

The background of the cover is a photograph of the Tennessee State Capitol building in Nashville. In the foreground, there is a large, ornate fountain with multiple tiers and columns. The sky is dramatic, with dark clouds and a bright, ethereal light source. On the left side, a blue, wind-like spirit with a human face is depicted blowing air towards the center. The title 'TENNESSEE HomeBuilder' is prominently displayed at the top in a large, brown, serif font. Below it, the subtitle 'Official Magazine of the Home Builders Association of Tennessee' is written in a smaller, italicized font. The date 'Nov./Dec. 2010' is in the top right corner. The main title 'HomeBuilder' is in a large, brown, serif font. The subtitle 'Official Magazine of the Home Builders Association of Tennessee' is in a smaller, italicized font. The date 'Nov./Dec. 2010' is in the top right corner. The main title 'HomeBuilder' is in a large, brown, serif font. The subtitle 'Official Magazine of the Home Builders Association of Tennessee' is in a smaller, italicized font. The date 'Nov./Dec. 2010' is in the top right corner.

TENNESSEE HomeBuilder

Nov./Dec. 2010

Official Magazine of the Home Builders Association of Tennessee

The Winds of Change

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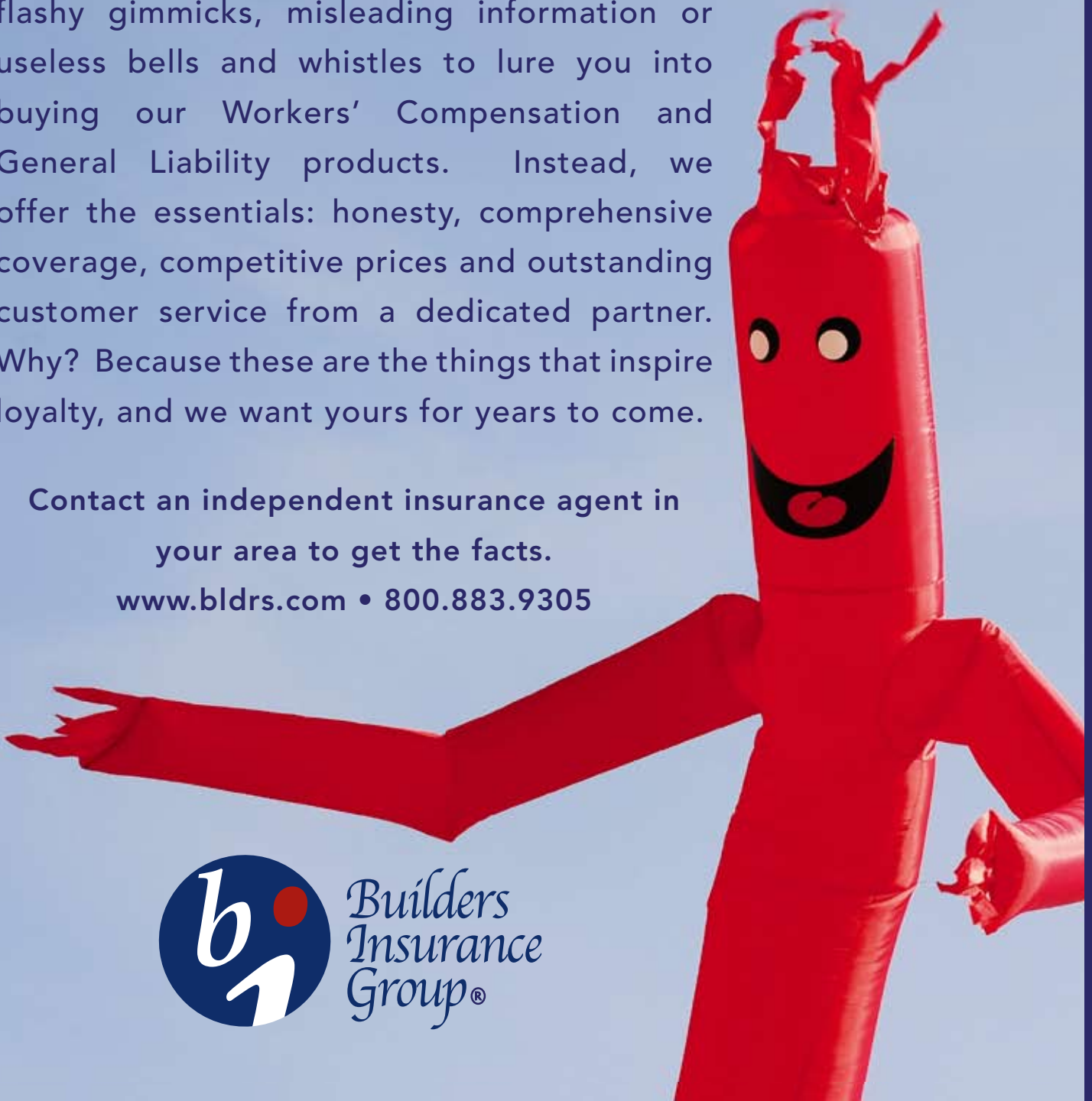
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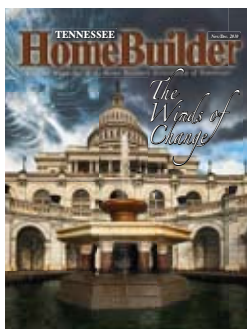
WHO WE ARE

The Home Builders Association of Tennessee (HBAT) is a not-for-profit trade association comprised of professional builders, developers and associated firms engaged directly or indirectly in home building, remodeling and light commercial construction.

MISSION STATEMENT

The Home Builders Association of Tennessee represents over 4,000 member firms as the Voice of the Housing Industry. We advocate housing affordability and availability through:

- Legislation
- Communication
- Education



In this edition of the Tennessee Home Builder, learn more about important builder news, economic trends and legislative issues.

Cover Photo: ©2010 Isaac Santillan. Image from iStockphoto.com.

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PRACTICAL HOUSING & ECONOMIC RECOVERY SOLUTIONS

An Open Letter to the Tennessee Congressional Delegation and the State Legislature: Presented by the Home Builders Association of Tennessee

President's Perspective

Phil Chamberlain
HBAT President



The Home Builders Association of Tennessee (HBAT) would like to offer several suggestions to consider when addressing the current housing market. Although our membership is not certain that the current administration recognizes the importance of housing to our local, state and national economy, we are hopeful that there is an understanding of the significance of housing during any economic recovery. It seems that the current administration's position on housing has been evident through some of their policies that encourage rental housing and make it harder for Americans to purchase homes.

While some sectors of the economy have shown signs of improvement, there have been no signs of recovery to the housing market since the Homebuyer Tax Credit ended on April 30. As home builders, we continue to compete against foreclosures and frequently hear from prospective buyer's that they are not ready to commit to the purchase of a new home, because they have either taken a pay cut or are concerned about the security of their jobs. In addition, we frequently encounter growing families that need to move into a larger home, but cannot because the value of their current home is less than the debt on that home.

