of water and who are not conserving. Those who use over 50,000 gallons every two month could see their rates increase 20% over the next 3 years.

The Pajaro Valley Water Management Agency (PVWMA) remains mired with problems as it relies on ground water for most of its water supply with 85% being used for agriculture purposes. In addition, the Pajaro Valley basin has been identified as an area with critical conditions of overdraft and being continually plagued with seawater intrusion in the groundwater supply. According to PVWMA General Manager Mary Bannister the Agency is "pumping about

double what the basin can sustain". Protecting the groundwater and specifically, how to pay for this protection remains a hot topic. The new proposal creates a consumption based plan for the agricultural users. The new rate would range from \$157 to \$273 an acre foot of water and would raise approximately \$10 million annually. The new rate is based on estimated costs for metering ground wells, billing, developing supplemental water sources, delivering water to coastal farmers, paying off the debt for the Watsonville Water Recycling Plant (who reclaims waste water for farmlands), and developing new ways to solve the imbalance between pumping and replenishment. The new rates comply with the requirements of Proposition 218 which defines how fees can be levied.

We are merely scratching the surface of this topic. Stay tuned for more, and please conserve!

The Future of Mortgage Finance in America

Continued from page 10

the regulator would also establish pricing and other rules consistent with a promised rate of return to shareholders.

Regardless of the organizational form, we must strive to design a housing financing system that ensures the successful funding and securitization of mortgages during times of financial stress but that does not create institutions that pose systemic risks to our financial markets and the economy. Government likely has a role to play in supporting mortgage securitization, at least during periods of high financial

stress. But once government guarantees are involved, the problems of systemic risks and contingent taxpayer involvement must be dealt with clearly and credibly. Achieving the appropriate balance among these design challenges will be difficult, but it nevertheless must be high on the policy agenda for financial reform.

Excerpts from speeches by Chairman Ben S. Bernanke and Secretary Henry Paulson. Also from N.A.R. Archives.

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P045151 4/04



Increased Closing Cost Grant & New Fundraising Campaign



Mark Junod,
SCAORHF
Chair,
MetLife Home
Loans,
831-476-7880

Foundation Raises Grant Amount to \$3,000!

This month I want to let you all know that Trustees of the Santa Cruz Association of REALTORS® Housing Foundation have voted to increase the amount of the closing cost grant to **\$3,000** (previously \$2,000).

This increase improves the grant and will cover more of the closing costs for qualified first time homebuyers. This is great news, and will increase the help that we provide to these buyers.

How can you help?

- 1) Learn more about the program and make sure that you are able to inform your buyers about the program and whether they qualify. Read the guidelines at www.scaorhf.org
- 2) All Affiliate lenders should

become aware of the program, and make sure that your underwriters will accept the program.

- 3) Buyer's cannot apply until they are in contract on a property, but once they are in contract they should apply as soon as possible through their lender.
- 4) Contribute to the program by using the Escrow Donation Form at www.scaorhf.org

Applications for grants have been lower in 2010 than in past years. The trustees of the foundation want to make sure we are helping as many qualified first time homebuyers as we can. Please make sure that you are informing your clients of the Closing Cost Grant. Thanks for all of your help!



Genie Lawless
SCAORHF
Fundraising
Chair
David Lyng
831-476-0100

SCAOR HF Launches The 300 Campaign!

In order to help fund the new \$3,000 grant amount, we are launching a new campaign: **The 300 Campaign.** 300 people, giving \$100, which funds \$30,000 to Santa Cruz County first time home buyers.

300 is a grassroots fundraising campaign with a target goal of \$30,000. The concept is simple: the SCAOR Housing Foundation is looking for 300 individuals, organizations, or sponsors to donate \$100 each! In today's economy, it is difficult to find corporate sponsors and private donors who are able to make large donations. The 300 campaign makes it possible for anyone who believes in the possibility and satisfaction of home ownership, to become part of an entire community of supporters.

Why should I contribute?

