

**National Home Service Contract Association  
Minutes of Regular Board of Directors Meeting  
Monaco Seattle Hotel  
Seattle, WA  
9:00 AM PST Friday, June 12, 2015**

Attendees:

2-10 Home Buyers Warranty	Michael Bartosch ( <i>NHSCA Vice-President</i> )
American Home Shield	Tom Courtney
Fidelity National Home Warranty	Bill Jensen ( <i>CHSCA President</i> )
First American Home Buyers	Jeff Powell
HMS National/Cross County	Doug Stein ( <i>NHSCA President</i> )
HomeGuard HomeWarranty	Robert Hessling
HSA Home Warranty	Mark Celichowski
Landmark Home Warranty	Alma Jeppson
National Home Guaranteed	Richard Adams ( <i>NHSCA Sec/Treasurer</i> )
Old Republic Home Protection	Lorna Mello ( <i>THSCA President</i> )
OneGuard Home Warranties	Dave Hill
The Warranty Group	Benjamin Cohen

Absent:

Fidelity National Home Warranty	Bill Jensen
Home Warranty of America/Direct Energy	Dennis Donovan
Nations Home Warranty	Sharon Harrison
Old Republic Home Protection	Gwen Gallagher
OneGuard Home Warranties	Scott Smith
Universal Home Protection	James Imhoff

Guest: Ken Trepeta, National Association of Realtors, (Via Teleconference)

Staff: Art Chartrand, Chartrand Legal Management, Regulatory Counsel  
Joy Moore, Chartrand Legal Management  
Nancy Besa, Besa Public Relations

Lobbyists: Mike Belote, California Advocates, CHSCA Lobbyist

**Call to Order – Stein**

President, Doug Stein called the regular board meeting to order at 9:00 AM PST at the conclusion of the annual membership meeting. Roll call was made and the above Board of Directors was present. A quorum was present.

Chartrand reminded members of the monthly calls on the first Thursday of each month at 2:00 PM CST. July call will be waived. Next call is August 6, 2015. On any significant calls, Chartrand will prepare "call summaries" essentially minutes for later adoption.

Chartrand spent some time advising new members and reminding current ones the relative functions of the NHSCA and his law firm, Chartrand Legal Management, Inc. He disclosed that while he represents the NHSCA and also represents members individually, he often is called upon, with NHSCA concurrence, to assist new and emerging companies in the industry by meeting with them under retainer to be in compliance with the state service contract laws. He is mindful of close attention to any potential conflicts, but such have not yet been encountered. If any member ever perceives a potential conflict, they should feel free to raise it.

Chartrand also went through the history and development of the NHSCA and its functions. He stressed that we are a trade group and while competitive, we exist to work on issues we agree on, particularly legislative, *and not focus on* issues we disagree on.

#### **Monthly Teleconference Summaries**

Upon motion by Bartosch and second by Powell, the minutes of Dec 11, 2014 and the monthly summaries of April 2, 2015 and May 7, 2015 were adopted. Minutes of today's meeting will be emailed to members.

#### **Membership**

A contact list of members is in the meeting binder. Any corrections or changes need to be sent to NHSCA office. Chartrand reviewed how membership levels are determined and noted we currently have eight national members (doing business in 16 or more states) one regional member (6-15 states) and six local members. (1-5 states).

Stein welcomed our newest member HomeGuard HomeWarranty. Robert Hessling was in attendance and spoke on behalf of the family owned company. A NHSCA member granite plaque was mailed to them prior to the meeting to display in their lobby.

Moore distributed the 2015-16 member assessment reporting forms to members to return to the staff office by email or fax with any corrections or changes. Members voted two years ago to list each provider so consumers can locate a provider doing business in their respective state. The state status update list is a resource for staff to assess for dues, legislative assessments and to update the website.

Chartrand reminded members NHSCA minutes are no longer available on the website because of a security breach last year and is still reviewing new vendors to handle the NHSCA website. Adding new security to the site may result in some additional web hosting expense. Keeping the website updated and fresh looking is also important.

A "new member letter" has been formally created and is sent out to serious member

candidates. It includes major policies and procedures and high-level information for a company to consider before joining the NHSCA. Largely developed with TWG's suggestion and assistance, this has resulted in a more formal vetting and education process for potential new members. Chartrand encouraged all members to continue to support the data collection of the NHSCA, to do so promptly and with care for accuracy.