In order to responsibly promote a long term economic recovery, we believe that there must be a balance between reasonable restrictions which eliminate poor lending practices, but not overregulate so as to unnecessarily constrict demand. Poor lending practices have led to many of the problems we currently face, but the creation of requirements that eliminate responsible buyers from the market will further restrict the demand for housing and real estate. Undue restrictions on

demand will at best cause stagnation in housing prices or will drive the price of housing even lower. Foreclosed properties and owners of existing homes may be forced to lower their prices, but due to the cost of construction, this is not an option for builders. Thus, overregulation will be more detrimental to construction industry than to any other area of the housing market. Since the construction industry is the segment of the real estate market that creates a significant number of jobs, lower demand through overly restrictive lending practices will not only hamper recovery, but may well drive us deeper into recession.

In our opinion the number one problem for the housing market is the current valuation of homes. Until housing values start to rise again, there is little chance of a housing recovery. This can only be done by increasing the demand for housing. We would like to see changes in policy that will help to increase such demand over an extended period of time while also providing sound lending practices that do not take advantage of Americans. Fortunately, we believe that many of the bad lending practices of the past have gone away.

Banks and mortgage companies have tightened their lending requirements over the last three years. This has significantly changed the types of buyers that we are seeing in our New Home Communities today. Rather than buyers coming into model homes asking for multiple upgrades and the largest homes they can qualify for, buyers are shopping for the best value that fits within their family budget. Often times this includes a smaller home.

One of the biggest problems that has occurred over the last 15 years was the 100 percent Stated Income Loan, where

buyers did not have to show proof of their income when applying for a loan. Surprisingly, banks were approving buyers for these loans with credit scores below 580. In addition to the stated income loan, many buyers were also utilizing other 100 percent and 110 percent loans that were allowing the buyers to qualify with credit scores below 580 and with debt ratios that were too high. The debt ratios were well in excess of 43 percent of one's monthly income. It was not unusual to see qualified buyers with low credit scores with debt ratios as high as 55 percent to 65 percent of their monthly income. Fortunately, this practice did not occur as often through FHA because the highest debt ratio they allow is 43 percent on new homes. The buyers that we see today must adhere to stricter guidelines. The lowest credit score that FHA will accept is 620 and the lowest credit score that Fannie Mae accepts is 660. In addition to the higher scores, today's buyers must qualify with lower debt ratios.

Based on the information in this document and the severity of the current housing market we would ask that you consider the following as you model legislation and housing policy that will provide a more stable housing market in the future:

- 1. Do not increase the down payment requirements that are currently in place for Fannie Mae or FHA.**

The stricter guidelines that have been put in place over the last three years should provide adequate protection for all lenders and the federal government. We are only seeing responsible, credit worthy buyers in today's market. Increasing the amount of the

downpayment required on loans will only reduce the number of buyers in the market and lower the demand. We believe FHA and Fannie Mae can produce data showing that the default rate amongst borrowers from the last two years is significantly lower than the default rate for loans underwritten in the prior five years.

2. Take steps to make sure FHA and Fannie Mae do not raise mortgage insurance premiums anymore than they currently are, and lower them if possible.

Recently FHA reduced the mortgage insurance premium required at closing, and increased the amount due with the monthly payment. This was not the right direction to go, because raising the monthly payment reduced the value of the home the buyer could purchase. In some cases, this reduced the value of the home a buyer can acquire by \$15,000. In essence, since FHA is now the primary source for mortgages in the U.S., they have taken steps to once again lower the value of homes across the country, thereby exacerbating the problem of the declining value of housing. If they had left the original premium in place at closing, this could have been paid by the seller, since the seller could pay up to 6 percent of the buyers closing cost. This may have seemed like a small change to FHA, but this was a huge change when it comes to value of homes in the U.S.

3. Continue to allow Seller's to pay up to six percent of the Buyer's closing cost when closing FHA loans. Also request that Fannie Mae allow the Seller to pay up to six percent of the Buyer's closing costs.

We are not asking that the Seller provide any of the Buyer's downpayments. Often times the six percent is used to buy the rate down, which allows the buyer to purchase a more expensive house without having a

larger payment. This helps housing values increase while also increasing demand.

4. Allow 100 percent financing for buyer's with credit scores in excess of 700 with lower debt ratios.

One example of this type of loan is that banks often give 100 percent loans to medical professionals. The banks will keep these loans on their books because they know these are very good loans. The benefit is that younger doctors coming out of school do not have any money to put down on a house, yet they have the income to support the monthly payment. These loans provide them a means to home ownership with little risk to the bank. Our understanding is these loans have a very low default rate. By increasing the availability of these loans, the demand for housing will go up.

5. Continue to use the Fed to keep interest rates as low as long as possible.

6. Leave the mortgage interest deduction in place.

If the mortgage interest deduction is removed the demand for housing will drop dramatically. All homebuyers are well aware of this deduction.

7. Encourage FHA and Fannie Mae to accept cost based appraisals on new homes.

During the 1970's appraisers followed a standard outlined in the Marshall-Swift Cost record book at a time when the cost of new homes was escalating at a rate faster than the value of homes were increasing. It was common for banks to accept cost based appraisals in place of sales comparison appraisals. This is similar to today's market considering our costs exceed the values that are being determined using the sales

comparison approach in many cases. It is often hard for appraisers to establish a proper value on a new home, because they are being forced to use sales of existing homes as a comparison since some new neighborhoods now have so few new homes being sold anymore.

FHA still accepts the cost approach method today when analyzing multi-family properties they are guaranteeing the financing on. Why won't FHA accept this approach for single family residences? This methodology will help show value in Green built homes. Generally, appraisers are not willing to give any value to Green homes and this would give them a process for showing value in Green built homes.

These are some ideas that we feel will be critical in any legislation that is created to assist the recovery of the housing industry. We would greatly appreciate your considering these items and would like to discuss them further with you if possible.

We appreciate your consideration of this practical approach to the solving problems facing the housing sector today. These are not radical solutions; they are common sense workable ideas that, if adopted will go a long way to getting the American economy back on the road to recovery with little or no cost to the tax payer.

Respectfully,
The Home Builders Association
of Tennessee

The above letter was originally sent by the Memphis Area Home Builders to Senator Bob Corker in response to the Senator's public October Housing Policy discussions. I believe the content of this letter is timely and appropriate for all elected officials to read to gain a better understanding of the housing crisis we are facing and possible solutions.



—Phil Chamberlain,
HBAT President



Executive Officer Outlook

Susan Ritter
HBAT Executive
Vice President



When Sponsorships become Partnerships

To be successful when cooking in the kitchen, you have to have all the right ingredients. This is much the same with the success of your Home Builders Association of Tennessee where sponsorships are one of the most important ingredients in that success.

For many years we have called upon our friends and associates in the building industry to help support the work we do at HBAT through their sponsorship dollars. Without this support, we would have not been as successful in providing the programs and services we do for our members. As we move forward, we want to strengthen this relationship to provide a real value added attitude to opportunities we offer our sponsors. It is not just a matter of accepting sponsorship dollars then forgetting you until the next. We want to give you more and more opportunities to be recognized by the 4,000 members of the Home Builders Association of Tennessee.

