Deadline nears for home-buyer tax credit

By Stephanie Armour
USA TODAY

Time is fast running out for first-time buyers hoping to get a tax credit of up to $8,000, and real estate agents say they're seeing a marked upswing in interest as the deadline looms.

Real estate groups also are urging Congress to extend the credit beyond its current deadline and expand the tax credit to up to $15,000. Now, buyers must close on their purchase by Nov. 30 to be eligible for the credit.

Home builders and real estate organizations are concerned that letting the tax credit expire could knock the wind out of the current housing recovery. And failing to expand the credit could imperil efforts to get more move-up buyers into the market.

"Right now, the recovery is in the first stage and getting entry-level buyers in, but it's having no impact on the move-up buyer," says Richard Smith, CEO of Realogy, the parent company of Century 21, Coldwell Banker and others. "If we can expand the credit to go after that move-up buyer, we'll be home free."

The tax credit available to first-time home buyers is already linked with an uptick in sales. For the first time in five years, existing home sales have increased for four months in a row, according to an August report by the National Association of Realtors.

Sales rose 7.2 percent in July from June, and pending sales are 5 percent above the pace seen in July of 2008.

Many of those using the tax credit are buying up vacant foreclosed homes. That does little to stimulate sales by those looking to move up to more expensive properties. Getting more move-up buyers into the market is considered the second stage of the housing recovery.

And even though the tax credit doesn't expire until Nov. 30, today's home purchases take 45 to 60 days to close as the underwriting and appraisal process is taking longer because lenders are being more cautious.

That means offers that will benefit from the tax credit really need to be in this or early next month.

"Buyers have more of a sense of urgency," says Tony Middleton, a Realtor in Los Angeles with ZipRealty, of the expiring tax credit. "They're serious about shopping for a home."

There is legislation in both the Senate and the House that would expand the tax credit. A proposal by Sen. Johnny Isakson, R-Ga., would raise the credit amount to a maximum of $15,000 for any buyer of any home over the next year. It would remove the income caps that currently apply (those limits are now $75,000 for an individual and $150,000 on couples).



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First-time home buyers are rushing to take advantage of a tax credit that will expire Nov. 30.