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TitleTRACK

Help arrives in extended tax credits

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The housing market received good news last week when both houses of Congress agreed to extend the tax credit for first-time homebuyers as well as add current homeowners in the mix.

The new $24 billion stimulus bill received overwhelming support — included a 98-0 vote on the Senate floor — before it was signed into law by President Obama.

Lawmakers hope that expanding the original incentive to include people who already own/reside in their homes will be enough to start some serious changes in the overall health of the housing market.

The program, which was supposed to end at the end of the month, now will be available through June 2010, as long as the buyer signs a binding contract by April 30, 2010. The bill continues to give first-time homebuyers an $8,000 credit and provides current homeowners a $6,500 tax credit as long as they have lived in their current home for at least five years.

Some real estate insiders also believe the bill is just the foundation needed to restore the housing market to its pre-foreclosure crisis luster.

Since the incentives began in August, 1.4 million first-time homebuyers have qualified. The National Association of Realtors estimates 350,000 of those buyers would not have purchased a home without the credit.

Critics say such incentives only make home buying happen sooner rather than later. They foresee the market's taking a nose dive again when the credit expires.

Another criticism concerns the scheduled placement of the program. The program is scheduled to start right when the spring market gets going. Some argue that will extinguish the momentum in the housing market, which is precisely what the program was meant to help build.

While it remains uncertain whether expansion of the program will be the ultimate solution to the housing crisis; it does get the ball rolling in the right direction. New homeowners will spend money on furniture, paint, appliances and other necessary items, all of which will help to stimulate economic growth. Encouraging timid Americans to invest in an economy that has gone from bad to worse over the past year surely is a necessary step toward financial stability in the U.S.

The major question now seems to be how long interest rates will remain low? Some experts predict rates may drop to the 4 percent mark in 2010. Even though the stimulus plan has helped to stabilize interest rates — and keep the mortgage market functioning — it has done so by increasing our national deficit.

The amount of money the government has been printing also could be a problem. The government has been printing money at an alarming rate to keep the economy flowing. All of this activity points to inflation occurring at some point in the future.

The laws of economics state that an increase in money supply normally produces an increase in the cost of living as well as the cost of goods and services. The high unemployment rate has kept inflationary measures in check to date, but as the job market improves so does the threat of inflation.

What does it all mean to the average homebuyer? The message is simple: Buy now or relatively soon, and take advantage of these opportunities. With the tax credits and low rates in line through the first quarter of 2010, there is no reason to wait.

No one knows how it all will pan out over the next few years so if you're in the market for a new home, now is the time to buy.

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