

SPECIAL
POINTS OF
INTEREST:

- Tax credit for two years
- \$7,000 tax credit
- Eligibility for singles, phases out \$70-\$80k
- Eligibility for joints, phases out \$110-130k

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First-Time Home Buyer Tax Credit.

The current state of the housing market warranted the National Association of Home Builders to push for First Time home buyer tax credit, a proposal that worked considerably well during similar period in 1975. That year, with almost three-year supply of unoccupied houses, Congress came to the rescue with a \$6,000 credit spread over three yearly installments of \$2,000 per year to clear the backlog. This proposal brought buyers into the market, clearing inventories, and doubling production.

The credit is bigger this time, and it has passed both the House and Senate, awaiting reconciliation. The future looks brighter, as we see the stabilization of home prices over the past five months,

bringing in a surge of investors into the market to clear homes marked below even the lower prices currently available. There is still haze in the future as the current sales figure still pales, comparably the lowest in ten years. Moreover, the current credit pressure is forestalling buyers to acquire real estate properties, as tightening of guidelines has made home ownership challenging to buyers with less than excellent credit (higher FICO, lower loan to value ratio and debt to income).

Note that the law is temporary, targeted and timely. It is currently written with the following stipulations;

-\$7,000 payable over two years for eligible first-time homebuyers for a principal

residence.

-First-time home purchases must be completed within one year of the date of enactment.

-The eligibility is phased out for single filers whose adjusted gross income (AGI) is between \$70,000 and \$90,000; while married couples filing a joint return is phased out if their AGI is between \$110,000 and \$130,000.

"We need to encourage prospective buyers to get off the sidelines and into the housing market. ...If we can put some money on the table with a tax credit, it is more likely they will move forward with a purchase," said Senator Cardin, the sponsor of the bill.

-*Al Som-Anyia, MBA, President*

Mortgage Insurers Face Tough Times

I have received several inquiries from especially first-time home buyers as to "what that insurance payment is doing there". Does that protect me if I cannot pay my mortgage?. My answer? "No". It is there for the lenders, and the borrower has to pay it for the lenders' security. This

happens if the buyer puts down less than 20% of the purchase price.

The companies that insure these lenders in case the borrower defaults, as you guessed, are now under immense pressure. The big players here, MGIC, PMI and RDN has seen their stocks

plummet by 52%, 73% and 76% respectively. These companies will likely conclude the year in negative territories.

This is having quite a stir in the mortgage industry, as lenders depend on the existence of these companies to make loans with less than 20% down.

Al Som-Anyia