Hopefully for those of you that attend our three board meetings each year, we are providing a number of unique ways

for sponsors to gain exposure. That's what it's all about, isn't it? We will continue to look for these opportunities and would encourage input from our sponsors if you have a suggestion for something of interest.

We will continue to highlight our different levels of sponsorship in the coming issues of the Tennessee HomeBuilder magazine as well as provide articles about featured sponsors. We also place sponsor logos and links on the award winning HBAT website. Featured sponsors will appear on each of the web pages and there will be a section on the site where all of our great sponsors will be listed with the ability to hyperlink directly to the sponsors' corporate websites. We feel this will be just another way to help our membership get quick access to their corporate supply and service partners in the industry.

As we begin working with our current and potential sponsors for the coming year, I would encourage you to take a look at the different levels of participation, step up, and strengthen the partnership between

your company and the membership of HBAT. While we all know that the money is an important factor we all likewise are aware that our industry is one that is built on relationships and the stronger those relationships the more beneficial it is to all of us.

If you have interest or any questions about our sponsorship program please contact me at (615) 777-1700 or sritter@hbat.org or Frank M. Harris at (615) 777-1700 fmharris@hbat.org.

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Brenda Sharp, pictured with Phil Chamberlain, announced her retirement after 23 years with Atmos Energy. Atmos Energy is a 10-year sponsor of HBAT.

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The Strong **WINDS OF CHANGE!**

As the 111th Congress reconvened on Nov. 15 in a post-election lame-duck session to complete unfinished business on an omnibus appropriations package funding the government in fiscal year 2011 and to work on extending the expiring Bush tax cuts, lawmakers were already looking ahead to a vastly changed political landscape.

Just four years after the Democrats swept into power in both chambers of Congress, Republicans handily recaptured control of the House and made major gains in the Senate on election night.

With Democrats still in control of the White House and no party anywhere near a 60-vote filibuster-proof majority in the Senate, it remains to be seen if the 112th Congress will be marked by total gridlock or whether the two sides can find room to compromise on the issues of the day.

In any case, NAHB will be reaching out to every member of Congress to educate them about the association's legislative priorities and build bipartisan support wherever possible.

Needing to capture a minimum of 218 House seats to gain control of the chamber, Republicans on Nov. 2 won at least 240 seats, a net gain of 61, with five races remaining undecided. Democrats dropped from 255 House seats prior to the election down to 190 seats.

By a narrow margin of 53 to 47, Senate Democrats remain in power despite losing six seats to Republicans: Rep. John Boozman (Ark.) and Ron Johnson (Wis.) ousted incumbents, while Dan Coats (Ind.), North Dakota Governor John Hoeven, Rep. Mark Kirk (Ill.) and Pat Toomey (Pa.) won open seats.

The GOP's bid to wrest control of the chamber fell short when Senate Majority Leader Harry Reid (D-Nev.) held off a stiff challenge from Republican Sharron Angle and Democrats Chris Coons and Joe Manchin won open seats in Delaware and West Virginia, respectively.

The official tally is 51 Democrats and 47 Republicans, with Independents Joe Lieberman (Conn.) and Bernie Sanders (Vt.) aligning themselves with the Democratic caucus.

In Alaska, Republican incumbent Lisa Murkowski lost her primary bid to challenger Joe Miller and ran for office

in a write-in campaign. Murkowski won the general election against Miller.

Republicans also posted huge gains in the 37 gubernatorial elections, picking up six statehouse seats for a 29 to 19 majority, with one Independent. The outcome in Minnesota has still not been decided. This year's governor's races played an especially important role given the executive control of the states in the 2010 federal redistricting process.

BUILD-PAC, NAHB's political action committee, contributed to 27 Senate races, winning 23 of them for an 85 percent success rate. In the House of Representatives, BUILD-PAC-supported candidates won 286 of 328 races for a winning percentage of 87 percent. BUILD-PAC is also involved in a few races that are still too close to call. Overall, BUILD-PAC won 309 of 355 decisive races, for an 87 percent success rate.

The post-election session of Congress is tentatively scheduled to run this week and during the week of Nov. 29.

AN UNCERTAIN LAME DUCK AGENDA

While funding the federal government and expiring tax cuts are the top priorities, scores of other items may potentially be on the agenda. However, it is often turns out that little gets accomplished in lame duck sessions, particularly when one party wins control of one or both chambers of Congress, as occurred during this election. With political tempers frayed and many Democrats having just lost their jobs, it is uncertain how productive this post-election session will be.

Nevertheless, lawmakers face a mountain of unfinished business. They must choose whether to tackle several contentious issues such as whether to provide a temporary "patch" for the Alternative Minimum Tax, extend a host of popular tax breaks that expired last December but are usually renewed annually, give seniors a special \$250 Social Security payment, extend unemployment benefits and reimburse physician Medicare payments. Action on these and many other outstanding issues may be deferred to the incoming Congress.

Meanwhile, NAHB's top priority is restoring credit for housing production and that will be the association's main focus as the lame duck session of Congress resumes. Shortly before adjourning to campaign for the midterm elections, lawmakers passed legislation that will provide \$30 billion in capital to community banks to expand small business lending. Unfortunately, the fund established under the law does not allow for construction loans to be made to small builders.

Through intensive lobbying and grassroots efforts among the NAHB federation, the House moved rapidly to rectify the

situation. It approved H.R. 6191, legislation that allows small home building firms equal access to the new lending fund. H.R. 6191 was also introduced in the Senate, but the chamber adjourned on Sept. 29 before the bill could come to a vote.

During the lame duck session, NAHB will do all in its power to urge the Senate to approve H.R. 6191 to help the industry rebound, create jobs and move the economy forward.

Looking ahead to the 112th Congress, NAHB will be reaching out to both sides of the political aisle to seek additional solutions to the current lending crisis and urge Congress to call on federal banking regulators to reduce regulatory restrictions on acquisition, development and construction credit and rein in overzealous bank examiners.

THE BREEZE BLOWS IN TENNESSEE

Much as was felt on the national level, great change also swept across Tennessee. The Republican Party picked up a net gain of three in the Tennessee congressional delegation with Scott DesJarlais defeating setting Congressman Lincoln Davis in the 4th District, State Senator Diane Black winning in the seat being vacated by retiring longtime Congressman Bart Gordon in the 6th District and Steven Fincher winning in a hotly contested race to replace the retiring Congressman John Tanner in the 8th District. Chattanooga attorney Chuck Fleischmann won the contest to replace Congressman Zach Wamp in the 3rd District which was vacated when Congressman Wamp chose to run for Governor.

Leaving little doubt as to the makeup of the majority in the State House, Republicans have expanded their numbers to a 64-34 majority with current Speaker Kent Williams being the lone independent. With this majority the Republican caucus has met and selected Rep. Beth Harwell to be their nominee for House Speaker when the General Assembly is called to order in mid January. When elected as is anticipated, Rep. Harwell will serve as the first female Speaker in Tennessee history. The HIPAC had an 86 percent success rate in those candidates we supported for House seats in this election.

