New homebuyers rush to lock up tax credit



GWINN DAVIS / Staff

Rosa Looney, who hopes to close soon on this Simpsonville area house, is on her way to meeting the April 30 deadline for the first-time homebuyer tax credit after getting the bank signature she needed to make the contract official.

Tax credit basics

- Qualified first-time homebuyers and repeat buyers have to purchase a home by April 30 and close on it before July 1 to take advantage of up to $8,000 (first-time buyers) or up to $6,500 (repeat buyers) in tax credits.
- Equal to 10 percent of purchase price up to $8,000.
- The tax credit does not have to be repaid.

To qualify

- First-time buyers, who have not owned a principal residence during the past three years.
- Single income up to $75,000, married incomes up to $150,000.
- Purchase price of $80,000 plus.

You can't take the credit if

- Buy from a relative.
- Not principal residence.
- Sell before the end of the year.
- Nonresident alien.

How to apply

- Credit is claimed on IRS Form 5405.

Source: National Association of Home Builders, IRS

Deadline for incentive may be behind surge in contracts

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Thirty-year-old Rosa Looney just cleared a hurdle that other first-time homeowners may try to overcome before April 30.

The Wofford professor of military science just got the signature she needed to secure a contract for the Simpsonville area home she wants to buy, helping her to beat one looming deadline for access to the first-time homebuyer tax credit.

Qualified first-time homebuyers and repeat buyers have to purchase a home by April 30 and close on it before July 1 to take advantage of up to $8,000 (first-time buyers) or up to $6,500 (repeat buyers) in tax credits.

The National Association of Realtors attributes a surge in pending home sales to that tax credit.

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The Pending Home Sales Index, a forward-looking indicator based on contracts signed in February, rose 8.2 percent to 97.6 from a downwardly revised 90.2 in January, and remains 17.3 percent above February 2009 when it was 83.2, the national association said.

"Anecdotally, we're hearing about a rise of activity in recent weeks with ongoing reports of multiple offers in more markets, so the March data could demonstrate additional improvement from buyers responding to the tax credit," said Lawrence Yun, the association's chief economist.

Nick Sabatine, chief executive officer of the Greater Greenville Association of Realtors, said he is hearing from a lot of association members and mortgage lenders that business is picking up and that they are swamped.

"A lot of it is first-time buyers but their houses are probably under contract by now," he said.

Clemson graduates Nathan Search and his fiancée, Alison Poteat, are among the exceptions.

They are still house shopping. They started the hunt in February, after becoming engaged in January.

"It's been a fun but somewhat stressful experience. It's hard trying to find what we want and balancing that with the amount we can afford," said Search, who works at Synnex Corp. "We have not yet put an offer in on a house but we have narrowed it down to only a few and are planning to make an official offer very soon."

Looney's house search, which was "everywhere and everything," spanned at least eight months.

"With the tax credit deadline coming up soon, I had to go ahead and pick something," she said. "I found one that I actually liked so I went ahead and got it."

Looney said although there was a lot of pressure to try to find a house to get that tax credit, "It's a good thing because with an $8,000 rebate you're able to get more for your home."

Sabatine said a lot of real estate agents are educating buyers that it is sometimes taking longer than 60 days to close.

Greater Greenville home sales for April won't be released until next month, but Sabatine said he is expecting a normal increase in sales.

"It's hard trying to find what we want and balancing that with the amount we can afford."

Nathan Search, homebuyer