

# Real Life

## THE MARKETS

*Housing markets can't wait. NAR 2009 President-elect Vicki Cox Golder joined U.S. senators Sherrod Brown, D-Ohio, left, and Jack Reed, D-R.I., to urge swift help for home buyers and home owners at a Capitol Hill news conference the day before Congress passed sweeping economic stimulus legislation.*



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## A Stimulus for Sales

Federal government provides needed incentives.

### LINKS



Search for "stimulus" for details on the latest housing initiatives.

[REALTOR.org/realtormag](http://REALTOR.org/realtormag)

Debbi Burrignt knows just how powerful the home-buyer tax credit can be. Last November, the Portland, Ore., broker of Keller Williams Realty Portland Premiere worked with a customer who took advantage of the credit to buy a house after she introduced the incentive to him. He was the first of three of Burrignt's clients to use the credit at her recommendation—and that was before the federal government improved the program in February as part of its sweeping economic stimulus package. Before the change, the credit was for a maximum of \$7,500 and had to be repaid over 15 years. Today it's for up to \$8,000 and doesn't have to be repaid if borrowers own their house for at least three years. The elimination of the repayment feature is retroactive to the start of this year, but doesn't apply to transactions in 2008.

"The tax credit is really a phenomenal thing," says Burrignt, who promoted the credit heavily last year.

The improvements to the credit, heavily backed

by NAR, as well as the restoration of last year's high-cost conforming and FHA loan limits of \$729,750 (they had dropped to \$625,500 at the start of 2009), promise to be game-changing because they directly address reasons households have been sitting on the fence, says NAR President Charles McMillan.

"These changes are aimed at giving people the tools they need to buy right now," he says.

Burrignt agrees and would like to see the federal government go even further. "I'd love to see the elimination of the repayment feature made retroactive for taxpayers who bought last year," she says.

Sen. Johnny Isakson, R-Ga., the original sponsor of the tax credit and author of a Senate provision that would have increased it to \$15,000, told *The Atlanta Journal-Constitution* in February that he hasn't ruled out additional changes—including making it available to all home buyers.

### BROAD REAL ESTATE FOCUS

The \$8,000 credit and the higher loan limits could result in hundreds of thousands of new buyers and move-up buyers coming into the market this year, says NAR Chief Economist Lawrence Yun.

But these two aspects of the stimulus are just the tip of the iceberg for real estate. The new law includes tens of billions of dollars in other assistance through a variety of programs that impact real estate, such as commercial real estate tax credits and grants for low-income rental housing.

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### MORTGAGE INTEREST DEDUCTION AT RISK

There's one item in the Obama administration's budget proposal that has NAR leaders calling foul. The proposal, unveiled in late February, would cut itemized deductions for high-income households. That would severely impact the mortgage interest deduction and cause a ripple effect throughout housing markets at all price levels. Read NAR Chief Economist Lawrence Yun's take on the proposal and what NAR is doing about it on page 14.

### >>> FORECLOSURE PREVENTION PLAN

Separate from the stimulus package, President Obama has made up to \$200 billion available to shore up investor confidence in the mortgage secondary market and up to \$75 billion in incentives to encourage lenders and borrowers to refinance troubled loans. The effort is critical because of the destabilizing impact of high foreclosures and distressed sales, says NAR.

“When people lose homes to foreclosure, our communities, the housing market, and our economy all suffer,” McMillan says. The plan details include:

- **Help for home owners making their payments but at risk of default.** Home owners with a conforming loan could be eligible to refinance as long as their mortgage doesn't exceed 105 percent of the home's current market value.
- **Help for home owners already in default and in need of loan modification.** For lenders that voluntarily agree to lower a borrower's payment so that it

makes up no more than 38 percent of the borrower's income, the government would share the cost of lowering the mortgage burden further.

- **Doubled resources to Fannie Mae and Freddie Mac.** To encourage investors to buy the secondary market companies' mortgage-backed securities, the government promises to back them to up to \$400 billion, twice the current amount.

Guidelines for the program could be out before April 1. If you're working with borrowers who are having trouble keeping up on their mortgage, tell them to call their mortgage servicer or a HUD-approved nonprofit housing counseling agency.

The stimulus package and foreclosure plan are a good start to solving the nation's economic woes, says NAR 2009 President-elect Vicki Cox Golder. “By helping good people caught in bad mortgages, we're keeping inventory from being added to a market already under stress.” *By Robert Freedman* ■