In the State Senate the Republicans majority gained one additional seat in the surprise upset of long-term legislator Sen. Doug Jackson (25th District) from Dickson by political novice and Austin Peay State University professor Jim Summerville also a resident of Dickson. In the Senate the HIPAC had a success rate for candidates it supported of approximately 92 percent.

We look forward to working with the incumbents and the newly elected legislators as we all work together to solve the problems and concerns of the small business owners who make up the membership of your HBAT. ♦

GOING FORWARD WITH THE WORK

Legislative Review

*Keith Grant
Chair, Government
Affairs Committee*



Many positive gains were made during the 106th General Assembly but, as with all things, we must go forward and continue to work to improve the state of our industry. With the changes that have occurred as a result of the recently completed election, there will be a renewed effort to educate new and returning state legislators as to the importance of the construction industry to the successful recovery of the economy in Tennessee.

Your Government Affairs Committee and the HBAT Board of Directors have put a great deal of effort into prioritizing the efforts that we wish to accomplish in the upcoming General Assembly. I would like to briefly share with you where we think our efforts should be concentrated.

- We will continue to work towards finding sufficient funding in the state budget for the HomeBuyer Grant Program that was introduced last year. This is viewed as a job creation effort that would allow buyers of new homes to receive \$6,000 in grant dollars to assist them with the

purchase of a new home. In research that we have commissioned we find significant job stimulation generated by the construction of new housing. More jobs, more income, more purchasing, more taxes generated. A true win-win for all.

- Your association is looking at successful legislation from surrounding states to Tennessee that have allowed for establishment of Special Taxing Districts. These special taxing districts allow municipalities the opportunity to establish financing vehicles that encourage new development which, again, would stimulate the new housing market.
- We continue to look for enabling legislation that would allow local taxing authorities alternatives to current property tax regulations. This would allow for lessening of the tax burden for builders and developers on undeveloped or unoccupied properties in the current economic climate we face.

- Efforts continue to be made to work toward finding incentives for home buyers regarding the future of Green Building in our state. We all recognize the need to work together to maximizing the use of our resources but with that often come some front-end cost that in today's market may impose some restriction on new buyers.
- We will be working with the new legislature to address minor corrections to previous legislation that placed some limitations on Owner Financing.

As always, your efforts in helping educate your legislators to the importance of this legislation will be needed more than ever if we are to be successful and we will be asking for your assistance as the 107th General Assembly begins in mid January.

Just as importantly, as an association we need your support of HIPAC (Housing Industry Political Action Committee). We have begun a new program seeking your ongoing support of those legislators who understand and support our industry. I ask that you complete the following form and return it to the HBAT offices to show your support of the efforts of your association.

HIPAC MILLION DOLLAR CLUB

HIPAC • 213 Fifth Avenue North, Suite 200 • Nashville, TN 37219

**TOSHA Standards • Trade Union Licensing Requirements
TDEC Regulations • Foreclosure Deficiency Standards
Worker's Comp Reform • Statewide Model Energy Code**

More and more our industry is being affected by State government. The stronger our voice is in the General Assembly, the stronger we are in fighting unnecessary regulations on residential construction. **A strong PAC strengthens our voice.** Join the million dollar club and help us raise one million dollars over the next ten years.

☐ **YES**, I want to give the home building industry the needed clout to insure strong, pro-housing candidates in Tennessee's General Assembly. I pledge to donate \$100 a year for the next ten years!

Signature

Date

Name (Please Print)

Phone

()

Check One —

- ☐ **My check is included.**
- ☐ **Bill me. (All contributions must be personal, partnerships or LLCs.)**

Home Builder's Association of Tennessee

PAST PRESIDENTS

1960	Carl Grant	Memphis
1961	Albert Morris (Deceased)	Nashville
1962	Bill Close (Deceased)	Chattanooga
1963	Jack Renshaw (Deceased)	Memphis
1964	Howard Cockrum (Deceased)	Knoxville
1965	A.H. Johnson, Sr. (Deceased)	Nashville
1966	Morris Mills	Memphis
1967	Jerry Wood (Deceased)	Knoxville
1968	Louis Close	Chattanooga
1969	Frank Stratton	Nashville
1970	Snowden Boyle, Jr.	Memphis
1971	Rufus Smith, Jr. (Deceased)	Knoxville
1972	Calvin Payne (Deceased)	Chattanooga
1973	A.B. Ivey	Nashville
1974	Richard Bauman	Memphis
1975	J.R. Keys (Deceased)	Knoxville
1976	Coolidge Johnson	Johnson City
1977	Jack Ralston	Chattanooga
1978	Jim Fischer	Nashville
1979	H.B. McAdams (Deceased)	Memphis
1980	Fred Osborne (Deceased)	Chattanooga
1981	David Burleson	Knoxville
1982	Auston Stevison	Cleveland
1983	Gary Skidmore	Johnson City
1984	Jim Ford	Nashville
1985	Curtis Pinegar	Chattanooga
1986	Earl Sharp	Knoxville
1987	Jim Eldredge	Cleveland
1988	McNeill Ayres (Deceased)	Memphis
1989	Jackson Downey	Nashville
1990	Bobby Hicks (Deceased)	Johnson City
1991	Gary Cobble	Knoxville
1992	Gary Taylor	Jackson
1993	Freddie Snell	Murfreesboro
1994	Richard Graf	Knoxville
1995	Brad Rainey	Memphis
1996	Jim Fischer	Nashville
1997	Bill Monaghan	Cleveland
1998	Ricky Williams	Humboldt
1999	Michael Apple	Nashville
2000	Mike Carlton	Knoxville
2001	Ronnie Tickle	Memphis
2002	Dino Roberts	Nashville
2003	Keith Whittington	Johnson City
2004	Charles Morgan	Memphis
2005	James Carbine	Nashville
2006	Tim Neal	Knoxville
2007	David Parsons	Memphis
2008	Denzel Carbine (Deceased)	Nashville
2009	Edward Zarb	Knoxville

AREA PRESIDENTS 2010

Clarksville/Montgomery Co HBA

Alan Burkhart..... (931) 801-3310

Cumberland County HBA

Tracey Melton..... (931) 456-0440

HBA of Dyer County

Kirby Ogden..... (731) 285-1161

HBA of Greater Kingsport

Phil Rickman..... (423) 239-7233

HBA of Greater Knoxville

Tim Neal (865) 579-4666

HBA of Middle TN

David Crane (615) 383-0300

HBA of Southern TN

Barry Payne..... (423) 508-7867

HBA of Upper Cumberland

Mike Phipps (931) 261-2324

Greene County Chapter of NAHB

Ralph Dingus (423) 639-5429

Jackson Area HBA

Tommy Davis..... (901) 855-3558

Johnson City Area HBA

Gerald Thomas..... (423) 477-2114

Maryville/Alcoa HBA

Brad McDougall..... (423) 448-1616

Memphis Area HBA

Tommy Byrnes..... (901) 681-0499

Ocoee Region HBA

Charlotte Jones..... (423) 728-3134

Rutherford Co HBA

Steve Arnold..... (615) 904-8842

Sevier Co HBA

Neal Smith (865) 429-5822

South Central HBA

Steve Woodard (931) 393-3868

Warren Co HBA

Keith Bouldin..... (931) 473-8718



HBAT Annual Awards & Officer Installation

The Home Builders Association of Tennessee recently held their Annual Meeting of the Membership at the Loews Vanderbilt Hotel and presented their annual recognition awards and installed new leadership.

