

## Open House: Possible tax credit could bring on more home buyers

by *Jim\_Woodard*

A proposed provision in the planned economic stimulus package would offer a tax credit for home buyers. If enacted, it would help reduce the large amount of new housing inventory currently on the market, according to the National Association of Home Builders.

"It would be particularly helpful to first-time buyers," said Lawrence Yun, chief economist for the National Association of Realtors. "More first-time buyers are creating a chain reaction in the market, allowing more current homeowners to trade up into their next home. A tax credit for first-time buyers could give them a boost in confidence, counteracting their worries of home-price drops to come.

"People will realize that the worst in housing is coming to an end if they see bold measures," Yun added.

The association pointed out that such a plan worked before. In 1975, when inventories were very high, a \$6,000 home-buyer credit brought in a substantial number of buyers - enough for home builders to get back to business.

"The biggest bang for the buck most likely would be provided by a temporary home buyer tax credit," said the association's David Seiders. "Tax credits for the purchase of a home are a means of eliminating excess inventory, relieving pressure on falling housing prices and ending the wait-on-the-sideline strategy some potential buyers have adopted."

The recently enacted Economic Stimulus Act of 2008 could fall short of achieving its intended results because it does not address the problems posed by the housing contraction that are the root of today's economic and financial market problems, Seiders noted.

"Our housing market is now in the contraction phase of the most pronounced housing cycle since the Great Depression. Single-family housing construction starts are already down by 60 percent from their peak at the beginning of 2006 and the bottom is not yet in sight. Congress can, and should, do more," he said.

### FREQUENTLY ASKED QUESTIONS

Q: Is the VA Home Loan Program changing?

A: The VA Home Loan Guarantee Program, designed to provide favorable loan terms for veterans who are unable to qualify for a conventional loan, may indeed be revised soon to offer more veteran benefits. Congress is considering changes.

"The VA program offers unique and important benefits for helping our military families achieve their dream of homeownership," said a spokesman for the National Association of Realtors. "It is our duty as a country to make sure our retired and active duty veterans and their families are given every opportunity to own and keep their home if they have the basic means and desire."

Q: To what extent is the number of senior homeowners growing?

A: The number of households headed by persons over age 55 is growing and will continue to increase. They now make up 20.9 percent of all new home buyers and 24.3 percent of new custom home buyers, according to a study by the National Association of Home Builders.

The good news for home builders is that many of these buyers have accumulated wealth over the years and can pay for new homes by selling their existing homes, the study report noted. However, the vast majority of people age 55 and above tend to be content with their current homes, so the challenge for builders is to develop products that will be attractive enough to lure them away from their established home and into a new one.

Q: Are real estate and mortgage radio programs a good information source?

A: A number of recent inquiries from readers have asked about the selection process in choosing a competent mortgage lender or broker. A good recommendation is very old but still valid: Ask for a reference from a trusted friend, relative or business associate who has recently obtained a mortgage.

Don't act on promotional messages arriving in your mail or heard on radio or TV. Typically, the firms say something like this, "We are the honest lenders who have your best interests at heart. Our competitors are the bad guys who got you into your troubled situation. Call us if you want your problems solved. We're the good guys."

Truly competent, professional lenders and brokers seldom slam their competitors. The most reliable information source comes from someone who has recently had a good experience in obtaining a mortgage - someone who has no monetary incentive in recommending a lender. Don't rely entirely on promotional messages when choosing a mortgage company.

Q: How are mortgage brokers addressing today's problems in their field?

A: An activity agenda for the year has been announced by the National Association of Mortgage Brokers. It's a plan that strongly targets abusive lending practices, addresses the need for mortgage reform, and continues their commitment to financial literacy for consumers.

The group's key policy positions for the year include a call for an independent, government-sponsored study, or investigation of consumer disclosures that may be contributing to or enabling deceptive sales and marketing practices in the mortgage industry. Also it will promote efforts that ensure direct or indirect compensation received by any originator, regardless of distribution channel - to be treated equally and in similar fashion to avoid competitive inequities and consumer confusion.

And the association will support the establishment of a nationwide registry that mandates the inclusion of all loan originators. It would provide tracking controls and strengthen the industry and consumer protection. It supports the establishment of professional standards for all mortgage originators that will mandate minimum pre-employment and continuing education, testing and complete criminal background checks.

Send inquiries to Jim Woodard, P.O. Box 120190, San Diego, CA 92112-0190. Questions may be used in future columns; personal responses should not be expected.

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