Homebuyers get more time to close

Purchasers with signed contracts will get extra 3 months in order to get tax credit

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Homebuyers have been given more time to close on their home so they can access a federal tax credit.

Congress sent President Obama a plan to give homebuyers an extra three months to finish qualifying for federal tax incentives that boosted home sales this spring. The House approved the measure on Tuesday and the Senate approved it Wednesday night. Obama is expected to sign it.

The legislation gives buyers until Sept. 30 to complete their purchases and qualify for tax credits of up to $8,000. Under the original terms, buyers had until April 30 to get a signed sales contract and until June 30 to complete the sale.

The bill only allows people who already have signed contracts to finish at the later date.

Congress also approved the National Flood Insurance Program, which buyers need to qualify for a mortgage for a home located in a flood zone.

About 180,000 buyers needed the tax credit extension, the National Association of Realtors estimated.

A lot of the holdups came from the mortgage approval process. Lenders were inundated with buyers rushing to close

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their sale and qualify for the tax credit.

Nick Sabatine, chief executive officer of the Greater Greenville Association of Realtors, said the new extension is not going to change sales because buyers won't be able to put a house under contract now and still get the tax credit.

The extension applies solely to the closing date, not the tax credit program itself.

The National Association of Realtors, which worked with Congress to extend the deadline, said the number of homebuyers who have qualified for the tax credit and met the contract deadline, but would not be able to close by June 30, could exceed 180,000.

Sabatine said a lot of the mortgage processing has been delayed by appraisals or credit checks being late. And, he said, even though the house may be under contract, "there may be issues with home inspections and that kind of thing that's delaying the closing date."

The NAR said about one third of qualified applicants have been notified by lenders that their mortgages will not close before June 30 due to the volume of applications.