2011 Statewide Leadership

Steve Cates, President

Cates-Kottas Development LLC, Brentwood

Following a career that has included excelling in academics, business management, community and political involvement, the Home Builders Association of Tennessee (HBAT) has chosen Steve Cates of Brentwood to serve as its' 2011 President. Cates as an engineer, builder and developer has served the homebuilding industry since the early 1990s. He has served the HBA of Middle Tennessee in a number of positions including President in 2000 and has lead the HBAT as Chairman of Government Affairs, Vice President/Secretary and Vice President/Treasure before being elected to serve as President. Steve has also served the National Association of Home Builders on the national level in a number of prominent positions including his service as 2009 Chairman of the NAHB BuildPAC, the sixth largest national political action committee. In addition, he has been involved throughout his career in numerous community activities along with continued involvement and support of his alma mater Auburn University.

Mike Stevens, Vice President/Treasurer

Mike Stevens Homes, Inc., Knoxville

Keith Grant, Vice President/Secretary

Grant Homes, LLC, Collierville

Phil Chamberlain, Immediate Past President

Chamberlain & McCreery, Cordova

Jimmy Harkleroad, Associate Vice President

Kiser Supply, Inc., Bluff City

Special recognition was given to two outstanding individuals for their work over the year in their specific field.

BUILDER OF THE YEAR

Mitzi Spann, Spann Builders of Burns, Tenn.

Mitzi is a dedicated and committed volunteer at all three levels of the home builders association—local, state and national. She is a past president of the HBA of Middle Tennessee and was previously chosen HBA of Middle Tennessee Builder of the year and has received multiple Presidents' awards.

ASSOCIATE OF THE YEAR AWARD

Carmen Butner, Southern Stone Surfaces, Nashville, Tenn.

Carmen is a member of HBA of Middle Tennessee in Brentwood and has served as an HBAT Director for six years. Carmen was also chosen HBA of Middle Tennessee Associate of the Year 2009. She is a dedicated volunteer and helped produce the HBA of Middle Tennessee's Flood Relief Forum project, June 2010, after the devastating floods.

The highlight of the evening was the Building Industry of Tennessee Hall of Fame induction ceremony

James Carbine of the Carbine Company

James began his career as a CPA after earning a BSBA from Auburn University. Working and living in Middle Tennessee for more than 20 years, he has built and been involved in the development of more than 3,500 high-quality homes in this area. He served as president of the Home Builders Association of Tennessee in 2005 and 2008, and as a director of the organization for nine years, James was also the president of the HBA of Middle Tennessee in 1999 and has been a dedicated member of that organization for more than eleven years.

Bill King of King Home Builders

As a young man coming of age in the mid 1950's Bill King served his country as a member of the US Army before taking a position with South Central Bell in 1956. He stayed with the company for 12 years until his talented wife and partner Joanne suggest that he "put too much soul into his work to be in the employment of someone else." That was all the push Bill needed to leave the phone company and strike out on his own and soon King Home Builders was born. Bill's superior craftsmanship expertise has made the company a success. Bill has piled up honors and awards over the past 40 years as King Home Builders became one of the most respected and successful custom home builders in Middle Tennessee.

Dan Stern, Sr. of Tennessee Heritage Enterprises

Dan Stern was born of German immigrants in Cleveland, Ohio and following high school he enrolled in Bethesda Bible College and became an ordained minister upon graduation. Soon after, he chose to pursue business opportunities in the concrete industry and quickly formed his company. Building houses seemed a natural extension of their business and was soon running successful concrete and construction operations. By the time Dan moved to Tennessee in 1986 he had shifted his company's entire focus to building homes. Tennessee Heritage Enterprises was born and is still going strong today. Dan has been a leader and mentor to many in the building industry throughout middle Tennessee including his sons who followed him and became residential builders.

The Home Builders Association of Tennessee is a not-for-profit association that provides governmental relations, educational opportunities and functions as the voice of the housing industry in Tennessee. HBAT consists of approximately 3,900 member firms including home builders, light commercial builders, remodelers, material suppliers, sub-contractors, lending institutions, developers, manufacturers, utilities, and Realtors from across Tennessee.



The presidential gavel is passed to 2011 president Steve Cates



Sam Carbine inducts James Carbine into the Hall of Fame



Steve Cates with his parents



Hall of Fame Inductee James and his wife Dewanda (Bo)



Mike Stevens, Keith Grant, Phil Chamberlain and Jimmy Harkleroad are installed as 2011 HBAT Senior Officers.



David Stauffer inducts Bill King into the Hall of Fame



Phil chamberlain presents Mitzi Spann with Builder of the Year



Steve Cates inducts Dan Stern, Sr. into the Hall of Fame



Phil Chamberlain presents Associate of the Year to Carmen Butner



Vicki Schambron is recognized as Honored Associate



Past President Keith Whittington and his wife Linda.



Dennis and Debbie Sewell.



Mike and Marquita Stevens with their son Jon and his wife Sarah.



Associate vice President Nina Boss and her husband Denny



Cheryl and Abe Draper



Keith and Kim Grant with Kim Grant Brown



Builder of the Year Mitzi Spann and her husband Todd.



Kate and Don Glays



Tim and Diane Neal





Phil and Trina Chamberlain



Mike Stevens, Nina Boss, Phil Chamberlain, Susan Ritter and Steve Cates



James Carbine gives out-going President Phil Chamberlain his presidential ring.



Kristen, Bo, James and Elizabeth Carbine



Hall of Fame inductee Bill King and his wife Joann



Paula and David Stauffer



Nina Boss and Carmen Butner



Phil Chamberlain presents Nina Boss with the President's award



Dan Stern and David Crane



Tennessee

HOUSING MARKET

3rd Quarter
2010



Dr. David A. Penn, Director
Business and Economic Research Center
Jennings A. Jones College of Business
Middle Tennessee State University

Economic Overview

Tennessee's economy improved somewhat during the third quarter, as employment gains pushed the unemployment rate down to 9.6 percent from 10.3 percent in the previous quarter. The unemployment remains very high, however, 16th highest among the fifty states.

Initial claims for unemployment insurance fell during the third quarter following a rise in the previous quarter. An important indicator of the future unemployment rate, initial claims averaged 6,800 during the average week, moving closer to the pre-recession level of 6,000 per week.