In efforts to continue to establish the NHSCA brand and value, staff will once again attend the TAR Expo (Sept. 2) and the NAR Expo. (Nov 13-16). NHSCA member tabletop banners to display at trade shows were offered to members who have not received one yet. Golf towels with the NHSCA logo are given away at the NAR trade show, while towels AND dollar bills (in exchange for a business card) are given away at the TAR Expo. Mello suggested we consider attending the California Association of Realtors (CAR) trade show being held in October this year.

A resolution was passed thanking Stewart Miller for all his terrific work as NHSCA treasurer over the years. A crystal nameplate with his name engraved will be mailed to him in appreciation of his time and talents.

#### **Treasurer's Report – Adams**

Adams reported the association continues to be solvent. The treasurer's report was included in the membership packet. The current balance in the general account is \$84,333.21. (**Attachment A1**) The state fund account is \$70,874.57, which includes the reserve monies. (**Attachment A2**) The Edward D. Jones money market was closed in March 2015 and \$20,587.99 was returned to the state fund account at the First National Bank of Kansas. The reference to a loan amount of \$30,000 from the state fund to the general fund is not noted in the current treasurer's report and will be included in future reporting. Chartrand fully explained that all money is in the same bank and in either the state fund (for lobbying) or general fund for management and general operations. The "reserve fund" is not in a separate account, but maintained as a line item in the state fund. Overall, general dues income *currently* is \$220,800 while expenses from June 2014 to June 2015 were roughly \$210,000. So, we are running a positive \$10,000 margin.

Cohen asked we consider full state fund assessments up front for budgeting purposes. Chartrand indicated that method could be pursued, but thus far the members have preferred assessment "as we go" given the difficulty of determining the amount in advance. Historic state assessment and future state assessments have little correlation. Collecting money as needed, with a reserve has worked well. Other members shared their budget methodology and concluded the current method was preferred for now.

Account status by state for lobbyist assessments was also included in the meeting booklet. (**Attachment A3**)

This year, staff provided a report for members with trending information regarding dues and expenses since the inception of the association in 2004. (**In binder**).

Upon motion by Jeppson and second by Mello, the treasurer's report passed unanimously.

**Official Corporate Business – Chartrand**

The 2014 IRS Form 990 tax return is being prepared by outside accountant; KPMG has filed the proper extension. Staff will provide members an electronic copy of the return once it is filed.

The Association Not for Profit (NFP) Organization Liability Insurance policy with State Farm was renewed at the same rate as last year. A copy of the declaration page and explanation of coverage is included in the meeting booklet.

**National Meeting – Mello**

The site for serious consideration for 2016 meeting is Boston, Marblehead, MA or southern Maine. Mello will survey the members to find out what dates are most desired in June 2016. Further detail to follow.

**Market Data Collection – Gallagher**

The 2014 full year and 2015 Q1 report of participating members is included in the meeting binder.

**Media – Besa**

Besa reported the NHSCA website continues to show steady and strong growth. Complete detail is in the meeting binder report.

**Highlights:**

1. Six press releases have been added to the newsroom on the NHSCA website.
2. Two videos were recorded with Kansas City Live - KSHB TV (NBC) regarding home appliance maintenance and other plumbing tips.
3. Four "You Tube" videos have been added to the NHSCA website. Most notable is the live interview with Art and Kevin O'Connor from This Old House TV show. Chartrand played the video for members at the meeting and it was well received.
4. Millennials and Generation Y are the targeted audience and action plan is to continue using social media outlets. Besa has added expert, Britaney Wehrmeister to her staff to lead efforts on social media.
5. Twitter account @CoverYourHome has 1,122 followers. Besa will be adding an NHSCA Instagram account. We currently have a LinkedIn account which reaches 55 million professionals.
6. Member media contacts for Besa were updated by each member.

New password to access the member log-in is Seahawks@15. The password access is confidential and should not be shared with non-members.

### **Teleconference with Ken Trepeta, National Association of Realtors**

NHSCA survey questions for NAR survey are included in the binder. Trepeta confirmed the questions are still slated to be in the NAR broker survey coming out in next few months.

Trepeta indicated NAR's biggest concern is RESPA enforcement and a recent case he referenced as the 'PHA case' and payment for captive reinsurance agreements. Defendants used prior warranty guidance at HUD to argue their case to defend the arrangements. Ken noted the CFBP and its Director Richard Cordray had been very negative about marketing agreements despite being reminded about prior HUD. CFBP was very dismissive of HUDs opinions on marketing arrangements. Cordray had upped the ALJ decision from a few million to over \$100 million. No one really feels comfortable that even if you followed prior guidance you are safe. Having said that, lending institutions undergoing recent audit have passed muster. So it is a mixed message and great uncertainty. However, Trepeta reminded our members of the *Lighthouse Title* consent order, CFBP case No. 2014 CFBP 0015, where a title company entered marketing services agreements as quid pro quos for the referral of business, and paid fees under the agreements that were based on the amount of business that the other party had referred or would be referred in the future.

