

STATEMENT OF ROBERT C. HAY
BEFORE THE
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE AND GOVERNMENT
SPONSORED ENTERPRISES
U.S. HOUSE OF REPRESENTATIVES
FIELD HEARING ON POCONOS HOUSING:
THE INVOLVEMENT OF THE SECONDARY MARKETS AND IMPLICATIONS FOR
FEDERAL LEGISLATION
JUNE 14, 2004

Good morning Mr. Chairman and Congressman Kanjorski and members of the House Financial Services Capital Markets Subcommittee. Thank you for the opportunity to present testimony on the very important subject of home buying and achieving the Great American Dream of Homeownership. Let me first recognize your efforts, Congressman Kanjorski, for your leadership in safeguarding the economic viability of the real estate industry by cosponsoring the Community Choice in Real Estate Act, HR 111. Through your leadership, this legislation has garnered 252 cosponsors and will keep large banking conglomerates from engaging in real estate brokerage and management activities. It is time for Congress to act to finalize this legislation.

By way of background, I am a lifelong resident of Monroe County and have been a licensed real estate practitioner for the last 28 years. I have also been a member of the Pennsylvania Association of REALTORS, a statewide trade association representing nearly 29,000 real estate licensees, since 1976. Aside from my activity on the state level of the Association, I participate on the local and national levels as well, serving on various committees and task forces as invited.

Even though I am currently Broker/Owner of a small independent firm, I still work with buyers and sellers on a daily basis. Let me give you a perspective on the home buying process, how we work with buyers, and the various disclosures we must use.

On the first substantial meeting, all real estate licensees must review a "Consumer Notice" (a copy of which is attached and marked as Exhibit "A"). The Consumer Notice educates consumers of real estate about the business relationships that might be available to them and, in effect, puts the consumer on notice to exercise discretion in revealing information to a licensee before a relationship is formed. The consumer is asked to sign the form and licensees must retain a copy in our file pursuant to the Real Estate Licensing and Registration Act (RELRA).

Should a buyer make an inquiry by phone, the licensee can provide a verbal summary, with language dictated by law (Exhibit "B") prior to asking any qualifying questions or answering questions about a specific property.

The second step to the process is establishing a Business Relationship with the buyer. Pennsylvania law specifically authorizes the types of business relationships that a real estate licensee can have with a consumer: seller agency, buyer agency, dual agency, designated agency, and transaction licensee. This disclosure protects the consumer because they know who the agent is representing in the transaction. A Business Relationships Agreement is attached for your reference (Exhibit "C").

After establishing a business relationship with the buyer, we utilize a Multiple Listing Service (MLS) to show buyers homes that meet their criteria currently available on the market, no matter who the properties are listed with. As a REALTOR and a participant of the MLS, we have a unilateral agreement to cooperate with each other. This is very beneficial to both buyers and sellers.

Once a buyer finds a property that they wish to purchase, we enter into an Agreement of Sale (Exhibit “D”), which spells out the price and other terms of the offer. The Agreement is typically subject to a mortgage contingency and various inspections. We are often asked for name of lenders, home inspectors, attorneys, insurance companies, etc. We normally give a few selections to the buyer. Should we have any financial interest in the recommendations we make, we must disclose that fact.

Without walking you through step-by-step, that summarizes the buying process. The real estate market continues to be very strong across Pennsylvania and especially here in this region. Last year, more homes were bought and sold nationally than any previous year in history—that’s more than 6 million existing homes and just over 1 million new homes. There is a great demand for homes with a very limited supply. There is legislation pending in Congress that would increase the supply of affordable housing. That legislation is the Renewing the Dream Tax Credit bill, H.R. 829, which would provide tax credits to developers and investors of affordable housing--housing built or rehabilitated for those individuals and families at or below 80% of the area median income. I thank you for your cosponsorship of this important legislation and hope that Congress will act to make this proposal a reality for millions of Americans who seek to own their own home. This supply and demand has increased home prices for the last several years. With home prices increasing, it helps the homeowner that has minimum equity in their property. There are some, however, that just cannot sell high enough to pay off their debt. This is not limited to the people that just built a home, it applies to many that have re-financed their homes and pulled equity out.

Recently, there have been many discussions of predatory lending, which has no clear definition. This practice needs to be addressed legislatively, but the remedy must be balanced. It must protect the consumer but not hinder some of the sub-prime lending programs that have helped so many buyers who deserve a second chance.

Buying a home is one of the most important purchases an individual will ever make. Before embarking on this course, whether building a new home or buying an existing one, buyers should come to the table prepared. This can easily be done by picking up a home guide magazine or browsing the internet to gain knowledge of market values. Buyers must also take into account consideration of the cost of commuting, not only financially, but mentally and socially.

People move to the Pocono Mountain area primarily for our schools, our environment, the cost of housing and taxes. Even though there have been some that have experienced “Broken Dreams,” thousands have realized their American Dream of Homeownership and have enjoyed a good home-buying experience. These individuals benefit by living in one of the most beautiful places in our great country.

Thank you again for the opportunity to testify and I would be happy to answer any questions.