Payroll employment, however, showed little change in the third quarter. Interestingly, manufacturing continued to show positive job growth in Tennessee, adding 2,400 jobs from the previous quarter. Job growth in the services-providing sectors dipped, however, due to losses in the financial industry and the information sector. Gains in manufacturing and losses in the services sectors is just the opposite of pre-recession trends.

Housing Construction

Single-family home construction activity dropped sharply during the third quarter, falling 19 percent from the previous quarter (Table 1). The third quarter level of 10,100 units is one of the lowest levels since the beginning of the recession. Activity during the previous four quarters had ranged between 12,500 and 13,500 units; the demise of the home buyer's tax credit, growing uncertainty regarding the economic recovery, and very slow job growth are the likely causes of the decline. The South and the United States also experienced decreases during the third quarter, but not as severe as Tennessee.

Multi-family construction activity provides an altogether different picture, with activity 52 percent higher in Tennessee from the previous quarter. Over the year, multi-family permit activity has more than doubled, albeit from very low levels. Re-

ports of higher rents and rental occupancy rates for apartments offers more evidence of increased demand for multi-family housing. The same trend is noticeable for the South and the United States markets, with both areas experiencing large increases from the previous quarter and previous year.

The large upsurge in multi-family permits is sufficient to cause total permits (the sum of single-family and multi-family) to show a gain over-the-year, with Tennessee rising by 5.1 percent. Compare this with over-the-year losses in the South and the United States.

Real Estate Transactions and Mortgages

Tax collections related to real estate transactions declined, down 10.8 percent from the second quarter. The trend of transactions tax collections clearly shows the effects of the home buyer's tax credit, as home buyers rush to buy, followed by a period of reduced activity. The current level of activity is similar to that of the recession low in the first and second quarters of 2009.

By contrast, mortgage tax collections jumped 11 percent during the third quarter, boosted by increased refinancing activity due to lower mortgage rates. Compared with last year, however, mortgage tax collections are still down, declining from the peak in 2006.

Home Sales

Not unexpectedly, home sales dropped to a recession low during the third quarter in the three metropolitan areas tracked by this report, with all three areas experiencing declines of more than 20 percent from the second quarter. Third quarter home sales are now at the lowest level since the beginning of the recession. Lower sales are partly due to the expiration of the tax credit but also likely reflect increased uncertainty and frustration regarding the very slow pace of job growth during this recovery. Home sales may well bounce back a bit in

the fourth quarter, as the market searches for a new equilibrium without the tax credit in the background.

Mortgage Delinquencies and Foreclosures

Mortgages delinquencies and foreclosures present a mixed bag for the third quarter: mortgages past due have increased, but foreclosures started during the quarter are lower for Tennessee. Past due mortgages rose somewhat to 10.88 percent of all mortgages, compared with 10.82 percent for the previous quarter. The continuing high level of past due mortgages is an outcome of high unemployment and slow labor market gains, as more households experience financial stress.

New foreclosures dipped to 0.86 percent of all mortgages in Tennessee from 0.98 percent for the previous quarter, returning to about the same level as in the fourth quarter of 2009. We should take little comfort from this improvement, as it may simply reflect administrative backlogs and slower processing due to questions about the validity of some of the foreclosure processing apparatus.

Home Prices

The price of existing homes continued to decline during the third quarter, but at a slower pace, according to the Housing Price Index computed by the Federal Housing Finance Agency (Table 2). Though the state and most metropolitan areas moved a little closer to price stability, this goal still remains elusive. Of the ten metropolitan areas in Tennessee, eight experienced a slower rate of price decline over the year. For example, home prices dropped 3.9 percent for the state during the third quarter, compared with a 4.6 percent first quarter decline. Only one metropolitan area, the Clarksville MSA, experienced a very modest price increase over the year, up 0.2 percent, and the Johnson City MSA edged very close to price stability, down just 0.3 percent over the year.

Table 1. Permits issued for privately-owned new housing, seasonally adjusted annual rate (thousands).

Quarter	Single-family Permits			Multi-family Permits			Total Permits		
	Tenn.	South	U.S.	Tenn.	South	U.S.	Tenn.	South	U.S.
2007.2	29.3	528.3	1,031.7	5.5	204.3	425.0	34.9	732.7	1,456.7
2007.3	27.0	474.7	916.3	8.1	163.3	398.0	35.1	638.0	1,314.3
2007.4	22.3	414.0	786.0	7.8	175.3	402.3	30.1	589.3	1,188.3
2008.1	18.7	366.3	671.3	5.8	170.0	353.7	24.5	536.3	1,025.0
2008.2	17.4	333.7	633.0	2.2	152.7	428.0	19.6	486.3	1,061.0
2008.3	15.4	283.7	547.7	7.0	162.7	311.0	22.3	446.3	858.7
2008.4	9.9	215.3	417.7	4.6	106.3	221.0	14.5	321.7	638.7
2009.1	10.7	202.7	366.7	2.6	83.0	179.0	13.3	285.7	545.7
2009.2	11.1	222.7	423.7	2.9	67.3	134.0	14.0	290.0	557.7
2009.3	12.6	248.7	478.0	1.9	54.7	122.7	14.6	303.3	600.7
2009.4	13.4	254.0	491.3	2.2	56.3	134.7	15.6	310.3	626.0
2010.1	13.5	270.7	524.7	6.3	57.3	130.0	19.8	328.0	654.7
2010.2	12.6	235.0	447.7	3.4	60.7	141.3	16.0	295.7	589.0
2010.3	10.1	207.0	403.7	5.2	69.3	155.3	15.3	276.3	559.0

Source: Census Bureau.

Table 2. Change in housing prices over the year.

Area	2009.1 – 2010.1	2009.1 – 2010.2	Change
United States	-6.7%	-4.9%	1.8%
Tennessee	-4.6%	-3.9%	0.7%
Chattanooga MSA	-3.3%	-2.7%	0.6%
Clarksville MSA	-0.5%	.02%	0.7%
Cleveland MSA	-3.2%	-3.2%	0.0%
Jackson MSA	-5.8%	-1.2%	4.7%
Johnson City MSA	-1.4%	-.03%	1.1%
Kingsport-Bristol MSA	-1.6%	-1.6%	0.0%
Knoxville MSA	-3.5%	-4.0%	-0.6%
Memphis MSA	-6.4%	-5.4%	1.0%
Morristown MSA	-6.6%	-7.5%	-.09%
Nashville MSA	-4.9%	-3.7%	1.2%
Non-metro Areas of the State	-5.4%	-4.3%	1.1%

Source: Federal Housing Agency, *All Transactions Index*.

Conclusion

On balance, the housing market took a step backward during the third quarter, as single-family home construction and home sales slipped to near the lowest levels since the beginning of the recession. Rising multi-family construction activity takes some

of the sting out of the decline in single-family homes, and home prices showed some improvement. This is a quarter in which the background economic conditions improved, but the particular situation for the housing market did not. ❖

GET TO WORK on a Return-to-Work Program

Like clockwork, you finish one work week; you're back on the job again Monday morning. Think of the employee at home, receiving workers' compensation benefits, who doesn't know which Monday will signal a return-to-work, if ever?