In a related action, forty-one house members currently support H.R. 2213 that would provide lenders with a temporary safe harbor from enforcement of the TILA-RESPA integrated disclosure (TRID) rule which is set to take effect on August 1, 2015. Trepeta indicated it would only be nominal relief if passed.

Members offered congratulations Ken on his new position as Executive Director of RESPRO. He vowed to continue to do whatever he can to keep NHSCA in the loop and advocate on our behalf.

### **Old Business**

Chartrand reminded members to respond to consumers when there is a complaint. We are in the service business and proper complaint communication and resolution is key to avoiding costly regulation and legislation.

Compliance Chart – Chartrand reminded members he has emailed the compliance chart (copy in meeting binder) to each member and is requesting they give to their legal staff and have them look at it. Please advise NHSCA staff if there are any errors or changes that need to be made. In addition to the chart in the binder, there is a filing of annual, audited, financial statements. Chartrand suggested members review with their company financial folks. He reminded members California financials are no longer a quarterly filing, effective January 2015 they changed to annually.

### **New Business**

A written concept (Phase 1) of an accreditation program is in the meeting binder. The concept was designed to find a way to isolate "bad actors" in our industry. It is not a best practices standard, rather a minimum standard. It would hold that you need to

perform these basic functions to be accredited. The concept would include teaming up with an outside auditor to certify and be a voluntary program. It may take up to three years to get the audits done. Then, it is a matter of using the accreditation program to give the industry credibility.

Outside auditors contacted are KPMG, Exam Resources, as well as a small local company. KPMG came back with astounding numbers. They indicated preliminary cost up front would be \$5000 and about \$3000 per company onsite audit. They would send one of their people out with Art to certify accreditation.

After significant discussion, member's present agreed to pursue further. Stein commented on Chartrand's proactive advise and commented to the members that he feels this is a project that needs to be pursued to give Chartrand tools to defend and or offset the negative information about service contract industry to the state regulators.

Motion by Stein to develop a working committee be formed to discuss further and to proceed to the next step and a more refined draft (first draft of the actual accreditation is in the meeting binder). The motion included that Chartrand also firm up the potential agreement with KPMG. Seconded by Jeppson. Motion passed unanimously. Staff will set up a call in the next few weeks for the working group. Volunteers for the working committee will include Bartosch, Courtney and Stein.

### **California (CHSCA) – Mike Belote, Lobbyist**

Belote's full report was handed out to each member in the eleven-page binder supplement.

AB 493 – Prohibited retention of a service fee if no repair was made....  
Belote reported the bill was never heard and will be officially dead at the end of January 2016.

AB 613 – Prohibited auto renewal. Bill was amended and would only affect a certain class of business. Did not pass. There is presently no auto renewal legislation in CA.

SB 8- Proposal to extend sales tax on service except on health care and education. Very controversial. Belote indicated he could see a possible ballot initiative on this in 2016.

AB 304 – Employment law clean up bill prior to July 1 - major change in employment law. Mandatory paid sick leave. By July 1 pay stubs have to show accrued and sick leave taken. Controversy on what rate you pay for sick leave, carry over, etc. affects every employer in CA.

Fair Claims Settlement Act – unworkable as applied to service contract industry. DOI is waiting until fall before they meet on this issue.

### **Texas (THSCA) –**

The TAR Conference Expo is in Ft. Worth, Texas on September 2, 2015. Moore indicated more detail to follow via email on the concurrent THSCA meeting set for September 1.

### **Legislative Report – Chartrand**

*(The full June 2015 Legislative/Regulatory Report update is contained in the meeting binder. In addition, the following was mentioned.)*

#### **Texas**

A sales tax settlement is being proposed and written by Chartrand. He is waiting to hear back from the Texas Comptroller. There is no lobbyist in Texas currently. Jeppson motioned and Powell seconded to retain a lobbyist/local counsel for up to \$2000/month starting Sept. 1. Motion approved. There is no member assessment needed at this time. The Texas fund has enough money to cover the ongoing local counsel cost at this time.

#### **Florida**

Chartrand indicated our income tax offset bill failed but recommended we continue the effort in 2016. A vote will be taken later this fall on the regularly scheduled monthly call.

#### **Louisiana**

SB 152 passed to transfer the current law to the Secretary of State. Some transition will be required and the state has indicated a willingness to explore elimination of the claims and financial filings next year. We will need to take a vote later this summer to fund a transitional effort.