- Help families and individuals

experience the joy of home ownership

- The Housing Foundation is a non-profit arm of the Santa Cruz Association of REALTORS® and all donations to the 300 campaign are tax deductible.
- All contributors to the **300 campaign** will be listed as a sponsor on the Housing Foundation website, and will be recognized at all 2010 SCAORHF events (such as, Sip of Summer and A Taste of Santa Cruz).

Where does my money go?

Contributions go directly toward the Closing Cost Assistance Grant Program that provides funds to cover closing costs for qualified low income first-time homebuyers.

For more program information go to: www.scaorhf.org and look for information coming to your local offices and office meetings!

Angel Investors

The SCAOR Housing Foundation recognizes and thanks the following individuals as our 1st quarter Angel Investors!

Laura Grenyo
Coldwell Banker
Residential Brokerage

Sandy Kaplan
Santa Cruz Properties

Barbara Townend
Monterey Bay Properties

Lela Willet
Unique Homes & Land

These members generously contribute funds to our Closing Cost Grant Assistance Program through escrow contributions. These contributions help make the dream of homeownership possible to first time low income buyers. To date we have over 45 new homeowners who are very grateful. Thank you Laura, Sandy, Barbara and Lela for your continued support!

To learn how you can easily contribute please visit the Housing Foundation website at

www.scaorhf.org

MARCH MADNESS SALE



Select Items
50% OFF



SCAOR Summit 2010 – Don't Miss the 'Data' That Matters!

After receiving rave reviews from our first Summit, SCAOR will be holding its second annual Summit. This year's event will once again feature three outstanding speakers; Joel Singer - Executive VP of C.A.R., Richard Mendenhall - Past President of N.A.R. and Sean Saldavia - Santa Cruz County Assessor.

Highlights at the event will be a state and local economics overview and Richard Mendenhall's, 'data' that matters to REALTORS®.

Don't miss out on this sell out event! Summit 2010 will be held on **March 22, 2010** from 11:30 AM – 2:00 PM at the Seascape Golf Club in Aptos. For registration information please [click here](#)



Richard Mendenhall
Past President of N.A.R.

Richard A. Mendenhall has co-owned WMWorks, LLC, a real estate consulting firm since 2004, Resource Home Loans, a real estate mortgage firm, since 1995 and has owned and served as a broker in a variety of real estate brokerage firms affiliated with RE/MAX International, Inc. since 1991. Beginning in 1974, he has owned Boone Realty Corporation, a real estate commercial brokerage firm. Mr. Mendenhall served as President of the National Association of REALTORS® in 2001 and holds an M.A. and a B.S. from the University of Missouri.



Joel Singer
Executive Vice President
C.A.R.

C.A.R. Executive Vice President Joel Singer has held the Association's top staff position since November 1989 after serving as C.A.R.'s chief economist and heading the Association's public affairs department. Singer was instrumental in developing Real Estate Business Services Inc. (REBS), C.A.R.'s for-profit subsidiary, and serves as its president. He also is president and chief executive officer of RE FormsNet LLC. Singer joined C.A.R. in 1978.



Sean Saldavia
Santa Cruz County Assessor

The Assessor has the following basic responsibilities: Locate all taxable property in the County and identify the ownership. Establish a value for all property subject to property taxation. List the value of all property on the assessment roll. Apply all legal exemptions and exclusions. the Assessor: Does not compute property tax bills. Does not collect property taxes. Does not establish property tax laws. Does not set rules by which property is appraised.

A Huge Thank you to our Summit Sponsors!

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Realtor Service Volunteer Program

RSVP is Seeking Volunteers to Help Local Seniors!

RSVP is a one day community outreach program that takes place on May 3, 2010, during "Adopt-A-Senior" Week. The program provides free assistance to qualified seniors who cannot otherwise perform certain household tasks due to physical or financial constraints.

Only a few hours of your time is needed and makes all the difference in the world to our homeowners. You will be working with a fun team while helping to make a difference! *"I think this is a wonderful program and it is very generous of the volunteers to donate their time to help those of us who need it."*, said Joanne Peterson a homeowner who participated in

RSVP last year.