Has your company prepared for that possibility? Can you confidently say that if and when an injury-causing accident occurs, your company will mobilize and help the employee return-to-work as soon as medically approved, saving your company money and protecting the physical, mental, and financial interests of that employee? You can. And it starts with your safety policy.

Set the Stage with your Safety Policy

The purpose of a company safety policy extends beyond injury prevention. If properly designed, it also helps control the cost of an injury, if one occurs. A company who controls its claims costs controls its insurance rates, saving money.

Companies can minimize how claims impact rates by understanding experience rating plans. Those who meet their state's minimum premium threshold become eligible to take advantage of experience rating. A basic insurance rate, used for contractors, such as plumbers or roofers, gets modified based upon that plumber or roofer's loss control initiatives and results. While the calculation of this modifier is complex, generally, it lowers rates for companies without claims and increases rates for those with them. Take charge of the rate increases within your control, related to experience modifiers.

What must your safety policy contain to help control claims costs? It should include an effective post-injury response procedure and a return-to-work program. Management must commit to it, train all supervisors on it, and gain buy-in from every employee. If you don't know where to begin, consult your Builders Mutual Risk Manager to help you build one.

Prepare a Post-Injury Response Procedure

Reach out to your insurance company before a claim occurs. An experienced claims department can assist you in identifying your company's Panel of Physicians. In the event of an injury, direct your employee where to get treatment for non-life threatening emergencies.

Here, require drug testing for every injured employee to avoid potential discrimination suits. If a provider refuses, your claims adjuster should be more than willing to help get a court order. For example, Builders Mutual commits to paying for an injured employee's initial visit and drug screening, regardless of drug test results. So, don't let the fear of a claim denial prevent you from requiring one. They'll even code it so it doesn't negatively impact your experience modifier.

Ensure that a claim gets reported immediately. Let your insurance company investigate and manage treatment to control unnecessary expenditures. Choose an insurance company whose adjusters have manageable case loads for the best service. They'll expedite the closure of claims to keep your costs down.

Rally with a Return-to-Work Program

Plan to regularly communicate with the injured employee. This fends off fears of getting fired, false assumptions of a company's indifferent attitude toward the employee's well-being, and may prevent the injured party from hiring an attorney. Keep lines of communication open.

Time is of the essence! Your experience modifier heavily weights the first \$5,000 of the claim. For minor injuries, adjusters who facilitate quick medical record retrieval may keep a med-pay claim from becoming a costly lost-time claim, too, by getting an employee back to work more quickly.

With a trusted medical provider and insurance adjuster, who understand the physical demands of each position in your company, begin to craft options for the injured employee to return-to-work with modified duties. You may hesitate, considering how you will be paying salary for reduced productivity, however, you could be paying full workers' compensation benefits for no work at all, costing you through your experience modifier in the long run. Workers' compensation benefits will pay for 2/3 of the difference between the modified duty pay and the employee's original salary, which placates the employee and minimally impacts your modifier.

Enlist your adjuster's expertise when extending an offer for modified work duty. Get assistance developing a functional job description. You don't want to push employees into more than they can handle, only to risk new

injuries (causing a second claim that would be even worse for your modifier, since frequency counts more than severity). Just stick to the restrictions in the doctor's disability note. Plus, workers have the right to turn down offers for transitional duties in violation of doctor's note restrictions. Adjusters can advise how to document offers through certified mail.

If the significant impact on your experiencing rating isn't motivation enough for you to consider incorporating a return-to-work program, consider this. Cost-saving isn't limited to insurance rates. It may save in productivity losses, hiring and training costs for temporary replacements, attorneys' fees, and the hassle of litigation. If, in fact, your case goes to trial and you've documented a reasonable offer for modified duty that the employee refused, you've demonstrated cause for the courts to find in favor of discontinuing the injured employee's workers' compensation benefits entirely.

The clock is ticking. Develop your company's return-to-work program. Your commitment will help you control your claims expenses, influence your experience rating, manage your insurance costs, and save you money. Perhaps the biggest payoff comes from your sincere interest in and commitment to your employees' welfare. ♦

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Local, State, and National HAPPENINGS

Remembering Tommy Davis



Tommy and his wife Alice



2009 Builder of Year Picture: President Ed Zarb with Tommy

The homebuilding industry lost a valuable friend on November 4, Tommy Davis. Tommy was a committed member of the Jackson Area HBA for over 20 years. He was also a Life Director of the HBA of Tennessee.

Tommy served as President of the Jackson Area HBA in 1999 and 2010. He was selected as HBA Builder of the

Year in 2009. He served on numerous committees and councils both for the local association as well as the state association. For over 20 years, Tommy missed few meetings, dedicating himself to this association and the industry.

Tommy, a retired Sergeant First Class, was a member that we could count on, devoting hours and hours of his time to make this association better. He was a proud member and rarely did you see Tommy without his flag and hammer pin demonstrating his pride in the industry he so loved.

Please take a moment to thank God for Tommy and ask that He bring his family and friends peace at this difficult time. To say that he will be missed, is not nearly saying enough.

Bill Ayres Tribute



MAHBA President Tommy Byrnes with the Ayres family.

Bill Ayres was president of MAHBA in 1994 and will perhaps be remembered as our most “association” focused president. You could say that he grew up with MAHBA because his father was our president 25 years earlier in 1969. In fact, it was during Billy’s term as MAHBA president that this father, William McNeil Ayres was nominated for induction into the HBA Homebuilders Hall of Fame

Billy helped shape MAHBA into what it is today, especially on the government affairs front. Under his leadership our Government Affairs committee developed tools that we used to rank and rate our legislators—tools that are still effective today.

Billy was always thinking of the future and that was indeed the case when he created the Young Builders Committee. His vision was to bring together the next generation of builders and leaders so that they could be involved not only in emerging building technology, but also so that they developed a sense of belonging in MAHBA.

Billy led by example and always worked unselfishly for the benefit of our association and the community at large. This community, Estival Place, is an example of his service because Billy was largely responsible for the construction of 25 homes in this area.

Recently, MAHBA and MIFA honored the memory of a man who not only led our association in 1994 but whose mentoring influenced many other members who went on to have a positive and lasting impact on the association and the Memphis community at large.

Whirlpool Breaks Ground in Cleveland



At the Whirlpool Groundbreaking. Left to right: State Senator Elect Mike Bell, U.S. Congressman Elect Chuck Fleishman, President ORBA Charlotte Jones, and Mayor Tom Rowland.



Whirlpool broke ground on a \$147 million "Green Facility" in Cleveland, Tennessee, November 11. In Attendance were State Senator Elect Mike Bell, County Mayor Gary Davis, President ORBA Charlotte Jones, State Representative Eric Watson, Whirlpool Plant Leader Dickey Waters, and Mayor Tom Rowland.

Johnson City Area HBA



Johnson City Area HBA Government Affairs Chair Bob Garrett meets with Senator Rusty Crowe to deliver HIPAC dollars to help support his campaign.



