



Housing industry welcomes homebuyer tax credit

By ALAN ZIBEL – 6 days ago

For Gail Robinson, a real estate agent in Connecticut who has seen her business limp along since the stock market plummeted last year, it was the best news in ages.

With Congress considering a new tax credit intended to turn around the battered housing market, she hopes lawmakers have found the long-awaited silver bullet. She was busy Thursday sending out about 200 e-mails to potential clients about federal plans to give buyers a subsidy of up to \$15,000 for all home purchases.

"My whole firm is excited about it," Robinson said. "It could bring in a whole new set of buyers."

The new credit, approved by the Senate Wednesday night, works like this: Buyers would get 10 percent of the purchase price of any home, up to \$15,000, applied to their tax bill.

Consumers would be allowed to spread out the credit over two years, making it possible for those who pay less than \$15,000 in taxes to benefit. Anyone who buys a home within a year of the bill's signature would qualify. To deter speculators, buyers must occupy the house as their main residence for at least two years.

But the tax incentive is likely to be more helpful to buyers in less expensive markets, said Christopher Thornberg, a principal with Beacon Economics in Los Angeles. "Unfortunately, in the places that are most hard-hit, like California, it's going to have less of an impact," he said.

Sen. Johnny Isakson, a Georgia Republican and former real estate agent, introduced the new tax credit as an addition to President Barack Obama's economic stimulus package. It's modeled after a similar measure in the mid-1970s.

The tax credit's cost was originally estimated at about \$19 billion, but a revised estimate requested by Sen. Charles Schumer, D-N.Y., raised the projected to nearly \$36 billion.

A tax break passed last summer provides a \$7,500 credit to first-time homebuyers. But that must be repaid over 15 years, and the impact on home sales has been negligible.

Homebuilders and Realtors argue that dramatic steps are needed to boost the shellshocked housing market. While sales of existing homes rose unexpectedly in December, prices are still falling rapidly. The nationwide median sales price plunged to \$175,400 in December, down 15.3 percent from \$207,000 a year ago, and the lowest since May 2003. Sales of new homes, meanwhile, fell in December to the slowest pace on records dating to 1963.

Lawmakers, at least in the Senate, appear to be falling in line, even as moderates from both political parties worked Thursday to trim as much as \$100 billion from the stimulus legislation and clear the way for its passage as soon as Friday.

With the economy showing fresh signs of weakness Thursday, Obama said: "The time for talk is over. The time for action is now."

But lawmakers faced criticism about aiding homebuyers — and not renters or those made homeless — as the recession worsens.

Sheila Crowley, president of the National Low Income Housing Coalition, questioned the decision to subsidize home purchases when housing prices still remain out of the reach for much of the working class.

"Why would we do something like this now?" Crowley said. "Really, only well-off people are in a position to buy a house."

Buyers will still face tight lending standards, and mortgage rates have climbed since hitting a record low of 4.96 percent last month. The average rate on a 30-year fixed mortgage rose to 5.25 percent this week from 5.1 percent last week, mortgage finance company Freddie Mac said Thursday.

Still, the mood was ebullient at the National Association of Realtors' headquarters in Washington.

"I'm thrilled. It's almost like you asked for the stars and you hit the moon," Charles McMillan, a Texas-based Realtor and the group's president, told reporters. "This is going to be great for the American homebuyer."

Jerry Howard, chief executive of the National Association of Home Builders, which lobbied hard for the tax credit, said it "will put the floor on the downward spiral" in home prices.

Real estate lobbyists are still pressing the government to spend billions to temporarily subsidize lower mortgage rates. They were looking optimistically to Treasury Secretary Timothy Geithner's planned announcement Monday of a new effort to prop up the banking industry and prevent foreclosures.

Mark Zandi, chief economist with Moody's Economy.com, said the homebuyers' tax credit will help reduce a giant pileup of unsold homes that is wreaking havoc on the financial system and broader economy. Since the credit is temporary, it also should help break "the psychology pervading the housing market that it is best to wait to buy a home because its price will soon be lower," Zandi wrote in an e-mail.

By itself, the tax credit won't help prod reluctant buyers off the fence, said real estate broker James Joseph of Whittier, Calif., but it could prove to be the tipping point if combined with other incentives like government subsidies for lower mortgage rates.

"It's one more coin on the scale," he said. "Every bit helps."

Robinson was hoping the potential tax credit could boost attendance this weekend at an open house she's holding at a renovated property with an ocean view. She says it's a steal at \$285,000.

Associated Press Writers Daniel Wagner and David Espo in Washington, and Alex Veiga in Los Angeles contributed to this report.

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