[Click here](#) for a Volunteer Application or contact Andrea, andrea@scaor.org or at 831-464-2000, for more information.

If you cannot volunteer and would like to help RSVP, a tax deductible donation in any amount is greatly needed and welcomed. You can donate by sending a check to SCAOR, 2525 Main St., Soquel, CA 95073, ATTN: RSVP or by stopping by our offices!

Please visit www.scaor.org/rsvp for complete details on the event and to download a Homeowner Application if you know of someone who needs assistance.

Study Shows Most Homebuyers Search For Agents and Property Online

Yahoo! study reveals online resources vital to real estate professional selection

Yahoo! Inc., released the results of a study on how online resources influence home buyers and sellers - specifically when it comes to selecting a real estate professional.

Yahoo! found that online resources played a pivotal role in the selection process and was central in helping consumers identify agents. While friends and family are mostly responsible for recommending agents, the vast majority of home buyers and sellers still rely on the Internet to search for potential agents in their local markets as well as to verify their choices.

However, there is a disconnect between advertising dollars and consumer behavior. Based on Yahoo!'s study, 77 percent of respondents used an online source for information during

their research process compared to 34 percent for print. But, according to a recent analysis by Borrell Associates, REALTOR® advertising dollars have yet to catch up to where homebuyers are going - the Internet. While this year's online media spend did in fact double from 2005, capturing 32 percent of the overall advertising spend, newspapers continue to get more share of dollars with 40 percent.

According to the Yahoo! study, consumers look to the Web to ensure that the selected agent will best meet their specific needs.

Key findings include:

Home buyers and sellers consider approximately two agents on average before making a final decision.

The Internet impacts consumer trust. Forty percent of respondents credited a site in increasing

their trust in the agent.

74 percent of people who accessed an agent Web site got there with the help of a search engine.

The online research process is quick and intense: consumers spent an average of 12 hours online researching agents and 75 percent selected an agent within one week of starting their search.

Online resources provided introduction to new agents as well as promotional deals.

45 percent of respondents used the Internet to learn about agents they didn't know existed.

41 percent discovered special deals and promotions offered from an agent through the Internet.

REAL Trends, Inc.

SCAOR's 2010 Housing Expo is Coming Soon!



SCAOR is currently seeking sponsors and exhibitors for this fantastic annual event that will be held 5/8/2010 at Twin Lakes Church in Aptos. This fourth annual event is free to the public and will educate local consumers about the ins and outs of home buying, investing and foreclosure avoidance. Don't miss this opportunity to expose your business to this great audience. Click [here](#) for more information or contact Andrea at 831-464-2000.



Affiliate News

Dimitri Timm
 Affiliate Committee Chair
 Princeton Capital
 831- 662-6591
dimitri@princetoncap.com

Teach Our REALTORS® About Your Business

In the past few years, everyone who has been involved in real estate has been affected by all of the regulations and changes that our industry has gone through. That is why the Affiliate committee believes that keeping up on education is more important now than it has ever been. Supporting this belief, the Affiliate committee has committed to provide one additional education class each month that will be available for all members. With these classes we will provide education on many different topics including but not limited to: 1031 Exchanges, Title and Escrow classes, Appraisal, Reverse Mortgages, Staging, Insurance and many others.

If you are an Affiliate member and would like to add an educational class or have a recommendation for a class please feel free to contact Dimitri Timm the 2010 Affiliate Committee Chair or Karen Kirwan, Director of



Dimitri Timm

Education & Professional Services, at the Santa Cruz Association of REALTORS®.

Please don't forget we are always looking to expand our Affiliate membership. If you know someone who you think would like to become a member please have them contact Norma Milete at the Santa Cruz Association of REALTORS®.

Also a reminder to mark your Calendar for the upcoming Spring Fling coming up on May 5, 2010.



