

Opportunity Knocks For Home Buyers



Homeownership is an important part of the American way of life, and there may never be a better time to buy than today.



An Exceptional Window of Opportunity



For those whose hopes have been dampened or temporarily derailed by the housing downturn and economic recession—the people wondering if this is a good time to buy a home—the answer is simple: Yes. It's a very good time to buy. Today's market, coupled with a tax credit of up to \$8,000 for qualified first-time home buyers and up to \$6,500 for qualified repeat buyers, low mortgage interest rates and ample inventory, provides an unprecedented window of opportunity for prospective home buyers. In fact, there may never be another buyer's market as good as today's.

Time is of the Essence

In its ongoing effort to create jobs and stimulate the economy, Congress has provided outstanding opportunities for home buyers with enactment of a tax credit of up to \$8,000 for qualified first-time home buyers and up to \$6,500 for qualified repeat home buyers. Income limits for receiving the tax credit are \$125,000 for single taxpayers and \$225,000

for married couples. Partial credits are available for individual taxpayers with incomes up to \$145,000 and for married taxpayers with incomes up to \$245,000.

But time is of the essence to take advantage of this exceptional opportunity. Only homes purchased after November 6, 2009 and on or before April 30, 2010 are eligible for these tax credits. However, in cases

Typical Federal Income Tax Savings Through the First Five Years of Homeownership

(Buyers Claiming the First-Time Home Buyer Tax Credit)

FILING STATUS: Married couples filing jointly.

TAX RATES: In effect during calendar year 2010.

INTEREST RATE: Average for 30-year fixed-rate mortgages in 2010. (NAHB forecast)

AVERAGE TAXABLE INCOME: Borrower income minus average personal exemptions and itemized deductions. (Data from IRS Statistics of Income)

Mortgage Amount				
\$300,000			\$ 30,047	\$ 33,741
250,000		\$18,654	25,757	29,451
200,000		16,080	21,467	25,160
180,000	\$13,939	15,050	19,751	23,444
160,000	12,909	14,021	18,034	21,728
140,000	11,880	12,991	16,318	20,012
120,000	10,850	11,961	14,602	18,296
100,000	9,820	10,932	12,886	16,580
80,000	8,791	9,902	11,170	14,864
Borrower Income	60,000	80,000	100,000	150,000
Average Taxable Income	35,937	54,455	74,455	120,247
Interest Rate	5.50%	5.50%	5.50%	5.50%
Marginal Tax Rate	15%	15%	25%	25%

Proportional savings would apply to repeat home buyers claiming a home buyer tax credit.

where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.

Great Selection

An outstanding selection of homes is another reason that it's a good time to buy. An ample inventory provides prospective buyers with a great choice of homes. Many builders have homes that are "move-in ready," and they may offer upgrades or other incentives to seal the deal. Likewise, owners of existing homes who are looking to trade up, downsize or relocate are ready to bargain.

Attractive Pricing

If there's a silver lining to the housing downturn, it's that homes are more affordable. Prices have moderated significantly in many areas, especially in major markets where they



increased the most during the boom that occurred in many parts of the country.

In other areas, prices may not have declined as much, but for the most part, they didn't rise as high or as fast as prices in the hottest markets.

Low Interest Rates

Like inventory and pricing, mortgage interest rates are at favorable levels. But rates can, and do, change quickly.

No one is predicting that rates will suddenly surge upward from today's

near record lows, but rates don't have to go up much for a monthly mortgage payment to increase from comfortable to unaffordable.

And even though interest rates remain low, lenders are looking more closely at borrowers today than in recent years, so prospective buyers might want to consider pre-qualifying for a mortgage to ensure that the purchasing process goes smoothly.

Greener and Better

With energy costs near the top of consumer concerns, it's good to know that new homes today are more energy- and resource-efficient than ever before. Through the use of new materials and construction techniques, today's homes are built twice as energy efficient as new homes a generation ago, making them more affordable to own and operate.

Typical Federal Income Tax Savings Through the First Five Years of Homeownership

(Buyers Who Do Not Claim a Home Buyer Tax Credit)

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250,000		\$10,654	17,757	21,451
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180,000	\$ 5,939	7,050	11,751	15,444
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Benefits for Buyers

Homeownership also provides important benefits to owners and to the nation.

Tax Benefits: For Home Owners Only

Unique tax benefits that apply only to housing also help lower the cost of homeownership. Both mortgage interest and property taxes are deductible. Moreover, profits of up to \$500,000 on the sale of a principal residence (or \$250,000 for a single owner) are excluded from tax on capital gains.

The Power of Leveraging

Leveraging is another advantage of homeownership. A buyer can purchase a home and receive the full benefit of homeownership with a cash downpayment that is only a fraction of the total purchase price. This is called leveraging, and it makes the rate of return on a home purchase much greater than on another purchase with the same value where the buyer must put up the entire price.

For example, if a buyer makes a downpayment of \$15,000 on a

\$200,000 home and the home's value increases to \$205,000 over time, then the home owner's equity (the value of the home minus mortgage debt) has increased from \$15,000 to \$20,000. That's about a 33 percent increase.

Building Personal Resources

For most Americans, homeownership is a primary source of net worth and an important step in accumulating personal wealth over the long term. While property values have declined in some markets, Americans currently have a total of almost \$8 trillion in equity in their homes, and for most families, home equity represents the largest share of net worth.

There Really is No Place Like Home

Despite the positive financial aspects of homeownership, a home cannot be valued in monetary terms alone

because it is so much more than just an investment. Not only can homeownership be a steppingstone to greater financial security, it provides a permanent place to call home and great personal satisfaction.

Academic research shows that homeownership results in a wide range of social benefits. Moreover, benefits aren't limited to individual households. Homeownership strengthens both the nation's people and its communities.

It is truly a cornerstone of the American way of life.

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