Pointer

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Local, State, and National HAPPENINGS

Johnson City Area HBA, Continued—



JCAHBA Executive Officer Jan Shrewsbury meets with Representative David Hawk to deliver HIPAC dollars.



Congressman Phil Roe attends the Johnson City Area HBA membership meeting to provide updates on Washington's efforts to help the building industry.



Sandra and Chuck Henson, Centurion Stone of Appalachia, Diamond Sponsors and members of JCAHBA for several years. They support the Association through participation at meetings and as sponsors and participants of the Home Show, Bob Scott Classic, Installation Gala and website advertising!



JCAHBA President Elect Paul Walton, CAPS, CGP talks with T.J. Tiedeman, City of Johnson City's new Engineering Service Coordinator for the Water & Sewer Services Department.

Memphis Area HBA



When the home building market was really good—remember then?—Memphis HBA, like many others, held in-depth planning retreats, usually taking the entire board, staff, committee chairs and key members out-of-town for two or three days. In order to make the most of such retreats we often hired expensive facilitators and spared no cost to get the job done right.

This year we decided to stay close to home so we booked the Greater Memphis Chamber of Commerce boardroom, had a sandwich lunch brought in and kept the meeting costs to a minimum. While we were very cost conscious and had to manage the retreat on a shoe string budget, we recognized that the one thing we couldn't do without was a seasoned, professional facilitator.



Susan Ritter, HBA Executive Vice-President

We turned to Susan Ritter. Because when the game is on the line, you go to your ace in the bull pen. We needed to get the most from our intensive one day retreat, which meant keeping everyone focused on the task at hand. Susan did that for us. In the end, we came away with a reasonable, logical plan with measureable goals for 2011

—Continued on page 28

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Local, State, and National **HAPPENINGS**

Rutherford County HBA



The Rutherford County HBA honored Brenda Sharp for her 20 years of service to the association. Brenda is retiring next month after being with Consolidated Gas/Atmos energy for 24 years. Above, RCHBA President Steve Arnold & Brenda Sharp give award for the best tent decoration.

HBA of the Upper Cumberland



HBA of the Upper Cumberland Mike Phipps, presenting HIPAC check to Rep. Terri Lynn Weaver.

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1994.....	David T. Burleson	Knoxville
1994.....	James M. Fischer	Nashville
1994.....	Carl J. Grant.....	Memphis
1994.....	Calvin M. Payne	Chattanooga
1994.....	Morris H. Mills	Memphis
1995.....	William McNeill Ayres.....	Memphis
1995.....	Martin L. Bartling, Jr.	Knoxville
1995.....	William B. Close.....	Chattanooga
1995.....	Jack Renshaw.....	Memphis
1996.....	John B. Downey.....	Nashville
1996.....	Lloyd B Lovitt, Jr.	Memphis
1996.....	Henry B McAdams.....	Memphis
1996.....	Curtis L. Pinegar	Chattanooga
1996.....	Rufus H. Smith	Knoxville
1997.....	W. Ralph Chumley.....	Chattanooga
1997.....	Jack Ralston.....	Chattanooga
1997.....	Kemmons Wilson	Memphis
1999.....	Bob Gillespie	Sevierville
1999.....	Jerry Strebel	Nashville
2000.....	James Ford, Sr.....	Nashville
2000.....	Jerry Wood	Knoxville
2001.....	Don Moon	Chattanooga
2001.....	Earl Sharp	Knoxville
2002.....	R.W. "Dick" Graf	Knoxville
2002.....	Bobby Hicks	Johnson City
2003.....	Jerry Gillis.....	Memphis
2003.....	Brad Rainey	Memphis
2004.....	Terrence L. Cobb.....	Nashville
2005.....	Ronnie Tickle.....	Memphis
2005.....	Congressman Jimmy Duncan.....	Knoxville
2006.....	Reese Smith, III	Nashville
2007.....	Congressman Lincoln Davis	Pall Mall
2007.....	Tonya Jones	Nashville
2008.....	David Stauffer	Kingsport
2009.....	Monroe Pointer	Memphis
2009.....	Gary Taylor	Jackson

BUILDING PERMITS

Below are the current, total building permits, as reported by MarketGraphics Research Group, Inc., through October 2010:

Greater Nashville

The Greater Nashville Eleven County Building Permit Summary includes the counties of Davidson, Sumner, Williamson, Wilson, Rutherford, Cheatham, Robertson, Dickson, Maury, Marshall and Bedford. Year-to-date permits for these counties total 3,841.

The Memphis Metro Area

The Memphis Metro Area includes Crittenden, DeSoto, Fayette, Shelby and Tipton counties. Year-to-date permits for these counties total 1,338.

Knoxville Area

The Knoxville Area Building Permit Summary includes the counties of Loudon, Roane, Anderson, Knox, Sevier and Blount. Year-to-date permits for these counties total 1,557.

Montgomery County/Clarksville

The Montgomery County Permit Summary is listed separately. Year-to-date permits total 993.

Metro Chattanooga

The Metro Chattanooga Area Building Permit Summary includes the counties of Bledsoe, Bradley, Catoosa, Hamilton, Marion, Murray, Sequatchie, Walker and Whitfield. Year-to-date permits for these counties total 1,206.

The overall building permits reported so far in 2010 for these regions total 8,875.



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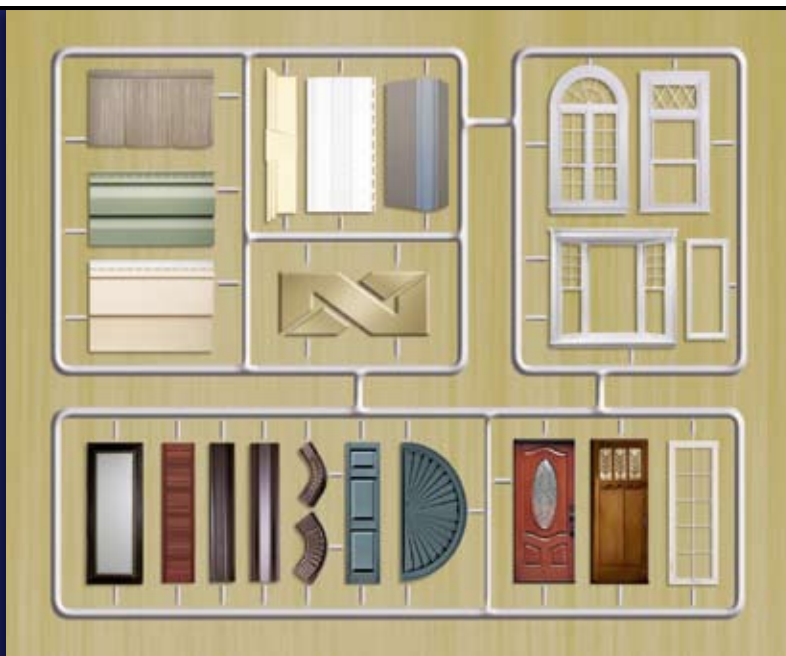
2011 HBAT MEETINGS



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SUMMER MEETING
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