

First-Time Home Buyer Tax Credit for Closing Will Move Market

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Consumers across the country can now take advantage of a Federal Housing Administration program to allow qualified home buyers to apply the \$8,000 tax credit when purchasing a home. FHA will now permit its lenders to provide a short-term bridge loan that will let qualified home buyers use the tax credit to either make a larger downpayment above the FHA required 3.5 percent, cover closing costs, or buy down their interest rate.

“A true housing recovery depends on buyers returning to the market and reducing inventory,” said National Association of Realtors® President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth. “Since many of the homes available are lower priced starter homes, the ability for individuals to use the tax credit at closing should have a meaningful impact on home sales and values and will allow thousands of families to achieve the dream of homeownership.”

Shaun Donovan, secretary of the Department of Housing and Urban Development, announced the change today. In an address to several thousand Realtors® gathered two weeks ago at NAR’s Real Estate Summit: Advancing the U.S. Economy, Donovan announced HUD’s plan to offer the tax credit as downpayment assistance. Donovan detailed the [modifications to that original proposal and announcement](#).

“We all want to enable FHA consumers to access the home buyer tax credit funds when they close on their home loans,” Donovan said. According to Donovan, the FHA’s approved lenders will be permitted to “monetize” the tax credit through short-term bridge loans allowing eligible home buyers to access the funds immediately at the closing table.

NAR has supported monetization of the tax credit, which was part of an Obama administration housing stimulus plan enacted earlier in the year. NAR petitioned HUD to allow home buyers to use the \$8,000 tax credit to help them cover downpayment or closing costs to bring new home buyers to the market and stimulate home sales.

“We think this is a good program; our members have been getting many inquiries from potential buyers about it,” McMillan said. “NAR is pleased that this enhancement has been made to the administration’s housing recovery program. As we have heard before, there can be no economic recovery without a housing recovery. With an abundance of inventory, reduced home prices,

historically low interest rates and now the availability of the tax credit at closing, we expect to see the housing market further stabilize and improve.”