



Housing Stimulus Legislation Is Great News for Area Home Buyers

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On July 30, President Bush signed into law what is by far the most important housing legislation this nation has seen in the last 50 years. Passed by Congress with widespread bipartisan support, the landmark housing bill should help restore confidence among prospective home buyers, stop the erosion of home values, provide a lifeline to borrowers facing foreclosure, and help repair an ailing housing finance system.

One important component of the bill is a \$7,500 tax credit for first-time home buyers. This credit is available to anyone who has not owned a home in the last three years and meets certain income requirements. Specifically, singles who earn less than \$75,000 or married couples earning less than \$150,000 qualify for the full credit. It's only available for those who close on a home between April 9, 2008 and June 30, 2009, so you can't wait forever to take advantage of this once-in-a-lifetime opportunity. For details on how the tax credit works, including its refundable character and recapture requirements, go to www.federalhousingtaxcredit.com.

As a home builder, I believe that the stimulative effect of the temporary first-time home buyer tax credit is likely to ripple throughout the entire housing market. For one thing, 40 percent of all home buyers are first-timers. But also, you have to understand that the marketplace functions like a ladder, where someone has to make it onto the bottom rung before someone else can trade up to a bigger, better home on the next rung. So helping first-time buyers should make it easier for everyone to move up a notch.

In addition to the tax credit, another key provision of the new law permanently raises the conforming loan limits for Fannie Mae and Freddie Mac, which account for about 70 percent of all home mortgages being written today. Loan limits are also increased for FHA-insured loans, and that agency's programs are substantially modernized and expanded to allow it to once again play a valuable role in the affordable mortgage market. This last element is especially important since the fallout of the subprime mortgage mess has caused credit for lower-income borrowers to all but evaporate.

Of course, the latest housing legislation is not going to turn around the national housing downturn overnight. But it does represent a critical turning point for all of us, and the promise of a much brighter and healthier marketplace on the horizon.