

House Passes Home Buyer Tax Credit Extension. Obama to Sign Friday

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The House of Representatives has voted to pass legislation extending the home buyer tax credit until April 30, 2009.

Last night the Senate voted 98-0 to pass the legislation. Next the bill will head to President Obama to be signed into law on Friday.

While the bill extends the \$8,000 tax credit for first time home buyers, it also makes available a tax credit to homeowners who have lived in their current residence for at least five years. The credit for these buyers will be capped at \$6,500.

Income levels will be extended from the current limits of \$75,000 for a single purchaser and \$150,000 for couples to \$125,000 and \$225,000 respectively. Above those limits there are diminishing credits available.

Housing interests, especially the National Association of Home Builders and the National Association of Realtors, has pushed strongly for the extension and the Obama administration has also lobbied heavily for its passage. However, not everyone was in favor of it.

Some critics have charged that the tax credit has merely moved sales that would have occurred sooner or later to an earlier date and that, when the credit finally does go away, the market will experience another severe downturn. A diametrically opposed opinion would have it that, while 1.4 million claims have been made, few sales were actually inspired by the credit. Others have argued that the current interest rates and low housing prices are enough of an incentive without spending tax money. The extension is expected to cost an estimated \$11 billion on top of the \$10 billion that has been spent to date.

There have also been charges of fraud in the operation of the program. To combat this the new law has some expanded safeguards including a minimum age of 18 for obtaining the credit, a requirement that a settlement statement accompany the tax return claiming the credit and a prohibition on non-arms length transactions.

Another criticism of the extension has been that it ends just as the "spring market" is getting underway. Diane Olick writing for CNBC's RealtyCheck said it "is sort of like offering cheap snow boots in July."

Robert E. Story, Jr., CMB, Chairman of the Mortgage Bankers Association (MBA), today issued the following statement in response to the passage in the U.S. Congress of legislation to extend and expand the homebuyer tax credit.

"At a time when we are finally starting to see some signs of life in the housing and mortgage markets, extending and expanding the homebuyer tax credit is a critical step to keeping the momentum. This has been one of MBA's top single family legislative priorities, and we are very glad to see that policymakers on both sides of the aisle see the importance of this measure.

"The existing credit for first-time homebuyers has helped move a segment of potential homebuyers off the sidelines and into their first homes. By expanding it to qualified existing homeowners, we can help stimulate even more home purchases for qualified buyers. I also want to applaud measures in the bill that will help eliminate fraudulent use of the tax credit."

The Homebuyer Tax Credit is Net Positive, But Not the Universal Solution. [READ MORE](#)

The NAR has released a table that will help with any questions on the updated version of the Home Buyer Tax Credit. [READ MORE](#)