Affiliate Spotlight

Lisa Mazzei
 Mortgage Consultant
 Blue Adobe Mortgage
 831-626-2112
lisa@blueadobemortgage.com



Lisa Mazzei

Lisa has been in real estate lending for over 16 years. She began her career as a Loan Processor for Watsonville Federal Savings and Loan, which later became Monterey Bay Bank. She spent 10 years with the company, exhibiting her leadership skills and passion for the business by working her way up from Processor to Supervisor to Underwriter, and eventually to AVP/Underwriting Manager in 2003.

When Monterey Bay Bank was purchased by Union Bank in 2004, she took the opportunity to work directly with her buyers by becoming a Mortgage Consultant. In Lisa's words "approving their loans was one thing, but I never got to see the smiles on their faces when they closed on their new home."

Lisa spent a year at Bank of America Mortgage, and over two years at Santa Cruz Mortgage where she earned both the Visionary Award and Top Producer in 2006.

In June of 2007 she made the switch to Blue Adobe Mortgage, an affiliate of Seattle Bank. Lisa feels so fortunate to work for Blue Adobe Mortgage. "At the most challenging time in our industry (possibly in its his-

tory), I have associated myself with a company that has the values and level of commitment that I do. Blue Adobe Mortgage is a mortgage banker and direct lender to Fannie Mae and FHA/VA. We are large enough to have the best technology and tools with which to assist our clients, but still small enough to be nimble. We can lend in California, Oregon, Washington, Idaho, Utah and some other Western states."

Lisa is a third generation native of Santa Cruz County and an active real estate investor. She especially enjoys the relationships she has built while helping her clients achieve home ownership. She enjoys spending time with family, camping, water sports and traveling. She lives in Santa Cruz with her husband, Dean

**I acted so tragic the house rose like magic
 The audience yelled "You're sublime"
 They made me a present of Mornington Crescent
 They threw it a brick at a time.**

W.F.Hargreaves
 "The Night I Appeared as Macbeth" 1922 Song



Termite Talk

What's the Difference Between Infestations and Infections?

Tony Angelo
Angelo Termite

There are basic signs of probable infestations or infections which are noticeable, not only to those who are licensed, but also to anyone who is interested and informed. These signs will alert you to obtain the qualified assistance necessary for a proper inspection and recommendations. Notice that these areas are easily incorporated in your existing inspections of grounds and property.

The terms "infestations" and "infections" can be segregated into two general groups. Infestations, which are most commonly noticed and easier to identify, are caused by the infiltration of an outside source such as subterranean termites, Drywood termites or other wood-boring insects. Evidence of termite infestations is most commonly seen in the insects' dietary residue (pellets), detached wings, and tiny holes in the wood. The structural pest control industry has made great progress in development of EPA-approved toxins and more effective methods of application in the areas of localized termite treatment. While helping to alleviate the traditional stigmas of mandatory fumigation, local treatments also offer the bene-

fits of a residual barrier against reinfestations at the treated areas.

Localized treatments, performed in conjunction with the pressurized application of a desiccant, leaves an obstacle to reinfestations through the dehydration of alates (winged termites) or swarmer, whose sole intent is establishing a new colony.

Infections are less obvious to the untrained eye. They are defined as moisture in direct contact with wood, often identified in inaccessible areas. This creates the perfect environment for fungal growth, due to lack of ventilation. Fungus is a living organism that invades the wood cells and extracts the nutrients from the cell walls. This causes the wood to lose its integrity and results in dry rot, which can lead to major wood replacement. The simplest signs are discoloration in wood, stains, surface fungal growth, constant dampness, and cracks in deck coating. Severe cost usually is incurred with fungal growth and dry rot.

Fungus and dry rot create far more structural damage than termites. Fungus growth is caused by leaks, and many times it is

caused by improperly adjusted sprinkler systems. Fungus spores collect in wood as the tree grows. The spores lie dormant in the lumber, much like a seed in the desert. When moisture reaches the spores, they send out a root type structure called mycelium. The fungus feeds on the cellulose which can cause the lumber to lose structural integrity. If this condition is left uncorrected, the end result is dry rot damage wood replacement.