#### **Oregon Contractors Board**

Chartrand will attend a meeting next week to attempt to resolve some reporting and registration number issues.

#### **Washington State**

Still trying to get them to say in English what they are trying to do. We have Jim Justin retained in this ongoing effort. The effort has been approved but a new funding assessment will need to be made soon.

#### **State Sales Summary (in meeting binder)**

**Meeting Appreciation Gift** – Nice NHSCA logo zippered hoodies were given to all for the Seattle Ballard Lock's Tour. Extras are available from the NHSCA office.

**Next Meeting Date and Location** – Monthly teleconference August 6 @ 2:00 PM CST.

#### **Motion to Adjourn**

No other business was raised. Upon motion by Jeppson and second by Mello the meeting was adjourned at 12:30 PM PST.

**National Home Service Contract Association  
General Fund Income & Expense**

	<u>Jun 1, '14 - Jun 1, 15</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>Membership Dues</b>	221,000.00
<b>Total Income</b>	221,000.00
<b>Expense</b>	
<b>Association Management Fee</b>	144,000.00
<b>Business Registration Fees</b>	140.00
<b>Contract Services</b>	
<b>Accounting Fees</b>	5,260.00
<b>Other Contract Services</b>	400.00
<b>Public Relations</b>	25,967.00
<b>Total Contract Services</b>	31,627.00
<b>Insurance - Liability, D and O</b>	1,403.00
<b>Internet Services</b>	
<b>Internet Hosting</b>	225.00
<b>Internet Updates</b>	480.00
<b>Total Internet Services</b>	705.00
<b>Meeting Expenses</b>	
<b>Annual Meeting</b>	
2014	5,904.73
2015	2,334.39
<b>Total Annual Meeting</b>	8,239.12
<b>NAR</b>	
2014	4,652.78
2015	3,600.00
<b>Total NAR</b>	8,252.78
<b>TAR</b>	
2014	523.65
<b>Total TAR</b>	523.65
<b>Total Meeting Expenses</b>	17,015.55
<b>Postage &amp; Delivery</b>	87.15
<b>Printing and Copying</b>	503.60
<b>Supplies</b>	92.41
<b>Telephone</b>	125.00
<b>Travel Expense</b>	13,598.45
<b>Total Expense</b>	209,297.16
<b>Net Ordinary Income</b>	11,702.84
<b>Net Income</b>	<b>11,702.84</b>

NHSCA General Fund Balance as of June 1, 2015     **\$84,333.21**

**National Home Service Contract Association  
State Fund Income & Expense**

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	Jun 1, '14 - Jun 1, 15
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Lobbyist Fees Income	122,400.00
<b>Total Income</b>	122,400.00
<b>Expense</b>	
Contract Services	
Other Contract Services	750.00
<b>Total Contract Services</b>	750.00
<b>Lobbyist Fees</b>	
California	27,575.20
Florida	48,110.00
Indiana	3,240.00
Louisiana	38,000.00
Texas	12,500.00
Washington	14,000.00
<b>Total Lobbyist Fees</b>	143,425.20
<b>Meeting Expenses</b>	
TAR	3,277.56
<b>Total Meeting Expenses</b>	3,277.56
Printing and Copying	51.72
<b>Total Expense</b>	147,504.48
<b>Net Ordinary Income</b>	-25,104.48
<b>Net Income</b>	-25,104.48

NHSCA State Fund Balance as of June 1, 2015      \$70,874.57

**National Home Service Contract Association**  
**Status by State for Lobbying Assessments**  
As of May 31, 2015

	May 31, 15
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
<b>NHSCA State Fund Account</b>	
Alaska	-293.48
Arizona	-241.71
Arkansas	430.51
California	-3,641.93
Federal Issues	12,891.21
Florida	1,815.00
Indiana	-3,047.80
Kansas	3,750.01
Louisiana	-10,535.09
Massachusetts	334.02
Missouri	8,377.34
Nevada	3,772.35
New Jersey	6,300.00
North Carolina	-326.84
Oklahoma	-0.02
Pennsylvania	2,538.35
Reserve Fund	25,587.99
Tennessee	900.00
Texas	41,870.30
Virginia	5,626.49
Washington	-14,141.63
Wisconsin	1,475.00
NHSCA State Fund Account - Other	-12,565.50
<b>Total NHSCA State Fund Account</b>	70,874.57
<b>Total Checking/Savings</b>	70,874.57
<b>Total Current Assets</b>	70,874.57
<b>TOTAL ASSETS</b>	<b>70,874.57</b>
<b>LIABILITIES &amp; EQUITY</b>	0.00