

MORTGAGE LENDING UPDATE

By David Griffin

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This is your last chance

The homebuyer tax credit will soon be a thing of the past. It will only be available on real estate sales contracts dated on or prior to April 30, 2010. The tax credit expires on April 30, 2010, however, home buyers successfully under contract by that day will be able to qualify as long as they complete the purchase on that particular contract within 60 days, or by June 30, 2010. (Homes purchased from a family member or person related to you or your spouse do not qualify.)

If a contract dated April 30th falls through for any reason, the jig is up and you won't get the tax credit. For example, say you do wait until the end of April to put a house under contract and have a home inspection completed on the first day of May. The home inspection reveals significant issues that the seller will not agree to fix. Well, unless you make the repairs, you're in a pickle. You are by then slap out of time to find a substitute house on which to place a new contract.

Please remember that this is the third version (TC3) of a home buyer tax credit which has been in place since mid-2008. Sen. Johnny Isakson, the Georgia Republican who has been a staunch advocate of the credit, promised that this is the "last extension" of the credit. "Tax credits like this only work by creating the sense of urgency to take advantage of it," Sen. Isakson said.

TC3 makes move-up buyers as well as first-time buyers (defined as persons who have not owned a primary residence in the last 3 years) eligible for a credit. The 10% (\$8,000 maximum) first-timer credit available to couples with income up to \$225,000 (or individuals to \$125,000) is supplemented by a 10% (\$6,500 maximum) credit for move-up homeowners who have lived in their current residence for five of the prior eight years.

For homebuyers across the country, TC3 allows more people to qualify for the credit. More than two-thirds of American families own their own home and most earn less than the income limits that have been established within the latest credit. Move-up buyers don't have to sell their current home to qualify for TC3, but the money cannot be used to buy a vacation home.

"It's only for a primary residence," said Regan Lachapelle, a spokeswoman for Sen. Harry Redi (D-Nev.). "In expanding the tax credit, we are helping first-time home buyers, as well as homeowners looking to move up to a new home, but we would exclude from the credit speculators who may have recently purchased a home intending to flip it for a fast profit," said Senator Max Baucus, Democrat of Montana and chairman of the Finance Committee.

While homes that are sold or that cease to be used as a principal residence within three years of the initial purchase are subject to recapture of the tax credit, qualified service members who sell or move from a tax credit home within three years of the initial purchase due to official extended duty are exempt from the recapture rule. In addition, for qualified service members who are ordered on a period of official extended duty, the contract dates are extended for one year. For these home buyers, the tax credit applies to sales with a binding sales contract in place on or before April 30, 2011 and closed by June 30, 2011.

Central Georgia currently has a very good selection of homes in all price ranges. I would suggest that if you're (or you have a friend or relative) in the market and \$8,000 or \$6,500 of free money holds any interest for you that you not wait until the end of April to put a home under contract. I suspect the current inventory of homes available for purchase will get a little picked over by then.

As always, remember that your very first step is to sit down with a local member of the Mortgage Bankers Association of Georgia (mbag.org) or a local member of the Georgia Association of Mortgage Professionals (gamb.org) for prequalification. I wouldn't trust this important financial business to someone you just met on the Internet.

For more details, please visit federalhousingtaxcredit.com.

David Griffin has been financing homes in Macon, Warner Robins and all of Middle Georgia since 1983 and is a member of the Mortgage Bankers Association of Georgia, mbag.org. For an archive of past articles visit mbag.org/ML_Update.htm.(3/17/10)