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## **THE SPOKESMAN-REVIEW**

### **An \$8,000 gift for many buyers**

#### **Down payment assistance “advance loan” program about to launch in WA State**

*Jeannette Karis, President, Spokane Association of REALTORS®*

Despite the doors it can open for first-time buyers and others, many consumers still don't know about the \$8,000 homebuyer tax credit enacted in early 2009 as a stimulus effort to help qualified buyers purchase a home before December 1 of this year.

Spokane REALTORS® are actively getting the word out to all interested buyers who have not owned a home in the past three years that this is a gift – the \$8,000 does not have to be repaid in most circumstances if the homeowner is purchasing a primary residence and will be living there for at least the next three years. Many Spokane homebuyers are surprised to learn they qualify, and the response has consistently been that it feels “just like winning the lottery!”

And right now, your local REALTORS® are doing even more... Did you know that collectively, the 1,800 active members of the Spokane Association REALTORS® are part of over 20,000 Washington REALTORS® working to create an Advance Loan Program to bring this \$8,000 tax credit to the closing table, to be used as additional down payment assistance?

It has been estimated by the National Association of REALTORS® that the \$8,000 stimulus program will help over one million additional households buy a home this year.

However, just about half of first-time buyers still lack the required down payment, even though they are credit-worthy and meet current lending qualifications to secure the needed FHA mortgage amount. A recent study by the Federal Reserve Board showed that home ownership for people 35 years and younger increased by as much as 43 percent when a primary mortgage was combined with a down-payment assistance loan.

Rather than waiting until the deal is done and the buyer files an amended 2008 tax return or a future 2009 tax return, Washington REALTORS® believe it would better serve today's buyers if the \$8,000 tax credit were a part of the funds available to actually close the deal – and collectively, we are part of the partnership about to make that happen.

A bill is on Governor Gregoire's desk right now, waiting to be signed. An amendment within the State's approved biennial operating budget creates a Tax Credit Advance Loan Program and authorizes the State Treasurer to deposit \$25 million in a financial institution allowing it to open a line of credit to the State Housing Finance Commission to provide the down payment loans. The deposit would not deplete state funds, but would provide liquidity for the financial institution to lend its own funds.

The program is the first of its kind in the nation and has been called a reasonable and important policy by Lawrence Yun, the Chief Economist of the National Association of REALTORS®. The goal of the program is to get the money to buyers efficiently and return the federal refund quickly so that the Housing Finance Commission can turn it around to provide more assistance. The funds may revolve as many as three times before the tax credit expires, reaching up to 9000 first-time homebuyers statewide. These "bridge loans" would expire at the same time as the federal tax credit, on November 30, 2009. All of the bridge loan funds return to the state system by early 2010 to use for capital projects in 2010-11.

Washington REALTORS® are actual stakeholders in the program, putting up \$400,000 as security against the \$25 million in bridge loan funds so that home buyers can "borrow" their \$8,000 at closing, and then repay this short-term loan with their \$8,000 tax credit stimulus payment when they receive it from the IRS.

State Senator Steve Hobbs, who offered the budget amendment, noted that home purchases have a significant impact on the retail and banking sectors of the economy and on state and local coffers. "In this recession we need to find new and innovative ways to stimulate the economy," Hobbs told the Senate Ways and Means Committee. Overall, the housing stimulus is having an impact, but more support for qualified home buyers navigating their way to homeownership this year is necessary.

Here are five key reasons that now is a great time to invest in homeownership in Spokane:

- A bridge-loan for down payment assistance with the \$8,000 tax credit is coming soon from your Washington REALTOR!
- Interest rates remain under 5%; the lowest in over 50 years, allowing buyers 15% more "purchasing power" than when rates were above 6%. This also allows more first-timers to qualify because the total mortgage payment calculation for them is also lower than before.
- Current FHA loan programs require as little as 3.5% of the purchase price for a down payment. The FHA program is gaining market share rapidly as one of the most popular "low down" programs available.
- The \$8,000 tax credit is a gift, and does not have to be repaid if terms are met.
- The median price of homes sold in Spokane County in 2009 remains in the \$172,000 - \$177,000 range.

The real estate market is a potent driver of our state and local economy. Down-payment assistance to our first-time home buyers is believed by many to be the key we need to unlock greater economic activity throughout the state during this recession. According to a study by the Washington Research Council, each home sale by a first-time buyer generates \$11,100 in state and local tax revenue. Every 1,000 home sales generate \$126 million in general economic activity, supporting 711 jobs. Greg Wright, President of the Washington REALTORS, said last month, "This tax credit is new money that we can put to work now to help the housing market and ignite economic action statewide."

Want more facts online? Learn more about the \$8,000 Tax Credit at [www.retradio.com/want8000.php](http://www.retradio.com/want8000.php) and [www.housingmarketfacts.com](http://www.housingmarketfacts.com). Start your home search by viewing current local open houses in all price ranges at **www.SpokaneOpen.com**, the official open house web site of the Spokane Association of REALTORS®.

Ready to buy? Need to use your \$8,000 stimulus money as down payment assistance? Contact your Spokane REALTOR® for details today. They can keep you informed on the status of our statewide Advance Loan Program to bring the \$8,000 to your closing table. But do so today – the \$8,000 tax credit will only be available if your home purchase closes before December 1, 2009.

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