Owners and REALTORS® are becoming increasingly aware of the advantages of utilizing structural pest control firms, who are not only concerned with the inspection and recommendations, but also are knowledgeable concerning the uniform building code and local codes, and are licensed to perform all structural repairs and replacements. Knowing where to obtain professional help will minimize your maintenance costs, reduce liability exposure and provide warranties and guarantees required for escrow.

As printed in the Orange County REALTOR® magazine

Keep an eye on your investments

I work hard for my money. So, I keep a close eye on my investments. That means I monitor the stock market and read financial news.

These days, that's not much fun. But it's important to watch our investments. After all, our financial futures are at stake.

Bloomberg's site makes it easy to stay on top of financial news. You can read up on the latest headlines. Or dive right into stock positions.

If you're a beginning investor, make sure to check out the financial glossary. It will help familiarize you with all the important terms.

Others of you will head right for the calculators. These will help you make financial decisions and put your finances in perspective.

For example, you can see if debt consolidation is right for you. Calculate your net worth. Or, see how 401(k) contributions affect your take-home pay.

There's a lot of information on Bloomberg. I hope you are able to put it to good use and have a prosperous future.

TO VISIT THIS MONTH'S COOL SITE, GO HERE:

www.bloomberg.com

We don't always make the best choices when it comes to food. We may choose unhealthy food over healthier options, or we may buy frozen foods when fresh is best and, sometimes, we choose frozen foods for the sake of convenience.

Make better food choices

But, we may not realize when you're making a bad choice. Real Simple features a couple of tests that will help you make better choices. Start with Should

I Eat This... Or That. You're presented with a series of options and must choose the one that is healthiest. Then, try *Buy It Fresh, Or Buy It Frozen.* Again,

you're presented with a series of options. Simply choose whether to buy fresh or frozen. After you answer a question, you get the answer and an explanation. The tests are fun—and informative!

www.realsimple.com



MARCH 2010



Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3 8:30am Orientation	4	5 8:30am SCAOR Board of Directors	6
7	8 8:30am Affiliate Committee 3:00pm Events & PR Committee	9 2:30pm-3:30pm SCAORHF Meeting	10 12:00pm SCAORHF Fundraising	11	12 8:30am-12:30pm RPA Contract 1:30-3:30pm Legal Update w/ Gov Hutchinson	13
14  Daylight Savings Turn Clocks Ahead 1hr	15 1:00-2:30pm PERKS	16	17 St. Patrick's Day 	18	19 8:30am LGR Committee	20  First Day of Spring!
21	22 SUMMIT 2010 11:30am-2:00pm Seascape Golf Club	23 1:00-4:00pm Professional Standards Committee Training	24 10:00am-1:00pm Red Hot Buyers!	25	26 10:00am Education Committee	27
28 Palm Sunday	29 Passover begins at Sundown	30 Passover	31 8:30am Budget & Finance			

NEW MEMBERS FEBRUARY 2010

REALTOR® Members

Bailey Properties, Inc.
Immanuel Munoz

Coldwell Banker Residential Brokerage
Teri Brager

David Lyng Real Estate
Sara Christiansen

Intero RE Services Harbor Beach
Gerardo Cortes

The Office of Bill Mills, Broker
Bill Mills

Rose Homes & Investments
Kathleen Pasquali

Zip Realty
Haruo "Harry" Ishikawa

Affiliate Members

Farmers Insurance
Janna Clark

Blue Adobe Mortgage
Lisa Mazzei

TRUE STORY

I gave the clerk at the McDonalds take out window a \$5 bill. Our total was \$4.25, so I also handed her a quarter. She said, 'You gave me too much money.'

I said, 'I know, but this way you can just give me a dollar back.' She sighed and went to get the manager who asked me to repeat my request. I did so, and he handed me back the quarter, and said, 'We're sorry but they could not do that kind of thing.'

The clerk then proceeded to give me back \$1 and 75 cents in change. Do not confuse the clerks at McD's.